UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022 or

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

For the transition period from ______ to ______

Commission File Number: 001-38149

RBB BANCORP

(Exact name of registrant as specified in its charter)

California **(State or other jurisdiction of Incorporation or organization)**	**27-2776416** **(I.R.S. Employer Identification No.)**
1055 Wilshire Blvd., Suite 1200, **Los Angeles, California** **(Address of principal executive offices)**	**90017** **(Zip Code)**

(213) 627-9888
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, No Par Value	RBB	NASDAQ Global Select Market

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 (Section 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 emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

Number of shares of common stock of the registrant: 19,191,761 outstanding as of May 4, 2022.

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PART I - FINANCIAL INFORMATION (UNAUDITED)

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022 (UNAUDITED) AND DECEMBER 31, 2021 (AUDITED)
(In thousands, except share amounts)

	March 31, 2022	December 31, 2021
Assets		
Cash and due from banks	$ 149,767	$ 501,372
Federal funds sold and other cash equivalents	200,000	193,000
Cash and cash equivalents	349,767	694,372
Interest-earning deposits in other financial institutions	600	600
Securities:		
Available for sale	420,448	368,260
Held to maturity (fair value of $6,292 and $6,577 at March 31, 2022 and December 31, 2021, respectively)	6,246	6,252
Mortgage loans held for sale	3,572	5,957
Loans held for investment:		
Real estate	2,633,681	2,560,465
Commercial and other	376,786	375,684
Total loans	3,010,467	2,936,149
Unaccreted discount on acquired loans	(1,461)	(1,727)
Deferred loan fees, net	(2,522)	(3,072)
Total loans, net of deferred loan fees and unaccreted discounts on acquired loans	3,006,484	2,931,350
Allowance for loan losses	(33,292)	(32,912)
Net loans	2,973,192	2,898,438
Premises and equipment	27,455	27,199
Federal Home Loan Bank (FHLB) stock	15,000	15,000
Equity Securities	19,977	19,992
Other real estate owned (OREO)	293	293
Cash surrender value of life insurance (BOLI)	56,313	55,988
Goodwill	71,498	69,243
Servicing assets	11,048	11,517
Core deposit intangibles	4,525	4,075
Right-of-use assets- operating leases	22,451	22,454
Accrued interest and other assets	31,184	28,554
Total assets	$ 4,013,569	$ 4,228,194

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022 (UNAUDITED) AND DECEMBER 31, 2021 (AUDITED) (CONTINUED)
(In thousands, except share amounts)

	March 31, 2022	December 31, 2021
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	$ 1,159,703	$ 1,291,484
Savings, NOW and money market accounts	885,050	927,609
Time deposits $250,000 and under	570,274	587,940
Time deposits over $250,000	553,226	578,499
Total deposits	3,168,253	3,385,532
Reserve for unfunded commitments	1,186	1,203
FHLB advances	150,000	150,000
Long-term debt, net of debt issuance costs	173,152	173,007
Subordinated debentures	14,556	14,502
Lease liabilities - operating leases	23,314	23,282
Accrued interest and other liabilities	18,283	13,985
Total liabilities	3,548,744	3,761,511
Commitments and contingencies - Note 13	—	—
Shareholders' equity:		
Preferred Stock - 100,000,000 shares authorized, no par value; none outstanding	—	—
Common Stock - 100,000,000 shares authorized, no par value; 19,247,970 shares issued and outstanding at March 31, 2022 and 19,455,544 shares issues and outstanding at December 31, 2021	279,836	282,335
Additional paid-in capital	4,392	4,603
Retained earnings	190,849	181,329
Non-controlling interest	72	72
Accumulated other comprehensive loss, net	(10,324)	(1,656)
Total shareholders' equity	464,825	466,683
Total liabilities and shareholders' equity	$ 4,013,569	$ 4,228,194

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME – (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(In thousands, except per share amounts)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Interest and dividend income:		
Interest and fees on loans	$ 37,886	$ 34,516
Interest on interest-earning deposits	171	48
Interest on investment securities	1,007	627
Dividend income on FHLB stock	227	192
Interest on federal funds sold and other	275	157
Total interest income	39,566	35,540
Interest expense:		
Interest on savings deposits, now and money market accounts	718	698
Interest on time deposits	1,574	2,964
Interest on subordinated debentures and long-term debt	2,348	1,958
Interest on other borrowed funds	435	435
Total interest expense	5,075	6,055
Net interest income	34,491	29,485
Provision for loan losses	366	1,500
Net interest income after provision for loan losses	34,125	27,985
Noninterest income:		
Service charges, fees and other	1,121	1,415
Gain on sale of loans	1,174	3,841
Loan servicing fees, net of amortization	432	246
Unrealized loss on equity investments	—	(20)
(Loss) gain on derivatives	(108)	225
Increase in cash surrender value of life insurance	325	187
	2,944	5,894
Noninterest expense:		
Salaries and employee benefits	9,369	9,242
Occupancy and equipment expenses	2,206	2,242
Data processing	1,258	1,440
Legal and professional	1,006	805
Office expenses	293	255
Marketing and business promotion	307	184
Insurance and regulatory assessments	441	348
Core deposit premium	279	301
OREO expenses	8	5
Merger expenses	37	42
Other expenses	857	928
	16,061	15,792
Income before income taxes	21,008	18,087
Income tax expense	6,391	5,631
Net income	$ 14,617	$ 12,456
Net income per share		
Basic	$ 0.75	$ 0.64
Diluted	0.74	0.63
Cash dividends declared per common share	0.14	0.12

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(In thousands)

	Three Months Ended March 31,	
	2022	**2021**
Net income	$ 14,617	$ 12,456
Other comprehensive loss:		
Unrealized losses on securities available for sale:		
Change in unrealized losses	(12,557)	(1,816)
Reclassification of gains recognized in net income	—	—
	(12,557)	(1,816)
Related income tax effect:		
Change in unrealized losses	3,889	537
Reclassification of gains recognized in net income	—	—
	3,889	537
Total other comprehensive loss	(8,668)	(1,279)
Total comprehensive income	$ 5,949	$ 11,177

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(In thousands, except share amounts)

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Non-Controlling Interest	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2021	19,455,544	$ 282,335	$ 4,603	$ 181,329	$ 72	$ (1,656)	$ 466,683
Net income	—	—	—	14,617	—	—	14,617
Stock-based compensation	—	—	257	—	—	—	257
Restricted stock vested	—	355	(355)	—	—	—	—
Cash dividend	—	—	—	(2,724)	—	—	(2,724)
Stock options exercised, net of expense recognized	25,763	507	(113)	—	—	—	394
Repurchase of common stock	(233,337)	(3,361)	—	(2,373)	—	—	(5,734)
Other comprehensive loss, net of taxes	—	—	—	—	—	(8,668)	(8,668)
Balance at March 31, 2022	19,247,970	$ 279,836	$ 4,392	$ 190,849	$ 72	$ (10,324)	$ 464,825
Balance at December 31, 2020	19,565,921	$ 284,261	$ 4,932	$ 138,094	$ 72	$ 1,129	$ 428,488
Net income	—	—	—	12,456	—	—	12,456
Stock-based compensation	—	—	287	—	—	—	287
Restricted stock granted	60,000	—	—	—	—	—	—
Cash dividend	—	—	—	(2,347)	—	—	(2,347)
Stock options exercised, net of expense recognized	32,289	464	(124)	—	—	—	340
Repurchase of common stock	(129,961)	(1,880)	—	(397)	—	—	(2,277)
Other comprehensive loss, net of taxes	—	—	—	—	—	(1,279)	(1,279)
Balance at March 31, 2021	19,528,249	$ 282,845	$ 5,095	$ 147,806	$ 72	$ (150)	$ 435,668

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

RBB BANCORP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS – (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(In thousands)

	Three Months Ended March 31, 2022	2021
Operating activities		
Net income	$ 14,617	$ 12,456
Adjustments to reconcile net income to net cash from Operating activities:		
Depreciation and amortization of premises and equipment	494	500
Net accretion of securities, loans, deposits, and other	(70)	(391)
Unrealized loss on equity securities	—	20
Amortization of investment in affordable housing tax credits	255	259
Amortization of intangible assets	1,210	1,707
Amortization of right-of-use asset	1,290	1,314
Change in operating lease liabilities	(1,256)	(1,257)
Provision for loan losses	366	1,500
Stock-based compensation	257	287
Deferred tax expense (benefit)	(244)	(880)
Gain on sale of loans	(1,174)	(3,841)
Increase in cash surrender value of life insurance	(325)	(187)
Loans originated and purchased for sale, net	(24,015)	(68,236)
Proceeds from loans sold	36,271	136,866
Other items	5,480	29,129
Net cash provided by operating activities	33,156	109,246
Investing activities		
Securities available for sale:		
Purchases	(185,335)	(176,164)
Maturities, prepayments and calls	120,537	103,620
Securities held to maturity:		
Maturities, prepayments and calls	—	500
Purchase of other equity securities, net	16	12
Net increase of investment in qualified affordable housing projects	(3)	(309)
Net increase in loans	(76,643)	(61,207)
Net cash received in connection with a branch purchase	71,352	—
Purchases of premises and equipment	(725)	(478)
Net cash used in investing activities	(70,801)	(134,026)
Financing activities		
Net (decrease) increase in demand deposits and savings accounts	(256,038)	230,636
Net decrease in time deposits	(42,858)	(44,407)
Cash dividends paid	(2,724)	(2,347)
Redemption of subordinated debentures	—	(50,000)
Issuance of subordinated debentures, net of issuance costs	—	118,111
Common stock repurchased, net of repurchased costs	(5,734)	(2,277)
Exercise of stock options	394	340
Net cash (used in) provided by financing activities	(306,960)	250,056
Net (decrease) increase in cash and cash equivalents	(344,605)	225,276
Cash and cash equivalents at beginning of period	694,372	194,654
Cash and cash equivalents at end of period	$ 349,767	$ 419,930
Supplemental disclosure of cash flow information		
Cash paid during the period:		
Interest paid	$ 3,020	$ 5,298
Taxes refunded	(125)	—
Non-cash investing and financing activities:		
Loans transfer to held for sale, net	8,697	52,771
Additions to servicing assets	462	705
Net change in unrealized holding gain on securities available for sale	(12,557)	(1,816)
Recognition of operating lease right-of-use assets	(1,287)	(26,814)
Recognition of operating lease liabilities	1,287	26,814
Acquisition - Refer to Note 3		

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

RBB BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)

NOTE 1 - BUSINESS DESCRIPTION

RBB Bancorp (“RBB”) is a financial holding company registered under the Bank Holding Company Act of 1956, as amended. RBB Bancorp’s principal business is to serve as the holding company for its wholly-owned banking subsidiaries, Royal Business Bank ("Bank") and RBB Asset Management Company ("RAM"), collectively referred to herein as "the Company". RAM was formed to hold and manage problem assets acquired in business combinations.

At March 31, 2022, the Company had total consolidated assets of $4.0 billion, gross consolidated loans (held for investment and held for sale) of $3.0 billion, total consolidated deposits of $3.2 billion and total consolidated stockholders' equity of $464.8 million. RBB’s common stock trades on the Nasdaq Global Select Market under the symbol “RBB”.

The Bank provides business-banking services to the Chinese-American communities in Los Angeles County, Orange County and Ventura County in California, in Las Vegas, Nevada, the New York City, New York metropolitan area, including Edison, New Jersey, Chicago, Illinois, and Honolulu, Hawaii. Specific services include remote deposit, E-banking, mobile banking, commercial and investor real estate loans, business loans and lines of credit, Small Business Administration (“SBA”) 7A and 504 loans, mortgage loans, trade finance and a full range of depository accounts. The Bank closed its acquisition of the Honolulu, Hawaii branch from Bank of the Orient ("BOTO") on January 14, 2022.

The Company operates full-service banking offices in Arcadia, Cerritos, Diamond Bar, Irvine, Los Angeles, Monterey Park, Oxnard, Rowland Heights, San Gabriel, Silver Lake, Torrance, and Westlake Village, California; Las Vegas, Nevada; Manhattan, Brooklyn, Flushing, and Elmhurst, New York; the Chinatown and Bridgeport neighborhoods of Chicago, Illinois; Edison, New Jersey; and Honolulu, Hawaii. The Company’s primary source of revenue is providing loans to customers, who are predominantly small and middle-market businesses and individuals. On May 2, 2022 we opened our Bensonhurst branch on 86th Street in Brooklyn, New York.

The Company generates its revenue primarily from interest received on loans and leases and, to a lesser extent, from interest received on investment securities. The Company also derives income from noninterest sources, such as fees received in connection with various lending and deposit services, loan servicing, gain on sales of loans and wealth management services. The Company’s principal expenses include interest expense on deposits and subordinated debentures, and operating expenses, such as salaries and employee benefits, occupancy and equipment, data processing, and income tax expense.

The Company has completed six whole bank acquisitions from July 2011 through January 2022. All of the Company’s acquisitions have been accounted for using the acquisition method of accounting and, accordingly, the operating results of the acquired entities have been included in the consolidated financial statements from their respective acquisition dates. The Company announced the agreement to acquire Gateway Bank F.S.B., and believes the transaction will close in the fourth quarter of 2022.

The Board of Governors of the Federal Reserve System (“Federal Reserve”) announced the reduction of the reserve requirement ratio to zero percent across all deposit tiers, effective March 26, 2020. Depository institutions that were required to maintain deposits in a Federal Reserve bank account to satisfy reserve requirements will no longer be required to do so, and can use the additional liquidity to lend to individuals and businesses. The Federal Reserve has indicated that it may adjust reserve requirement ratios in the future if conditions warrant.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements and notes thereto of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for Form 10-Q and conform to practices within the banking industry and include all of the information and disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting. The accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair presentation of financial results for the interim periods presented. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results for the full year. These interim unaudited financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto as of and for the year ended December 31, 2021, included in our Annual Report filed on Form 10-K for the fiscal year ended December 31, 2021 and Amendment No. 1 to the Annual Report on Form 10-K/A (collectively our “2021 Annual Report”).

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is reasonably possible our estimate of the allowance for loan losses and the fair value of mortgage servicing rights could change as actual results could differ from those estimates. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements were compiled in accordance with the accounting policies set forth in Note 2 – Basis of Presentation and Summary of Significant Policies in our Consolidated Financial Statements as of and for the year ended December 31, 2021, included in our 2021 Annual Report. The Financial Accounting Standards Board ("FASB") issues Accounting Standards Updates ("ASU" or "Update") and Accounting Standards Codifications ("ASC"), which are the primary source of GAAP.

Recent Accounting Pronouncements

When RBB conducted its initial public offering ("IPO") in 2017, we qualified as an emerging growth company ("EGC"). We will remain an EGC until the earliest of (i) the end of the fiscal year during which we have total annual gross revenues of $1.0 billion or more, (ii) the end of the fiscal year following the fifth anniversary of the completion of our IPO, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt and (iv) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We anticipate no longer qualifying as an EGC on December 31, 2022. EGCs are entitled to reduced regulatory and reporting requirements under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act, as compared to public business entities ("PBE").

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. Under the new guidance, the Company recognized on the Consolidated Balance Sheets right-of-use assets with a corresponding lease liability. The Company early adopted this ASU on January 1, 2021 and recorded the right-of-use asset and lease liability of approximately $26.8 million.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instrument (Topic 326), including subsequent amending ASUs. This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held to maturity securities, loan commitments, and financial guarantees. For available for sale ("AFS") debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 was originally proposed to be effective for interim and annual reporting periods for an emerging growth company beginning after December 15, 2020, but was subsequently extended until December 31, 2022. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company has begun its evaluation of the impact of the implementation of ASU 2016-13. The implementation of the provisions of ASU 2016-13 will most likely impact the Company's consolidated financial statements as to the level of reserves that will be required for credit losses. The Company will continue to assess the potential impact that this Update will have on the Company's consolidated financial statements. The Company will adopt CECL (ASU 2016-13) on December 31, 2022.

In February 2019, the U.S. federal bank regulatory agencies approved a final rule modifying their regulatory capital rules and providing an option to phase in over a three year period the day-one adverse regulatory capital effects of ASU 2016-13. Additionally, in March 2020, the U.S. federal bank regulatory agencies issued an interim final rule that provides banking organizations an option to delay the estimated CECL impact on regulatory capital for an additional two years for a total transition period of up to five years to provide regulatory relief to banking organizations to better focus on supporting lending to creditworthy households and businesses in light of recent strains on the U.S. economy as a result of the novel coronavirus disease 2019 ("COVID-19") pandemic. As a result, entities will have the option to gradually phase in the full effect of CECL on regulatory capital over a five-year transition period. At this point, RBB does not expect to take the option to phase in effect of CECL.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350). This Update simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The amendments in this Update are required for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. As a result, under this Update, "an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit." For PBE's, ASU 2017-04 is effective for annual and any interim impairment tests performed in periods beginning after December 15, 2019. As an EGC, the Company will adopt this ASU on December 31, 2022. Adoption of ASU 2017-04 is not expected to have a significant impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This Update provides additional guidance to ASU 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" (CCA), on the accounting for implementation, setup, and other upfront costs (collectively referred to as implementation costs) apply to entities that are a customer in a hosting arrangement. This Update applies to entities that are a customer in a hosting arrangement that is a service contract. Costs for implementation activities in the application development stage are capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post-implementation stages are expensed as the activities are performed. This Update also requires the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. This Update is effective for an EGC for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, for all entities. The amendments in this Update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. This Update will most likely not have a material impact unless the Company incurs implementation costs for a CCA that is a service contract.

In January 2020, the FASB issued ASU 2020-01, "Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)". This ASU is for equity securities accounted for by the equity method. The amendment clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The Company has equity securities on our balance sheet but are not material to be considered for the equity method. For an EGC, this ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company adopted this ASU on January 1, 2022 and this ASU did not have a material impact on the Company's consolidated financial statements.

In February 2020, the FASB issued ASU 2020-02, “Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)”. This is an amendment to add the SEC Staff guidance on CECL to the FASB codification. It contains guidance on what the SEC would expect the Company to perform and document when measuring and recording its allowance for credit losses for financial assets recorded at amortized cost. As an EGC, the Company will implement CECL on December 31, 2022.

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," which provides temporary optional expedients to ease the financial reporting burdens of the expected market transition from London Interbank Offered Rate (“LIBOR”) to an alternative reference rate such as Secured Overnight Financing Rate (“SOFR”). This pronouncement is applicable to all companies with contracts or hedging relationships that reference an interest rate that is expected to be discontinued. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. Companies can apply the ASU immediately. However, the guidance will only be available for a limited time (generally through December 31, 2022). For contract modifications, companies can account for the modification as a continuation of the existing contract without additional analysis. For held-to-maturity (“HTM”) debt securities, one-time sale and/or transfer to available-for-sale or trading may be made for HTM debt securities that both reference an eligible reference rate and were classified as HTM before January 1, 2020. Regarding the effective date and transition: (1) companies can apply the ASU as of the beginning of the interim period that includes March 12, 2020 (e.g. January 1, 2020 for calendar year-end companies) or any date thereafter, (2) the ASU applies prospectively to contract modifications and hedging relationships, and (3) the one-time election to sell and/or transfer debt securities classified as HTM may be made at any time after March 12, 2020. The optional relief generally does not apply to contract modifications made, sales and transfers of HTM debt securities, and hedging relationships entered into or evaluated after December 31, 2022. The guidance was effective upon issuance and generally can be applied through December 31, 2022. Of the Company’s $3.0 billion in total gross loans as of March 31, 2022, approximately 6.8% have a LIBOR based reference rate. The Company has several issuances of LIBOR based long-term debt and subordinated debentures. Refer to Notes 9 and 10 of the Company’s consolidated financial statements included in this Form 10-Q. The Company is developing new SOFR-based loan products that will be equivalent to prior LIBOR-based loan products. We anticipate a neutral financial impact.

In October 2021, the FASB issued ASU 2021-08, "Accounting for Contract Assets and Contract Liabilities", to require an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with revenue recognition guidance as if the acquirer had originated the contract. That is, such acquired contracts will **not** be measured at fair value. The ASU is potentially material to the Company, depending on the materiality of an acquired contract asset or liability. The Update is effective for public companies in fiscal years starting after December 15, 2022. Early adoption is permitted. This ASU will be effective for the Company on January 1, 2023.

In November 2021, the FASB issued ASU 2021-10 "Disclosures by Business Entities about Government Assistance". The amendments in this Update require the annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This Update is applicable to the Company and was adopted January 1, 2022.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. This pronouncement eliminates the accounting guidance on troubled debt restructurings ("TDRs") for creditors and amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. The ASU also updates the requirements related to accounting for credit losses under ASC 326 and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. As the Company will adopt ASU 2016-13 (“CECL”) on December 31, 2022, ASU 2022-02 will also be effective for the Company on December 31, 2022.

NOTE 3 – ACQUISITION

Honolulu, Hawaii Branch Purchase

On January 14, 2022, the Bank completed the acquisition of the Honolulu, Hawaii branch office of BOTO. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of January 14, 2022. The total fair value of assets acquired approximated $8.5 million, which included $312,000 in cash and cash equivalents, $7.4 million in selected performing loans, $729,000 in core deposit intangible assets and $64,000 in other assets. The total fair value of liabilities assumed was $81.8 million, which included $81.7 million in deposits, $27,000 in certificate of deposit premium, and $90,000 in other liabilities. The Bank received $71.0 million in cash in connection with the acquisition which represented consideration for the deposits assumed by the Bank, partially offset by the purchase price of the assets acquired and the premium paid. Goodwill of $2.3 million and core deposit premium of $729,000 was recognized from the Honolulu branch purchase.

The Company acquired this branch to strategically establish a presence in the Hawaiian Islands area. Goodwill in the amount of $2.3 million was recognized in this acquisition. Goodwill represents the future economic benefits arising from net assets acquired that are not individually identified and separately recognized and is attributable to synergies expected to be derived from the combination of the two entities. Goodwill is not deductible for income tax purposes.

The following table represents the assets acquired and liabilities assumed of the BOTO Honolulu branch as of January 14, 2022 and the fair value adjustments and amounts recorded by the Company under the acquisition method of accounting:

(dollars in thousands)	BOTO Book Value	Fair Value Adjustments	Fair Value
Assets acquired			
Cash and cash equivalents	$ 312	$ —	$ 312
Loans, gross	7,352	38	7,390
Bank premises and equipment	12	—	12
Core deposit premium	—	729	729
Other assets	412	(360)	52
Total assets acquired	$ 8,088	$ 407	$ 8,495
Liabilities assumed			
Deposits	$ 81,673	$ 27	$ 81,700
Escrow Payable	2	—	2
Other liabilities	460	(372)	88
Total liabilities assumed	82,135	(345)	81,790
Excess of assets acquired over liabilities assumed	(74,047)	752	(73,295)
	$ 8,088	$ 407	
Cash received			71,040
Goodwill recognized			$ 2,255

The fair values are estimates and are subject to adjustment for up to one year after the acquisition date.

The Company accounted for this transaction under the acquisition method of accounting in accordance with ASC 805, Business Combinations, which requires purchased assets and liabilities assumed to be recorded at their respective fair values at the date of acquisition.

The loan portfolio of the Honolulu branch was recorded at fair value at the date of acquisition with the assistance of a third-party valuation. A valuation of the loan portfolio was performed as of the acquisition date to assess the fair value of the loan portfolio. The loan portfolio was segmented into two groups; loans with credit deterioration and loans without credit deterioration, and then split further by loan type. There were no loans acquired with credit deterioration. The fair value was calculated on an individual loan basis using a discounted cash flow analysis. The discount rate utilized was based on a weighted average cost of capital, considering the cost of equity and cost of debt. Also factored into the fair value estimates were loss rates, recovery period and prepayment rates based on industry standards.

The Company also determined the fair value of the core deposit intangible, premises and equipment and deposits with the assistance of third-party valuations.

The core deposit intangible on non-maturing deposits was determined by evaluating the underlying characteristics of the deposit relationships, including customer attrition, deposit interest rates, service charge income, overhead expense and costs of alternative funding. Since the fair value of intangible assets are calculated as if they were stand-alone assets, the presumption is that a hypothetical buyer of the intangible asset would be able to take advantage of potential tax benefits resulting from the asset purchase. The value of the benefit is the present value over the period of the tax benefit, using the discount rate applicable to the asset.

In determining the fair value of certificates of deposit, a discounted cash flow analysis was used, which involved present valuing the contractual payments over the remaining life of the certificates of deposit at market-based interest rates.

Third-party acquisition related expenses are recognized as incurred and continue until the acquired system is converted and operational functions become fully integrated. The Company incurred third-party acquisition related expenses in the consolidated statements of income for the periods indicated in the Statements of Income in the expense item “Merger expenses”.

For the Honolulu branch, during the first quarter of 2022, revenue was $96,000 and the net loss was $87,000.

NOTE 4 - INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of available for sale ("AFS") debt securities and held to maturity ("HTM") debt securities as of March 31, 2022 and December 31, 2021, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

(dollars in thousands) March 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
Government agency securities	$ 5,373	$ —	$ (307)	$ 5,066
SBA agency securities	3,182	—	(60)	3,122
Mortgage-backed securities- Government sponsored agencies	48,686	—	(3,220)	45,466
Collateralized mortgage obligations	122,621	—	(7,103)	115,518
Commercial paper	205,326	—	(216)	205,110
Corporate debt securities	37,477	69	(1,492)	36,054
Municipal securities	12,693	—	(2,581)	10,112
Total	$ 435,358	$ 69	$ (14,979)	$ 420,448
Held to maturity				
Municipal taxable securities	$ 1,505	$ 36	$ —	$ 1,541
Municipal securities	4,741	16	(6)	4,751
Total	$ 6,246	$ 52	$ (6)	$ 6,292

(dollars in thousands) December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
Government agency securities	$ 5,689	$ 4	$ (83)	$ 5,610
SBA agency securities	3,351	118	—	3,469
Mortgage-backed securities- Government sponsored agencies	55,534	31	(540)	55,025
Collateralized mortgage obligations	121,377	128	(1,994)	119,511
Commercial paper	129,962	—	(36)	129,926
Corporate debt securities	41,999	460	(254)	42,205
Municipal securities	12,701	—	(187)	12,514
Total	$ 370,613	$ 741	$ (3,094)	$ 368,260
Held to maturity				
Municipal taxable securities	$ 1,506	$ 77	$ —	$ 1,583
Municipal securities	4,746	248	—	4,994
Total	$ 6,252	$ 325	$ —	$ 6,577

One security with a fair value of $99,000 and $117,000 at March 31, 2022 and December 31, 2021, respectively, was pledged to secure a local agency deposit.

There were no sales of investment securities during the three months ended March 31, 2022 and 2021, respectively.

The amortized cost and fair value of the investment securities portfolio at March 31, 2022 and December 31, 2021 are shown by expected maturity below. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Less than One Year		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
(dollars in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
March 31, 2022										
Government agency securities	$ —	$ —	$ 5,373	$ 5,066	$ —	$ —	$ —	$ —	$ 5,373	$ 5,066
SBA securities	—	—	1,382	1,344	1,800	1,778	—	—	3,182	3,122
Mortgage-backed securities- Government sponsored agencies	—	—	20,341	19,525	25,528	23,378	2,817	2,563	48,686	45,466
Collateralized mortgage obligations	3,130	3,129	28,604	27,171	90,887	85,218	—	—	122,621	115,518
Commercial paper	205,326	205,110	—	—	—	—	—	—	205,326	205,110
Corporate debt securities	5,000	5,000	7,880	7,839	21,918	20,932	2,679	2,283	37,477	36,054
Municipal securities	—	—	—	—	—	—	12,693	10,112	12,693	10,112
Total available for sale	$ 213,456	$ 213,239	$ 63,580	$ 60,945	$ 140,133	$ 131,306	$ 18,189	$ 14,958	$ 435,358	$ 420,448
Municipal taxable securities	$ 500	$ 500	$ 1,005	$ 1,041	$ —	$ —	$ —	$ —	$ 1,505	$ 1,541
Municipal securities	—	—	—	—	1,743	1,740	2,998	3,011	4,741	4,751
Total held to maturity	$ 500	$ 500	$ 1,005	$ 1,041	$ 1,743	$ 1,740	$ 2,998	$ 3,011	$ 6,246	$ 6,292
(dollars in thousands)										
December 31, 2021										
Government agency securities	$ —	$ —	$ 5,689	$ 5,610	$ —	$ —	$ —	$ —	$ 5,689	$ 5,610
SBA securities	—	—	1,551	1,582	1,800	1,887	—	—	3,351	3,469
Mortgage-backed securities- Government sponsored agencies	5,001	4,998	35,254	35,000	15,279	15,027	—	—	55,534	55,025
Collateralized mortgage obligations	117	117	78,021	76,496	43,239	42,898	—	—	121,377	119,511
Commercial paper	129,962	129,926	—	—	—	—	—	—	129,962	129,926
Corporate debt securities	7,999	8,007	8,389	8,633	22,927	22,931	2,684	2,634	41,999	42,205
Municipal securities	—	—	—	—	—	—	12,701	12,514	12,701	12,514
Total available for sale	$ 143,079	$ 143,048	$ 128,904	$ 127,321	$ 83,245	$ 82,743	$ 15,385	$ 15,148	$ 370,613	$ 368,260
Municipal taxable securities	$ 500	$ 502	$ 1,006	$ 1,081	$ —	$ —	$ —	$ —	$ 1,506	$ 1,583
Municipal securities	—	—	—	—	1,743	1,818	3,003	3,176	4,746	4,994
Total held to maturity	$ 500	$ 502	$ 1,006	$ 1,081	$ 1,743	$ 1,818	$ 3,003	$ 3,176	$ 6,252	$ 6,577

The following table summarizes investment securities with unrealized losses at March 31, 2022 and December 31, 2021, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than Twelve Months			Twelve Months or More			Total		
(dollars in thousands)	Unrealized Losses	Estimated Fair Value	No. of Issuances	Unrealized Losses	Estimated Fair Value	No. of Issuances	Unrealized Losses	Estimated Fair Value	No. of Issuances
March 31, 2022									
Government agency securities	$ (307)	$ 5,066	3	$ —	$ —	—	$ (307)	$ 5,066	3
SBA securities	(60)	3,122	4	—	—	—	(60)	3,122	4
Mortgage-backed securities- Government sponsored agencies	(2,536)	33,698	12	(684)	11,768	3	(3,220)	45,466	15
Collateralized mortgage obligations	(5,989)	84,608	31	(1,114)	25,845	7	(7,103)	110,453	38
Commercial paper	(216)	205,110	30	—	—	—	(216)	205,110	30
Corporate debt securities	(1,096)	20,916	23	(396)	2,872	2	(1,492)	23,788	25
Municipal securities	(2,263)	8,817	8	(318)	1,295	3	(2,581)	10,112	11
Total available for sale	$ (12,467)	$ 361,337	111	$ (2,512)	$ 41,780	15	$ (14,979)	$ 403,117	126
Municipal securities	$ (6)	$ 868	2	$ —	$ —	—	$ (6)	$ 868	2
Total held to maturity	$ (6)	$ 868	2	$ —	$ —	—	$ (6)	$ 868	2

	Less than Twelve Months			Twelve Months or More			Total		
(dollars in thousands)	Unrealized Losses	Estimated Fair Value	No. of Issuances	Unrealized Losses	Estimated Fair Value	No. of Issuances	Unrealized Losses	Estimated Fair Value	No. of Issuances
December 31, 2021									
Government agency securities	$ (83)	$ 4,860	1	$ —	$ —	—	$ (83)	$ 4,860	1
Mortgage-backed securities- Government sponsored agencies	(536)	44,009	12	(4)	9,974	2	(540)	53,983	14
Collateralized mortgage obligations	(1,916)	79,851	23	(78)	17,782	4	(1,994)	97,633	27
Commercial paper	(36)	129,926	19	—	—	—	(36)	129,926	19
Corporate debt securities	(254)	13,208	12	—	—	—	(254)	13,208	12
Municipal securities	(160)	11,447	9	(27)	1,067	2	(187)	12,514	11
Total available for sale	$ (2,985)	$ 283,301	76	$ (109)	$ 28,823	8	$ (3,094)	$ 312,124	84

Unrealized losses have not been recognized into income because the issuer bonds are of high credit quality, management does not intend to sell, it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the bonds approach maturity.

Management evaluates securities for other-than-temporary impairment (“OTTI”) on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings.

Equity Securities - The Company has several CRA equity investments. The Company recorded no loss nor gain for the three months ended March 31, 2022 and a loss of $20,000 for the three months ended March 31, 2021 due to the decrease in the fair value of those equity investments without readily determinable fair values. CRA equity securities were $20.0 million as of March 31, 2022 and December 31, 2021.

NOTE 5 - LOANS AND ALLOWANCE FOR LOAN LOSSES

The Company's loan portfolio consists primarily of loans to borrowers within the Southern California metropolitan area, the New York City metropolitan area, the Chicago, Illinois metropolitan area, Las Vegas, Nevada, Edison, New Jersey and Honolulu, Hawaii. Although the Company seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Company's market area and, as a result, the Company's loan and collateral portfolios are, to some degree, concentrated in those industries.

The following tables present the balance and activity related to the allowance for loan losses for held for investment loans by type for the periods presented.

	For the Three Months Ended March 31,									
	2022					2021				
(dollars in thousands)	Real Estate	Commercial	Other	Unallocated	Total	Real Estate	Commercial	Other	Unallocated	Total
Allowance for loan losses:										
Beginning balance	$ 28,592	$ 3,793	$ 527	$ —	$ 32,912	$ 24,677	$ 4,617	$ 43	$ —	$ 29,337
Provisions	430	(53)	(11)	—	366	1,257	164	45	34	1,500
Charge-offs	—	—	(47)	—	(47)	—	—	(42)	—	(42)
Recoveries	—	60	1	—	61	—	—	—	—	—
	$ 29,022	$ 3,800	$ 470	$ —	$ 33,292	$ 25,934	$ 4,781	$ 46	$ 34	$ 30,795

	For the Year Ended December 31, 2021			
(dollars in thousands)	Real Estate	Commercial	Other	Total
Allowance for loan losses:				
Beginning balance	$ 24,677	$ 4,617	$ 43	$ 29,337
Provisions	3,982	(480)	457	3,959
Charge-offs	(67)	(501)	(59)	(627)
Recoveries	—	157	86	243
	$ 28,592	$ 3,793	$ 527	$ 32,912

The following table presents the recorded investment in loans and impairment method as of March 31, 2022 and 2021 and December 31, 2021, by portfolio segment:

(dollars in thousands) March 31, 2022	Real Estate	Commercial	Other	Unallocated	Total
Reserves:					
Specific	$ —	$ 26	$ —	$ —	$ 26
General	29,022	3,774	470	—	33,266
Total allowance for loan losses	$ 29,022	$ 3,800	$ 470	$ —	$ 33,292
Loans evaluated for impairment:					
Individually	$ 10,905	$ 9,783	$ 3	$ —	$ 20,691
Collectively	2,618,427	338,730	28,636	—	2,985,793
Total loans, net of deferred loan fees and unaccreted discount on acquired loans	$ 2,629,332	$ 348,513	$ 28,639	$ —	$ 3,006,484

March 31, 2021	Real Estate	Commercial	Other	Unallocated	Total
Reserves:					
Specific	$ —	$ 524	$ —	$ —	$ 524
General	25,934	4,257	46	34	30,271
Total allowance for loan losses	$ 25,934	$ 4,781	$ 46	$ 34	$ 30,795
Loans evaluated for impairment:					
Individually	$ 11,429	$ 8,482	$ —	$ —	$ 19,911
Collectively	2,302,662	388,864	3,768	—	2,695,294
Total loans, net of deferred loan fees and unaccreted discount on acquired loans	$ 2,314,091	$ 397,346	$ 3,768	$ —	$ 2,715,205

December 31, 2021	Real Estate	Commercial	Other	Unallocated	Total
Reserves:					
Specific	$ —	$ 30	$ —	$ —	$ 30
General	28,592	3,763	527	—	32,882
Total allowance for loan losses	$ 28,592	$ 3,793	$ 527	$ —	$ 32,912
Loans evaluated for impairment:					
Individually	$ 10,340	$ 10,385	$ —	$ —	$ 20,725
Collectively	2,545,379	334,460	30,786	—	2,910,625
Total loans, net of deferred loan fees and unaccreted discount on acquired loans	$ 2,555,719	$ 344,845	$ 30,786	$ —	$ 2,931,350

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass - Loans classified as pass include loans not meeting the risk ratings defined below.

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 obligor 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.

Impaired - A loan is considered impaired, when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Additionally, all loans classified as troubled debt restructurings are considered impaired.

The risk category of loans by class of loans was as follows at March 31, 2022 and December 31, 2021:

(dollars in thousands) **March 31, 2022**	**Pass**	**Special Mention**	**Substandard**	**Impaired**	**Total**
Real estate:					
Construction and land development	$ 346,625	$ —	$ —	$ 141	$ 346,766
Commercial real estate	1,177,470	1,773	33,517	5,225	1,217,985
Single-family residential mortgages	1,058,985	—	57	5,539	1,064,581
Commercial:					
Commercial and industrial	248,852	23,332	3,975	4,666	280,825
SBA	55,049	1,302	6,220	5,117	67,688
Other:	28,636	—	—	3	28,639
	$ 2,915,617	$ 26,407	$ 43,769	$ 20,691	$ 3,006,484

(dollars in thousands) **December 31, 2021**	**Pass**	**Special Mention**	**Substandard**	**Impaired**	**Total**
Real estate:					
Construction and land development	$ 299,333	$ 3,662	$ —	$ 149	$ 303,144
Commercial real estate	1,184,889	2,006	55,104	6,000	1,247,999
Single-family residential mortgages	1,000,385	—	—	4,191	1,004,576
Commercial:					
Commercial and industrial	255,439	—	9,148	4,122	268,709
SBA	62,300	1,303	6,270	6,263	76,136
Other:	30,786	—	—	—	30,786
	$ 2,833,132	$ 6,971	$ 70,522	$ 20,725	$ 2,931,350

The following table presents the aging of the recorded investment in past-due loans at March 31, 2022 and December 31, 2021 by class of loans:

(dollars in thousands) **March 31, 2022**	**30-59 Days**	**60-89 Days**	**90 Days Or More**	**Total Past Due**	**Loans Not Past Due**	**Total Loans**	**Non-Accrual Loans (1)**
Real estate:							
Construction and land development	$ 6,700	$ —	$ 141	$ 6,841	$ 339,925	$ 346,766	$ 141
Commercial real estate	505	—	3,669	4,174	1,213,811	1,217,985	3,916
Single-family residential mortgages	8,639	—	3,340	11,979	1,052,602	1,064,581	5,539
Commercial:							
Commercial and industrial	70	497	3,689	4,256	276,569	280,825	4,282
SBA	1,887	—	3,748	5,635	62,053	67,688	5,117
Other:	56	9	3	68	28,571	28,639	3
	$ 17,857	$ 506	$ 14,590	$ 32,953	$ 2,973,531	$ 3,006,484	$ 18,998
Real estate:							
Single-family residential mortgages held for sale	$ —	$ —	$ —	$ —	$ 3,572	$ 3,572	$ —

(dollars in thousands) **December 31, 2021**	**30-59 Days**	**60-89 Days**	**90 Days Or More**	**Total Past Due**	**Loans Not Past Due**	**Total Loans**	**Non-Accrual Loans (1)**
Real estate:							
Construction and land development	$ —	$ —	$ 149	$ 149	$ 302,995	$ 303,144	$ 149
Commercial real estate	1,914	3,002	667	5,583	1,242,416	1,247,999	4,672
Single-family residential mortgages	10,554	2,238	2,680	15,472	989,104	1,004,576	4,191
Commercial:							
Commercial and industrial	1,575	—	3,689	5,264	263,445	268,709	3,712
SBA	—	1,733	4,839	6,572	69,564	76,136	6,263
Other:	57	7	—	64	30,722	30,786	—
	$ 14,100	$ 6,980	$ 12,024	$ 33,104	$ 2,898,246	$ 2,931,350	$ 18,987
Real estate:							
Single-family residential mortgages held for sale	$ —	$ —	$ —	$ —	$ 5,957	$ 5,957	$ —

(1) Included in total loans.

The Company has no loans that are 90 days or more past due and still accruing at March 31, 2022 and December 31, 2021.

Information relating to individually impaired loans presented by class of loans was as follows at March 31, 2022 and December 31, 2021:

(dollars in thousands) **March 31, 2022**	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**
With no related allowance recorded			
Construction and land development	$ 173	$ 141	$ —
Commercial and industrial	4,660	4,643	—
Commercial real estate	5,271	5,225	—
Single-family residential mortgage loans	5,784	5,539	—
Commercial - SBA	5,120	5,104	—
Other	3	3	—
With related allowance recorded			
Commercial and industrial	24	23	24
Commercial-SBA	14	13	2
Total	$ 21,049	$ 20,691	$ 26

(dollars in thousands) **December 31, 2021**	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**
Construction and land development	$ 173	$ 149	$ —
Commercial and industrial	4,096	4,096	—
Commercial real estate	6,059	6,000	—
Residential mortgage loans	4,365	4,191	—
Commercial - SBA	6,274	6,245	—
Other	—	—	—
With related allowance recorded			
Commercial and industrial	27	26	27
Commercial-SBA	18	18	3
Total	$ 21,012	$ 20,725	$ 30

The following table presents information on impaired loans and leases, disaggregated by loan segment, for the periods indicated:

	Three Months Ended			
	March 31, 2022		**March 31, 2021**	
(dollars in thousands)	**Average Balance**	**Interest Income**	**Average Balance**	**Interest Income**
With no related allowance recorded				
Construction and land development	$ 173	$ 8	$ 173	$ —
Commercial and industrial	4,669	6	1,211	7
Commercial real estate	5,302	32	2,627	33
Residential mortgage loans	5,807	—	8,980	—
Commercial - SBA	5,321	—	7,154	—
Other	3	—	—	—
With related allowance recorded				
Commercial and industrial	25	—	520	—
Commercial - SBA	17	—	32	—
Total	$ 21,317	$ 46	$ 20,697	$ 40

No interest income on non-accrual loans was recognized on a cash basis for the three months ended March 31, 2022 and 2021 or for the year ended December 31, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), signed into law on March 27, 2020, permits financial institutions to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 that would otherwise be characterized as troubled debt restructurings ("TDRs") and suspend any determination related thereto if (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the coronavirus emergency declaration and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. The Consolidated Appropriations Act (“CAA”), signed into law on December 27, 2020, extends the applicable period to include modifications to loans held by financial institutions executed between March 1, 2020 and the earlier of (i) January 1, 2022 or (ii) 60 days after the date of the termination of the COVID-19 national emergency. In addition, federal bank regulatory authorities have issued guidance to encourage financial institutions to make loan modifications for borrowers affected by COVID-19 and have assured financial institutions that they will neither receive supervisory criticism for such prudent loan modifications, nor be required by examiners to automatically categorize COVID-19-related loan modifications as TDRs. The Company is applying this guidance to qualifying loan modifications.

The Company identified seven loans as TDRs at March 31, 2022 and nine loans at December 31, 2021, with aggregate balances of $3.2 million and $3.4 million, respectively. Non-accrual TDRs were $1.6 million and $1.7 million at March 31, 2022 and December 31, 2021, respectively. There were $2,000 and $3,000 specific reserves allocated to such loans as of March 31, 2022 and December 31, 2021, respectively. There are no commitments to lend additional amounts at March 31, 2022 and December 31, 2021 to customers with outstanding loans that are classified as TDRs. There were no non-accrual loans that were modified as TDRs during the past twelve months that had payment defaults during the periods.

There were no loans modified as TDRs during the three months ended March 31, 2022 and 2021.

NOTE 6 - LOAN SERVICING

Mortgage, SBA and CRE loans serviced for others are not reported as assets. The principal balances at March 31, 2022 and December 31, 2021 are as follows:

(dollars in thousands)	March 31, 2022	December 31, 2021
Loans serviced for others:		
Mortgage loans	$ 1,236,179	$ 1,308,672
SBA loans	142,023	138,173
Commercial real estate loans	4,050	4,070

The fair value of servicing assets for mortgage loans was $16.3 million and $15.4 million at March 31, 2022 and December 31, 2021, respectively. The fair value of servicing assets for SBA loans was $4.1 million and $4.1 million at March 31, 2022 and December 31, 2021, respectively. Estimates of the loan servicing asset fair value are derived through a discounted cash flow analysis. Portfolio characteristics include loan delinquency rates, age of loans, note rate and geography. The assumptions embedded in the valuation are obtained from a range of metrics utilized by active buyers in the market place. The analysis accounts for recent transactions, and supply and demand within the market.

Servicing fees net of servicing asset amortization totaled $432,000 and $246,000 for the three months ended March 31, 2022 and 2021, respectively.

When mortgage and SBA loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. During the three months ended March 31, 2022 and 2021, the Company did not record any impairment writedowns on mortgage servicing rights.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal. The amortization of mortgage servicing rights is netted against loan servicing fee income.

	Three Months Ended			
	March 31, 2022		March 31, 2021	
(dollars in thousands)	Mortgage Loans	SBA Loans	Mortgage Loans	SBA Loans
Servicing assets:				
Beginning of period	$ 8,748	$ 2,769	$ 10,529	$ 3,436
Additions	299	163	628	77
Disposals	(391)	(51)	(621)	(83)
Amortized to expense	(392)	(97)	(580)	(122)
End of period	$ 8,264	$ 2,784	$ 9,956	$ 3,308

NOTE 7 - GOODWILL AND INTANGIBLES

Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill resulting from whole bank and branch acquisitions are tested for impairment at least annually. The Company has historically selected December 31st as the date to perform the annual impairment test. Goodwill amounted to $71.5 million and $69.2 million at March 31, 2022 and at December 31, 2021, respectively, and is the only intangible asset with an indefinite life on the Company's balance sheet. Goodwill in the amount of $2.3 million was recognized in conjunction with the acquisition of the Honolulu, Hawaii branch office.

Other intangible assets consist of core deposit intangible ("CDI") assets arising from whole bank and branch acquisitions. CDI assets are amortized on an accelerated method over their estimated useful life of 8 to 10 years. During the quarter ended March 31, 2022, $729,000 of CDI was recognized in conjunction with for the Hawaii branch purchase. The unamortized balance at March 31, 2022 and December 31, 2021 was $4.5 million and $4.1 million, respectively. CDI amortization expense was $279,000 and $301,000 for the three months ended March 31, 2022 and 2021, respectively.

Estimated CDI amortization expense for future years is as follows:

(dollars in thousands)	
As of March 31:	
Remainder of 2022	$ 807
2023	923
2024	784
2025	672
2026	501
Thereafter	838
Total	$ 4,525

NOTE 8 - DEPOSITS

At March 31, 2022, the scheduled maturities of time deposits are as follows:

(dollars in thousands)		March 31, 2022
One year	$	1,088,147
Two to three years		33,087
Over three years		2,266
Total	$	1,123,500

NOTE 9 - LONG-TERM DEBT

In November 2018, the Company issued $55 million of 6.18% fixed to floating rate subordinated debentures, due December 1, 2028. The interest rate is fixed through December 1, 2023 and floats at three month LIBOR plus 315 basis points thereafter. The Company can redeem these subordinated debentures beginning December 1, 2023. The subordinated debentures are considered Tier 2 capital at the Company. The Company contributed $25 million to the Bank as Tier 1 capital.

In March 2021, the Company issued $120 million of 4.00% fixed to floating rate subordinated debentures, due April 1, 2031. The interest rate is fixed through April 1, 2026 and floats at three month SOFR plus 329 basis points thereafter. The Company can redeem these subordinated debentures beginning April 1, 2026. The subordinated debentures are considered Tier 2 capital at the Company. The Company contributed $25 million to the Bank as Tier 1 capital

At March 31, 2022 and December 31, 2021, long-term debt was as follows:

(dollars in thousands)		March 31, 2022		December 31, 2021
Principal	$	175,000	$	175,000
Unamortized debt issuance costs	$	1,848	$	1,993

The following table presents interest and amortization expense the Company incurred for the three months ended March 31, 2022 and 2021:

(dollars in thousands)	For the Three Months Ended March 31,			
		2022		2021
Interest Expense:				
Interest	$	2,050	$	1,729
Amortization		145		79

The British banking regulators will continue the use of LIBOR rates through December 2022, and some will continue into 2023. At this point in time, the Company has adopted SOFR as the alternative reference rate to replace LIBOR with respect to the Company's long-term debt.

NOTE 10 - SUBORDINATED DEBENTURES

The Company, through the acquisition of TFC Holding Company ("TFC") in 2016, acquired TFC Statutory Trust (the "Trust"). The Trust conducted a pooled private offering of 5,000 trust preferred securities with a liquidation amount of $1,000 per security. TFC issued $5 million of subordinated debentures to the Trust in exchange for ownership of all of the common securities of the Trust and the proceeds of the preferred securities sold by the Trust. The Company is not considered the primary beneficiary of this Trust (variable interest entity), therefore the Trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability at market value as of the close of the acquisition, which was $3.3 million. There was a $1.9 million valuation reserve recorded to arrive at market value, which is treated as a yield adjustment and is amortized over the life of the security. The Company also purchased an investment in the common stock of the Trust for $155,000, which is included in other assets. The Company may redeem the subordinated debentures, subject to prior approval by the Federal Reserve on or after March 15, 2012, at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on March 15, 2037. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The Company has been paying interest on a quarterly basis. The subordinated debentures may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The subordinated debentures have a variable rate of interest equal to three month LIBOR plus 1.65%, which was 2.48% as of March 31, 2022 and 1.85% at December 31, 2021.

In October 2018, the Company, through the acquisition of First American International Corp. (“FAIC”), acquired First American International Statutory Trust I (“FAIC Trust”), a Delaware statutory trust formed in December 2004. The FAIC Trust issued 7,000 units of thirty-year fixed to floating rate capital securities with an aggregate liquidation amount of $7,000,000 to an independent investor, and FAIC issued $7.2 million of subordinated debentures to the FAIC Trust for all of its common securities, amounting to $217,000, which is included in other assets. There was a $1.2 million valuation reserve recorded to arrive at market value which is treated as a yield adjustment and is amortized over the life of the security. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The subordinated debentures have a variable rate of interest equal to three-month LIBOR plus 2.25% through final maturity on December 15, 2034. The rate at March 31, 2022 was 3.08% and 2.45% at December 31, 2021.

In January 2020, the Company, through the acquisition of PGBH, acquired Pacific Global Bank Trust I (“PGBH Trust”), a Delaware statutory trust formed in December 2004. PGBH Trust issued 5,000 units of fixed to floating rate capital securities with an aggregate liquidation amount of $5,000,000 and 155 common securities with an aggregate liquidation amount of $155,000. PGBH issued $5.2 million of subordinated debentures to PGBH Trust in exchange for ownership of all the common securities of PGBH Trust. There was a $763,000 valuation reserve recorded to arrive at market value which is treated as a yield adjustment and is amortized over the life of the security. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The subordinated debentures have a variable rate of interest equal to three-month LIBOR plus 2.10% through final maturity on December 15, 2034. The rate at March 31, 2022 was 2.93% and 2.30% at December 31, 2021.

The Company paid interest expense of $100,000 and $95,000 for the three months ended March 31, 2022 and 2021, respectively, on the subordinated debentures. The amount of aggregate amortization expense recognized for the three months ended March 31, 2022 and 2021 was $55,000 and $55,000, respectively.

For regulatory reporting purposes, the Federal Reserve has indicated that the capital or trust preferred securities qualify as Tier 1 capital of the Company subject to previously specified limitations (including that the asset size of the issuer did not exceed $15 billion), until further notice. If regulators make a determination that the capital securities can no longer be considered in regulatory capital, the securities become callable and the Company may redeem them.

The British banking regulators eliminated the use of the LIBOR rate at the end of 2021. At this point in time, the Company has adopted SOFR as the alternative reference rate to replace LIBOR with respect to the Company’s subordinated debentures
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NOTE 11 - BORROWING ARRANGEMENTS

The Company has established secured and unsecured lines of credit. The Company may borrow funds from time to time on a term or overnight basis from the Federal Home Loan Bank of San Francisco ("FHLB"), the Federal Reserve Bank of San Francisco ("FRB") and other financial institutions as indicated below.

Federal Funds Arrangements with Commercial Banks. At March 31, 2022, the Company may borrow on an unsecured basis, up to $20.0 million, $10.0 million, $12.0 million and $50.0 million overnight from Zions Bank, Wells Fargo Bank, First Horizon Bank, and Pacific Coast Bankers' Bank, respectively.

Letter of Credit Arrangements. At March 31, 2022, the Company had an unsecured commercial letter of credit line with Wells Fargo Bank for $2.0 million.

FRB Secured Line of Credit. The secured borrowing capacity with the FRB of $18.0 million at March 31, 2022 is collateralized by loans pledged with a carrying value of $22.7 million.

FHLB Secured Line of Credit. The secured borrowing capacity with the FHLB of $893.4 million at March 31, 2022 is collateralized by loans pledged with a carrying value of $1.2 billion.

FHLB Advances. At March 31, 2022, the Company had no overnight advances but long-term (five year original term) advances of $150.0 million at a weighted average rate of 1.18% with the FHLB. The Company paid interest expenses of $435,000 and $435,000 on such FHLB advances for the three months ended March 31, 2022 and 2021, respectively. There were no amounts outstanding under any of the other borrowing arrangements above as of March 31, 2022 and at December 31, 2021 except the $150.0 million of FHLB advances maturing in 2025.

NOTE 12 - INCOME TAXES

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

During the three months ended March 31, 2022 and 2021, the Company recorded an income tax provision of $6.4 million and $5.6 million, respectively, reflecting an effective tax rate of 30.4% and 31.1% for the three months ended March 31, 2022 and 2021, respectively. The Company recognized a tax benefit from stock option exercises of $23,000 and $56,000 for the three months ended March 31, 2022 and 2021, respectively.

NOTE 13 - COMMITMENTS

In the ordinary course of business, the Company enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit, unused lines of credit, commercial and similar letters of credit and standby letters of credit. Those instruments involve to varying degrees, elements of credit and interest rate risk not recognized in the Company's financial statements.

The Company's exposure to loss in the event of nonperformance on these financial commitments is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans reflected in the financial statements.

At March 31, 2022 and December 31, 2021, the Company had the following financial commitments whose contractual amount represents credit risk:

(dollars in thousands)	March 31, 2022	December 31, 2021
Commitments to make loans	$ 202,537	$ 202,288
Unused lines of credit	260,255	251,931
Commercial and similar letters of credit	3,001	1,214
Standby letters of credit	4,328	4,728
Total	$ 470,121	$ 460,161

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. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Company evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company is based on management's credit evaluation of the customer.

The Company is involved in various matters of litigation which have arisen in the ordinary course of business and accruals for estimates of potential losses have been provided when necessary and appropriate under generally accepted accounting principles. In the opinion of management, the disposition of such pending litigation will not have a material effect on the Company's financial statements.

NOTE 14 - LEASES

On January 1, 2021, the Company adopted ASU 2016-02, Leases (Topic 842) and elected the package of practical expedients that permits the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected all of the new standard’s available transition practical expedients, including the short-term lease recognition exemption that includes not recognizing Right-of-Use (“ROU”) assets or lease liabilities for existing short-term leases, and the practical expedient to not separate lease and non-lease components for all of the Company's leases.

The Company determines if a contract arrangement is a lease at inception and primarily enters into operating lease contracts for its branch locations, office space, and certain equipment. As part of its property lease agreements, the Company may seek to include options to extend or terminate at lease when it is reasonably certain that the Company will exercise those options. The Company's measurement of the ROU assets and operating lease liabilities does not include payments associated with the option to extend or terminate the lease. The ROU lease asset also includes any lease payments made and lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company did not possess any leases that have variable lease payments or residual value guarantees as of March 31, 2022.

The ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Company uses its incremental borrowing rate to determine the present value of its lease liabilities.

The Company leases several of its operating facilities under various non-cancellable operating leases expiring at various dates through 2036. The Company is also responsible for common area maintenance, taxes, and insurance at the various branch locations.

Future minimum rent payments on the Company’s leases were as follows at March 31, 2022:

(dollars in thousands)	
As of March 31, 2022:	
2022 remaining	$ 3,484
2023	4,284
2024	3,123
2025	2,927
2026	2,913
Thereafter	6,886

Total	$	23,617
Less amount of payment representing interest		(303)
Total present value of lease payments	$	23,314

The minimum rent payments shown above are given for the existing lease obligation and are not a forecast of future rental expense. Total rental expense, recognized on a straight-line basis, was $1.3 million and $1.3 million for the three months ended March 31, 2022 and 2021, respectively. The Company received rental income of $135,000 and $105,000 in the first quarter of 2022 and 2021, respectively.

The following table presents the operating lease related assets and liabilities recorded on the Consolidated Balance Sheet, and the weighted-average remaining lease terms and discount rates as of March 31, 2022 and December 31, 2021*:*

(dollars in thousands)	**March 31, 2022**	**December 31, 2021**
Operating Leases		
ROU assets	$ 22,451	$ 22,454
Lease liabilities	23,314	23,282
Weighted-average remaining lease term (in years)	6.58	6.84
Weighted-average discount rate	1.03%	1.01%

NOTE 15 - RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates were as follows:

(dollars in thousands)	March 31, 2022	December 31, 2021
Beginning balance	$ 8,441	$ 1,243
New loans and advances	—	10,292
Repayments	(772)	$ (3,094)
Ending balance	$ 7,669	$ 8,441

There were $772,000 unfunded loan commitments outstanding to executive officers, directors and their related interests with whom they are associated at March 31, 2022 and none at December 31, 2021.

Deposits from principal officers, directors, and their affiliates at March 31, 2022 and December 31, 2021 were $63.2 million and $57.6 million, respectively.

Several directors and their affiliates own in the aggregate $8.1 million of RBB's subordinated debentures as of March 31, 2022.

NOTE 16 - STOCK-BASED COMPENSATION

RBB Bancorp 2010 Stock Option Plan

Under the RBB Bancorp 2010 Stock Option Plan (the “2010 Plan”), the Company was permitted to grant awards to eligible persons in the form of qualified and non-qualified stock options. The Company reserved up to 30% of the issued and outstanding shares of common stock as of the date the Company adopted the 2010 Plan or 3,494,478 shares, for issuance under the 2010 Plan. Following receipt of shareholder approval of the 2017 Omnibus Stock Incentive Plan (the “OSIP”) in May 2017, no additional grants were made under the 2010 Plan. The 2010 Plan has been terminated and options that were granted under the 2010 Plan have become subject to the OSIP. Awards that were granted under the 2010 Plan will remain exercisable pursuant to the terms and conditions set forth in individual award agreements, but such awards will be assumed and administered under the OSIP. The 2010 Plan award agreements allow for acceleration of exercise privileges of grants upon occurrence of a change in control of the Company. If a participant’s job is terminated for cause, then all unvested awards expire at the date of termination.

RBB Bancorp 2017 Omnibus Stock Incentive Plan

The OSIP was adopted by the Company’s board of directors in January 2017 and approved by the Company’s shareholders in May 2017. The OSIP was designed to ensure continued availability of equity awards that will assist the Company in attracting and retaining competent managerial personnel and rewarding key employees, directors and other service providers for high levels of performance. Pursuant to the OSIP, the Company’s board of directors are allowed to grant awards to eligible persons in the form of qualified and non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights and other incentive awards. The Company has reserved up to 30% of issued and outstanding shares of common stock as of the date the Company adopted the OSIP, or 3,848,341 shares. As of March 31, 2022, there were 994,047 shares of common stock available for issuance under the OSIP. This represents 5.2% of the issued and outstanding shares of the Company’s common stock as of March 31, 2022. Awards vest, become exercisable and contain such other terms and conditions as determined by the board of directors and set forth in individual agreements with the employees receiving the awards. The OSIP enables the board of directors to set specific performance criteria that must be met before an award vests. The OSIP allows for acceleration of vesting and exercise privileges of grants if a participant’s termination of employment is due to a change in control, death or total disability. If a participant’s job is terminated for cause, then all awards expire at the date of termination.

The recorded compensation expense for stock options was $86,000 and $111,000 and the Company recognized income tax benefit of $23,000 and $56,000 for the three months ended March 31, 2022 and 2021, respectively. Unrecognized stock-based compensation expense related to options was $399,000 and $924,000 as of March 31, 2022 and 2021, respectively. Unrecognized stock-based compensation expense will be recognized over a weighted-average period of 1.4 years as of March 31, 2022.

There were no options granted during the first quarter of 2022. The fair value of prior option grants were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions presented below for 2021 and 2020.

	July 2021	January 2021
Expected volatility	31.6%	30.8%
Expected term (years)	6.0 years	6.0 years
Expected dividends	1.98%	1.86%
Risk free rate	0.48%	0.26%
Grant date fair value	$ 5.69	$ 4.14

	July 2021	January 2021
Expected volatility	31.6%	30.8%
Expected term (years)	6.0 years	6.0 years
Expected dividends	1.98%	1.86%
Risk free rate	0.48%	0.26%
Grant date fair value	$ 5.69	$ 4.14

The expected volatility was based on the historical volatility of the Company stock trading history. The expected term represents the estimated average period of time that the options remain outstanding. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding. The risk free rate of return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

A summary of the status of option awards pursuant to the Company's stock option plans as of March 31, 2022 and changes during the three months ended is presented below:

(dollars in thousands, except for share amounts)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in years	Aggregate Intrinsic Value
Outstanding at beginning of year	943,918	$ 14.66		
Granted	—	—		
Exercised	(25,763)	15.30		
Forfeited/cancelled	(51,001)	15.77		
Outstanding at end of period	867,154	$ 14.57	3.12	$ 7,736
Options exercisable	759,148	$ 14.03	2.32	$ 7,179

The total fair value of the shares vested was $1.8 million and $740,000 during the three months ended March 31, 2022 and 2021, respectively. The number of unvested stock options were 108,006 and 245,500 with a weighted-average grant date fair value of $4.27 and $4.11 as of March 31, 2022 and 2021, respectively.

Cash received from the exercise of 25,763 stock options was $394,000 for the three months ended March 31, 2022 and cash received from the exercise of 32,289 stock options was $340,000 for the three months ended March 31, 2021. The intrinsic value of options exercised was $189,000 and $305,000 for the three months ended March 31, 2022 and 2021, respectively.

The Company did not grant restricted stock in 2022. The Company granted restricted stock for 60,000 shares at a closing price of $17.74 in 2021. These restricted stock awards are scheduled to vest over a three year period from the January 21, 2021 grant date. As of March 31, 2022, there were 40,000 remaining unvested restricted stock awards.

The recorded compensation expense for restricted stock was $89,000 and $176,000 for the three months ended March 31, 2022 and 2021, respectively. Unrecognized stock-based compensation expense related to restricted stock was $640,000 and $1.2 million as of March 31, 2022 and 2021, respectively. Unrecognized stock-based compensation expense related to restricted stock was reversed in April 2022, due to a former employee's resignation on April 8, 2022.

The following table presents restricted stock activity during the three months ended March 31, 2022.

(dollars in thousands, except for share amounts)	**Shares**	**Weighted-Average Grant Date Fair Value**
Outstanding at beginning of year	60,000	$ 17.74
Granted	—	—
Vested	(20,000)	17.74
Forfeited/cancelled	—	—
Outstanding at end of period	40,000	$ 17.74

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The Company granted 39,497 restricted stock units at a closing price of $27.16 in 2022 to its directors and executive officers, subject to the approval of the Company's shareholders. These restricted stock units are scheduled to vest over a two year period for shares granted to directors and a three year period for shares granted to executive officers from the January 19, 2022 grant date. As of March 31, 2022. there were 38,807 remaining unvested restricted stock units.

The recorded compensation expense for restricted stock units was $83,000 and none for the three months ended March 31, 2022 and 2021, respectively. Unrecognized stock-based compensation expense related to restricted stock unit was $971,000 and zero as of March 31, 2022 and 2021, respectively. As of March 31, 2022, unrecognized stock-based compensation expense related to restricted stock units is expected to be recognized over the next 2.5 years.

The following table presents restricted stock unit activity during the three months ended March 31, 2022.

(dollars in thousands, except for share amounts)	**Shares**	**Weighted-Average Grant Date Fair Value**
Outstanding at beginning of year	—	$ —
Granted	39,497	27.16
Vested	—	—
Forfeited/cancelled	(690)	27.16
Outstanding at end of period	38,807	$ 27.16

On January 19, 2022, the board of directors of RBB Bancorp approved an amendment and restatement of the RBB 2017 Omnibus Stock Incentive Plan

NOTE 17 - REGULATORY MATTERS

Holding companies (with assets over $3 billion at the beginning of the year) and banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

In July 2013, the federal bank regulatory agencies approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. The new rules became effective on January 1, 2015, with certain of the requirements phased-in over a multi-year schedule. Under the rules, minimum requirements increased for both the quantity and quality of capital held by the Bank. The rules include a common equity Tier 1 ("CET1") capital to risk-weighted assets ratio with minimums for capital adequacy and prompt corrective action purposes of 4.5% and 6.5%, respectively. The minimum Tier 1 capital to risk-weighted assets ratio was raised from 4.0% to 6.0% under the capital adequacy framework and from 6.0% to 8.0% to be well-capitalized under the prompt corrective action framework. In addition, the rules introduced the concept of a "conservation buffer" of 2.5% applicable to the three capital adequacy risk-weighted asset ratios (CET1, Tier 1, and Total). The implementation of the capital conservation buffer began on January 1, 2016 at 0.625% and was phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reached 2.5% on January 1, 2019). If the capital adequacy minimum ratios plus the phased-in conservation buffer amount exceed actual risk-weighted capital ratios, then dividends, share buybacks, and discretionary bonuses to executives could be limited in amount.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and CET1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As permitted by the regulators for financial institutions that are not deemed to be "advanced approaches" institutions, the Company has elected to opt out of the Basel III requirement to include accumulated other comprehensive income in risk-based capital. Management believes that at March 31, 2022 and December 31, 2021, RBB and the Bank satisfied all capital adequacy requirements to which they were subject.

As defined in applicable regulations and set forth in the tables below, RBB and the Bank continue to exceed the regulatory capital minimum requirements and the Bank continues to exceed the "well capitalized" standards at the dates indicated:

			Amount of Capital Required			
	Actual		**Minimum Required for Capital Adequacy Purposes**		**To Be Well-Capitalized Under Prompt Corrective Provisions**	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of March 31, 2022:						
Tier 1 Leverage Ratio						
Consolidated	$ 415,013	9.90%	$ 167,665	4.0%	N/A	N/A
Bank	514,298	12.29%	167,428	4.0%	209,284	5.0%
Common Equity Tier 1 Risk-Based Capital Ratio						
Consolidated	$ 400,457	14.12%	$ 127,617	4.5%	N/A	N/A
Bank	514,298	18.15%	127,522	4.5%	184,199	6.5%
Tier 1 Risk-Based Capital Ratio						
Consolidated	$ 415,013	14.63%	$ 170,156	6.0%	N/A	N/A
Bank	514,298	18.15%	170,030	6.0%	226,706	8.0%
Total Risk-Based Capital Ratio						
Consolidated	$ 622,644	21.96%	$ 226,875	8.0%	N/A	N/A

Bank	548,777	19.37%	226,706	8.0%	283,383	10.0%

(dollars in thousands)	Actual			Amount of Capital Required: Minimum Required for Capital Adequacy Purposes			Amount of Capital Required: To Be Well-Capitalized Under Prompt Corrective Provisions	
		Amount	Ratio		Amount	Ratio	Amount	Ratio
As of December 31, 2021:								
Tier 1 Leverage Ratio								
Consolidated	$	410,134	10.21%	$	160,642	4.0%	N/A	N/A
Bank		499,325	12.45%		160,418	4.0%	200,523	5.0%
Common Equity Tier 1 Risk Based Capital Ratio								
Consolidated	$	395,632	14.86%	$	119,841	4.5%	N/A	N/A
Bank		499,325	18.80%		119,550	4.5%	172,684	6.5%
Tier 1 Risk-Based Capital Ratio								
Consolidated	$	410,134	15.40%	$	159,788	6.0%	N/A	N/A
Bank		499,325	18.80%		159,401	6.0%	212,534	8.0%
Total Risk-Based Capital Ratio								
Consolidated	$	616,440	23.15%	$	213,051	8.0%	N/A	N/A
Bank		532,544	20.05%		212,534	8.0%	265,668	10.0%

The California Financial Code generally acts to prohibit banks from making a cash distribution to its shareholders in excess of the lesser of the bank's undivided profits or the bank's net income for its last three fiscal years less the amount of any distribution made by the bank's shareholders during the same period.

The California General Corporation Law generally acts to prohibit companies from paying dividends on common stock unless retained earnings, immediately prior to the dividend payment, equals or exceeds the amount of the dividend. If a company fails this test, then it may still pay dividends if after giving effect to the dividend the company's assets are at least 125% of its liabilities.

Additionally, the Federal Reserve has issued guidance which requires that they be consulted before payment of a dividend if a financial holding company does not have earnings over the prior four quarters of at least equal to the dividend to be paid, plus other holding company obligations.

NOTE 18 - FAIR VALUE MEASUREMENTS

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Securities: The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

Other Real Estate Owned: Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned ("OREO") are measured at the lower of carrying amount or fair value, less costs to sell. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. Fair values are generally based on third party appraisals of the property which are commonly adjusted by management to reflect an expectation of the amount to be ultimately collected and selling costs (Level 3).

Appraisals for OREO are performed by state licensed appraisers (for commercial properties) or state certified appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. When a Notice of Default is recorded, an appraisal report is ordered. Once received, a member of the credit administration department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison to independent data sources such as recent market data or industry wide-statistics for residential appraisals. Commercial appraisals are sent to an independent third party to review. The Company also compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustments, if any, should be made to the appraisal values on any remaining other real estate owned to arrive at fair value. If the existing appraisal is older than twelve months a new appraisal report is ordered. No significant adjustments to appraised values have been made as a result of this comparison process as of March 31, 2022.

Interest Rate Lock Contracts and Forward Mortgage Loan Sale Contracts: The fair values of interest rate lock contracts and forward mortgage loan sale contracts are determined by loan lock-in rate, loan funded rate, market interest rate, fees to be collected from the borrower, fees and costs associated with the origination of the loan, expiration timing, sale price, and the value of the retained servicing. The company classified these derivatives as level 3 due to management's estimate of market rate, cost and expiration timing on these contracts.

Collateral-dependent impaired loans: Collateral-dependent impaired loans are carried at fair value when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the original loan agreement and the loan has been written down to the fair value of its underlying collateral, net of expected disposition costs where applicable. Collateral-dependent impaired loans evaluated with specific reserves are classified as Level 3 assets. There were no loans of this type as of March 31, 2022 and December 31, 2021.

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at March 31, 2022 and December 31, 2021:

(dollars in thousands)	Fair Value Measurements Using:			
March 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
On a recurring basis:				
Securities available for sale				
Government agency securities	$ —	$ 5,066	$ —	$ 5,066
SBA agency securities	—	3,122	—	3,122
Mortgage-backed securities	—	45,466	—	45,466
Collateralized mortgage obligations	—	115,518	—	115,518
Commercial paper	—	205,110	—	205,110
Corporate debt securities	—	36,054	—	36,054
Municipal securities	—	10,112	—	10,112
Interest Rate Lock Contracts	—	—	16	16
Forward Mortgage Loan Sale Contracts	—	—	16	16
	$ —	$ 420,448	$ 32	$ 420,480
On a non-recurring basis:				
Other real estate owned	$ —	$ —	$ 293	$ 293

December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
On a recurring basis:				
Securities available for sale				
Government agency securities	$ —	$ 5,610	$ —	$ 5,610
SBA agency securities	—	3,469	—	3,469
Mortgage-backed securities	—	55,025	—	55,025
Collateralized mortgage obligations	—	119,511	—	119,511
Commercial paper	—	129,926	—	129,926
Corporate debt securities	—	42,205	—	42,205
Municipal securities	—	12,514	—	12,514
Interest Rate Lock Contracts	—	—	141	141
Forward Mortgage Loan Sale Contracts	—	—	124	124
	$ —	$ 368,260	$ 265	$ 368,525
On a non-recurring basis:				
Other real estate owned	$ —	$ —	$ 293	$ 293

No write-downs to OREO were recorded for the three months ended March 31, 2022 or for the year ended December 31, 2021.

Quantitative information about the Company's recurring Level 3 fair value measurements as of March 31, 2022 and December 31, 2021 is as follows:

At December 31, 2021, fair value for IRLCs and FMLSCs totaled $265,000. All IRLCs and FMLSCs at December 31, 2021 were funded and sold to Fannie Mae in the first three months of 2022. Changes in fair value were $233,000 in 2022. Fair value for IRLCs and FMLSCs totaled $32,000 at March 31, 2022.

The fair value measurement of IRLCs and FMLSCs were primarily based on the buy price from borrowers ranging from 97 to 100, the sale price to Fannie Mae ranging from 98 to 103, and the significant unobservable inputs using margin cost rate of 1.50%.

Quantitative information about the Company's OREO non-recurring Level 3 fair value measurements at March 31, 2022 and December 31, 2021 is as follows:

OREO consists of one single-family residence with a fair value of $293,000 as of March 31, 2022 and December 31, 2021. OREO was evaluated by third party appraisals with unobservable input of management adjustment in the range of 5%-6% to reflect current conditions and selling costs.

Interest Rate Lock Commitments ("IRLCs"): Agreements under which the Company agrees to extend credit to a borrower under certain specified terms and conditions in which the interest rate and the maximum amount of the loan are set prior to funding. Under the agreement, the Company commits to lend funds to a potential borrower (subject to the Company's approval of the loan) on a fixed or adjustable rate basis, regardless of whether interest rates change in the market, or on a floating rate basis. As such, outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of issuance through the date of loan funding, cancelling or expiration. Loan commitments generally range between 30 and 90 days; however, the borrower is not obligated to obtain the loan. The Company is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. The Company uses best efforts commitments to substantially eliminate these risks. Historical commitment-to-closing ratios are considered to estimate the quantity of mortgage loans that will fund within the terms of the IRLCs.

The FASB Accounting Standards Codification ("FASB ASC") provides that IRLCs on mortgage loans that will be held for resale are derivatives and must be accounted for at fair value on the balance sheet (if material). FASB ASC Topic 820 – Fair Value Measurements and Disclosures specifies how these derivatives are to be valued. Commitments to originate mortgage loans to be held for investment and other types of loans are generally not derivatives. Consequently, the Company has elected to account for these obligations at fair value.

Forward Mortgage Loan Sale Contracts ("FMLSCs"): The Company is subject to interest rate and price risk on its mortgage loans held for sale from the loan funding date until the date the loan is sold. Best efforts commitments which fix the forward sales price that will be realized in the secondary market are used to eliminate the interest rate and price risk to the Company. To avoid interest rate risk, the Company will enter into FMLSCs at the time they make an interest rate lock commitment to the buyer. They can enter into mortgage loan sales commitments on a "mandatory" or "best efforts" basis. Mandatory commitments provide that the loan must be delivered or the commitment be "paired off". In general, best efforts commitments provide that the loan be delivered if and when it closes.

Mandatory delivery commitments, also known as forward loan sales commitments, are considered to be derivatives under FASB ASC Topic 815 (Derivatives and Hedging) because they meet all of the following criteria:

- They have a specified underlying (the contractually specified price for the loans)
- They have a notional amount (the committed loan principal amount)
- They require little or no initial net investment
- They require or permit net settlement as the institution via a pair-off transaction or the payment of a pair-off fee.

NOTE 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates.

In accordance with accounting guidance, the Company groups its financial assets and financial liabilities 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. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, prepayment speeds, volatilities, etc.) or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly, in the market.

Level 3 - Valuation is generated from model-based techniques where one or more significant inputs are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect the Company’s own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of matrix pricing, discounted cash flow models, and similar techniques.

Because no market exists for a significant portion of the Company’s financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the fair values presented. Management uses its best judgment in estimating the fair value of the Company’s financial instruments; however, there are inherent limitations in any estimation technique.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management maximizes the use of observable inputs and attempts to minimize the use of unobservable inputs when determining fair value measurements. Estimated fair values are disclosed for financial instruments for which it is practicable to estimate fair value. These estimates are made at a specific point in time based on relevant market data and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company’s entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

For cash and due from banks, Federal funds sold, and cash equivalents, the carrying amount is assumed to be a reasonable estimate of fair value, a Level 1 measurement.

For short-term investments and interest-bearing deposits, the carrying amount is assumed to be a reasonable estimate of fair value, a Level 1 measurement.

Securities available for sale and held-to-maturity are measured by using quoted market prices for similar securities or dealer quotes, a Level 2 measurement. This category generally includes U.S. Government agency securities, U.S. Government sponsored entities, state and municipal securities, mortgage backed securities (“MBS”), collateralized mortgage obligations and corporate bonds.

Equity securities fair value are measured based on unobservable inputs at the reporting date, a Level 3 measurement. Equity securities are comprised of affordable housing investment funds and other restricted stocks.

Fair values are estimated for portfolios of loans with similar financial characteristics. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and non-performing categories. The fair values are based primarily on third-party vendor pricing to determine fair values based on the exit price notion.

The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan, a Level 3 measurement.

The fair value of impaired loans is calculated based on the net realizable fair value of the collateral or the observable market price of the most recent sale or quoted price from loans held for sale. The Company does not record loans at fair value on a recurring basis. Nonrecurring fair value adjustments to collateral dependent impaired loans are recorded based on the adjusted appraised value of the collateral, a Level 3 measurement.

The Company records loans held for sale at fair value based on quoted prices from third party sale analysis, existing sale agreements, or appraisal reports adjusted by sales commission assumption, a Level 1 measurement.

Mortgage and SBA servicing rights are calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan, a Level 2 measurement.

The fair value of demand deposits, savings accounts, and certain money market deposits is assumed to be the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits with similar remaining maturities, a Level 2 measurement.

The fair value of commitments to extend credit and standby letters of credit, interest rate lock commitments and forward mortgage loan sales contracts is estimated using the fees currently charged to enter into similar agreements. Unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability result in a Level 3 measurement.

The fair value of FHLB advances is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk, a Level 3 measurement.

Subordinated debentures fair value is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk, a Level 3 measurement.

The fair value of long-term debt is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk, a Level 3 measurement.

Fair value is estimated in accordance with ASC Topic 825. Fair value estimates are made at specific points in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy level and estimated fair value of significant financial instruments at March 31, 2022 and December 31, 2021 are summarized as follows:

(dollars in thousands)	Fair Value Hierarchy	March 31, 2022 Carrying Value	March 31, 2022 Fair Value	December 31, 2021 Carrying Value	December 31, 2021 Fair Value
Financial Assets:					
Cash and due from banks	Level 1	$ 149,767	$ 149,767	$ 501,372	$ 501,372
Federal funds sold and other cash equivalents	Level 1	200,000	200,000	193,000	193,000
Interest-earning deposits in other financial institutions	Level 1	600	600	600	600
Investment securities - AFS	Level 2	420,448	420,448	368,260	368,260
Investment securities - HTM	Level 2	6,246	6,292	6,252	6,577
Mortgage loans held for sale	Level 1	3,572	3,624	5,957	6,055
Loans, net	Level 3	2,973,192	2,984,592	2,898,438	2,908,742
Equity securities	Level 3	19,977	19,977	19,992	19,992
Servicing assets:	Level 2	11,048	20,422	11,517	19,442
		Notional Value	**Fair Value**	**Notional Value**	**Fair Value**
Derivative assets:					
Interest Rate Lock Contracts	Level 3	$ 7,356	$ 16	$ 8,099	$ 141
Forward Mortgage Loan Sale Contracts	Level 3	10,365	16	14,296	124
		Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Liabilities:					
Deposits	Level 2	$ 3,168,253	$ 3,164,659	$ 3,385,532	$ 3,388,008
FHLB advances	Level 3	150,000	138,368	150,000	143,237
Long-term debt	Level 3	173,152	167,441	173,007	175,773
Subordinated debentures	Level 3	14,556	14,120	14,502	13,991

NOTE 20 - EARNINGS PER SHARE

The following is a reconciliation of net income and shares outstanding to the income and number of shares used to compute earnings per share ("EPS"):

(dollars in thousands except per share amounts)	For the Three Months Ended March 31, 2022 Income	2022 Shares	2021 Income	2021 Shares
Net income as reported	$ 14,617		$ 12,456	
Less: Earnings allocated to participating securities	$ (32)		$ (40)	
Shares outstanding		19,247,970		19,528,249
Impact of weighting shares		129,437		(52,435)
Used in basic EPS	14,585	19,377,407	12,416	19,475,814
Dilutive effect of outstanding				
Stock options		391,302		337,027
Restricted Stock Unit		30,614		-
Used in dilutive EPS	$ 14,585	19,799,323	$ 12,416	19,812,841
Basic earnings per common share	$ 0.75		$ 0.64	
Diluted earnings per common share	$ 0.74		$ 0.63	

Stock options for zero shares and 51,000 shares of common stock were not considered in computing diluted earnings per common share for March 31, 2022 and 2021, respectively because they were anti-dilutive.

NOTE 21 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The following is a summary of revenue from contracts with customers that are in-scope and not in-scope under Topic 606:

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Non-interest income, in scope (1)		
Fees and service charges on deposit accounts	$ 520	$ 687
Other fees (2)	133	135
Other income (3)	509	630
Total in-scope non-interest income	1,162	1,452
Non-interest income, not in scope (4)	1,782	4,442
Total non-interest income	$ 2,944	$ 5,894

(1) There were no adjustments to the Company's financial statements recorded as a result of the adoption of ASC 606.

(2) Other fees consists of wealth management fees, miscellaneous loan fees and postage/courier fees.

(3) Other income consists of safe deposit box rental income, wire transfer fees, security brokerage fees, annuity sales, insurance activity and OREO income.

(4) The amounts primarily represent revenue from contracts with customers that are out of scope of ASC 606: Net loan servicing income, letter of credit commissions, import/export commissions, recoveries on purchased loans, BOLI income, and gains (losses) on sales of mortgage loans, loans and investment securities.

The major revenue streams by fee type that are within the scope of ASC 606 presented in the above tables are described in additional detail below:

Fees and Services Charges on Deposit Accounts

Fees and service charges on deposit accounts include charges for analysis, overdraft, cash checking, ATM, and safe deposit activities executed by our deposit clients, as well as interchange income earned through card payment networks for the acceptance of card based transactions. Fees earned from our deposit clients are governed by contracts that provide for overall custody and access to deposited funds and other related services, and can be terminated at will by either party; this includes fees from money service businesses ("MSBs"). Fees received from deposit clients for the various deposit activities are recognized as revenue once the performance obligations are met.

Wealth Management Fees

The Company employs financial consultants to provide investment planning services for customers including wealth management services, asset allocation strategies, portfolio analysis and monitoring, investment strategies, and risk management strategies. The fees the Company earns are variable and are generally received monthly. The Company recognizes revenue for the services performed at quarter-end based on actual transaction details received from the broker dealer the Company engages.

In the Company's wealth management division, revenue is primarily generated from (1) securities brokerage accounts, (2) investment advisor accounts, (3) full service brokerage implementation fees, and (4) life insurance and annuity products.

NOTE 22 - QUALIFIED AFFORDABLE HOUSING PROJECT INVESTMENTS

The Company began investing in qualified housing projects in 2016. At March 31, 2022 and December 31, 2021, the balance of the investment for qualified affordable housing projects was $6.4 million and $6.6 million, respectively. This balance is reflected in the accrued interest and other assets line on the consolidated balance sheets. Total unfunded commitments related to the investments in qualified housing projects totaled $823,000 and $826,000 at March 31, 2022 and December 31, 2021, respectively. The Company expects to fulfill these commitments between 2022 and 2029.

For the three months ended March 31, 2022 and 2021, the Company recognized amortization expense of $255,000 and $259,000, respectively, which was included within income tax expense on the consolidated statements of income.

NOTE 23 - RECENT DEVELOPMENTS

On April 20, 2022, the Company announced a cash dividend of $0.14 per share for the first quarter of 2022. The dividend is payable on May 6, 2022 to common shareholders of record as of May 2, 2022.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Given the ongoing and dynamic nature of the COVID-19 pandemic, the ultimate extent of the impacts on our business, financial position, results of operations, liquidity and prospects remain uncertain. Although general business and economic conditions have begun to recover, the recovery could be slowed or reversed by a number of factors, including increases in COVID-19 infections, the tight labor market, supply chain disruptions, inflationary pressures, or turbulence in domestic or global financial markets, which could adversely affect our revenues and the values of our assets and liabilities, reduce the availability of funding, lead to a tightening of credit, and further increase stock price volatility, which could result in impairment to our goodwill or other intangible assets in future periods. Changes to statutes, regulations, or regulatory policies or practices as a result of, or in response, to the COVID-19 pandemic could affect us in substantial and unpredictable ways, including the potential adverse impact of loan modifications and payment deferrals implemented consistent with regulatory guidance. In addition to the foregoing, the following additional factors, among others, could cause our financial performance to differ materially from that expressed in such forward-looking statements:

- business and economic conditions generally and in the financial services industry, nationally and within our current and future geographic market areas;
- economic, market, operational, liquidity, credit and interest rate risks associated with our business, particularly in light of the recent increases in market rates of interest;
- lack of seasoning in our loan portfolio;
- deteriorating asset quality and higher loan charge-offs;
- the laws and regulations applicable to our business;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- our ability to originate and sell non-qualified mortgages;
- increased competition in the financial services industry, nationally, regionally or locally;
- our ability to maintain our historical earnings trends;
- our ability to raise additional capital to implement our business plan;
- material weaknesses in our internal control over financial reporting;
- systems failures or interruptions involving our information technology and telecommunications systems or third-party servicers;
- the composition of our management team and our ability to attract and retain key personnel;
- the fiscal position of the U.S. federal government and the soundness of other financial institutions;

- our ability to monitor our lending relationships;
- the composition of our loan portfolio, and the concentration of loans in mortgage-related industries;
- the portion of our loan portfolio that is comprised of participations and shared national credits;
- the amount of nonperforming and classified assets we hold;
- time and effort necessary to resolve nonperforming assets;
- the effect of acquisitions we may make, including without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions, and/or the failure to effectively integrate an acquisition target into our operations;
- our limited operating history as an integrated company including prior acquisitions;
- environmental liability associated with our lending activities;
- geopolitical and public health conditions such as acts or threats of terrorism, military conflicts, pandemics and public health issues or crises, such as that related to the COVID-19 pandemic;
- the geographic concentration of our markets in Southern California, Las Vegas (Nevada), Chicago (Illinois), Honolulu (Hawaii), New York City metropolitan area and the southwest United States;
- the commencement and outcome of litigation and other legal proceedings against us or to which we may become subject;
- the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators;
- the transition away from the LIBOR calculation process and related uncertainty as well as the risks and costs related to our adoption of SOFR;
- possible impairment charges to goodwill;
- natural disasters, earthquakes, fires and severe weather;
- the effect of changes in accounting policies and practices as may be adopted from time to time by our regulatory agencies, as well as by the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standards setters, including ASU 2016-13 (Topic 326), “Measurement of Credit Losses on Financial Instruments,” commonly referenced as the CECL model, which will change how we estimate credit losses and may increase the required level of our allowance for loan losses after adoption;
- requirements to remediate adverse examination findings;
- changes in the scope and cost of FDIC deposit insurance premiums;
- implementation of regulatory initiatives regarding bank capital requirements that may require heightened capital;
- the obligations associated with being a public company;
- cybersecurity threats and the cost of defending against them;
- RBB’s status as an EGC and the potential effects of no longer qualifying as an EGC in future periods;
- our success at managing the risks involved in the foregoing items;
- our modeling estimates related to an increased interest rate environment;
- our ability to achieve the cost savings and efficiencies in connection with branch closures;
- our estimates as to our expected operational leverage and the expected additional loan capacity of our relationship managers;
- geopolitical conditions, including acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism and/or military conflicts, including the war between Russia and Ukraine, which could impact business and economic conditions in the United States and abroad
- our success at managing the risks involved in the foregoing items.

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

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Company’s unaudited consolidated financial statements are based upon its unaudited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these unaudited consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

The following is a summary of the more judgmental and complex accounting estimates and principles. In each area, we have identified the variables we believe are most important in our estimation process. We utilize information available to us to make the necessary estimates to value the related assets and liabilities. Actual performance that differs from our estimates and future changes in the key variables and information could change future valuations and impact the results of operations.

- Loans held for investment
- Loans available for sale
- Securities
- Allowance for loan losses (“ALLL”)
- Goodwill and other intangible assets
- Deferred income taxes
- Servicing rights
- Income taxes
- Stock-based compensation

Our significant accounting policies are described in greater detail in our 2021 audited consolidated financial statements included in our 2021 Annual Report, which are essential to understanding Management’s Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL

RBB is a financial holding company registered under the Bank Holding Company Act of 1956, as amended. Our principal business is to serve as the holding company for the Bank and RAM. At March 31, 2022, RBB had total consolidated assets of $4.0 billion, gross consolidated loans of $3.0 billion HFI and HFS, total consolidated deposits of $3.2 billion and total consolidated stockholders' equity of $464.8 million. RBB’s common stock trades on the Nasdaq Global Select Market under the symbol “RBB”.

The Bank provides consumer and business banking services to the Chinese-American communities in Los Angeles County, Orange County, Ventura County (California), Brooklyn, Queens and Manhattan (New York City), Chinatown and Bridgeport (Chicago), Las Vegas (Clark County, Nevada), Edison, New Jersey and in Honolulu, Hawaii, including remote deposit, E-banking, mobile banking, commercial and investor real estate loans, business loans and lines of credit, SBA 7A and 504 loans, mortgage loans, trade finance and a full range of depository accounts. RAM was formed to hold and manage problem assets acquired in business combinations.

The Company operates 23 full-service banking offices in Arcadia, Cerritos, Diamond Bar, Irvine, Los Angeles, Monterey Park, Oxnard, Rowland Heights, San Gabriel, Silver Lake, Torrance, and Westlake Village (California), Brooklyn, Queens and Manhattan (New York City), Chinatown and Bridgeport (Chicago), Las Vegas (Nevada), Edison, New Jersey and Honolulu, Hawaii. We opened our 24th full-service banking office in the Bensonhurst area of Brooklyn, New York on May 2, 2022.

The Bank completed the acquisition of the Honolulu, Hawaii branch from BOTO on January 14, 2022. The Bank assumed all deposits totaling $81.7 million, selected performing loans totaling $7.4 million, and received $71.0 million in cash in connection with the acquisition which represented consideration for the deposits assumed by the Bank, partially offset by the purchase price of the assets acquired and the premium paid.

RBB has completed six whole bank acquisitions since 2011, including the acquisition of Pacific Global Bank Holdings, Inc. ("PGBH") which was completed on January 10, 2020.

On April 11, 2022, RBB Bancorp announced that President and Chief Executive Officer Alan Thian resigned effective immediately following the completion of an internal investigation conducted by a special committee of the Board of Directors. Mr. Thian had been on a paid leave of absence since February 22, 2022. The investigation, which was conducted by an independent outside law firm on behalf of a special committee of the Board of Directors, identified violations of Company policies and procedures, including those relating to personnel decisions, as well as resulting adverse effects on officer and employee morale. The Board of Directors and management indicated that the violations did not have any overall adverse financial impact on the Company. Mr. Thian's restricted stock units were forfeited.

OVERVIEW

The following discussion provides information about the results of operations, financial condition, liquidity and capital resources of RBB and its wholly owned subsidiaries. This information is intended to facilitate the understanding and assessment of significant changes and trends related to our financial condition and the results of our operations. This discussion and analysis should be read in conjunction with our audited financial statements included in our 2021 Annual Report, and the unaudited consolidated financial statements and accompanying notes presented elsewhere in this Report.

For the first quarter of 2022, we reported net earnings of $14.6 million, compared with $12.5 million for the first quarter of 2021, reflecting an increase of $2.2 million from the first quarter of 2021. Diluted earnings per share was $0.74 per share for the first quarter of 2022, compared to $0.63 for the same period last year.

At March 31, 2022, total assets were $4.0 billion, a decrease of $214.6 million, or 5.1%, from total assets of $4.2 billion at December 31, 2021. Interest-earning assets were $3.8 billion as of March 31, 2022, a decrease of $213.6 million, or 5.4%, compared with $4.0 billion at December 31, 2021. The decrease in interest-earning assets was primarily due to a $338.5 million decrease in federal funds & cash equivalents and a $2.4 million decrease in mortgage loans held for sale, partially offset by a $75.1 million increase in loans held for investment and a $52.2 million increase in investment securities.

At March 31, 2022, AFS investment securities totaled $420.4 million, inclusive of a pre-tax net unrealized loss of $14.9 million, compared to $368.3 million, inclusive of a pre-tax unrealized loss of $2.4 million at December 31, 2021. HTM investment securities totaled $6.2 million at March 31, 2022 and $6.3 million at December 31, 2021.

Total HFI loans and leases, net of deferred fees and discounts, increased $75.1 million or 2.6% to $3.01 billion at March 31, 2022, compared to $2.93 billion at December 31, 2021. The increase was primarily due to organic loan growth. From December 31, 2021 to March 31, 2022, single-family residential (“SFR”) mortgage loans increased by $60.0 million, construction and land development (“C&D”) loans increased by $43.6 million, and commercial and industrial ("C&I") loans increased by $12.1 million. These increases were partially offset by a decrease in commercial real estate (“CRE”) loans of $30.0 million, and a decrease of $8.4 million in SBA loans.

HFS loans were $3.6 million at March 31, 2022, compared to $6.0 million at December 31, 2021. The decrease was due to loan sales.

Noninterest-bearing deposits were $1.2 billion at March 31, 2022, a decrease of $131.8 million, or 10.2%, compared to $1.3 billion at December 31, 2021. Interest-bearing deposits were $2.01 billion at March 31, 2022, a decrease of $85.5 million, or 4.1%, compared to $2.09 billion at December 31, 2021. The decreases were driven by normal business fluctuations. At March 31, 2022, noninterest-bearing deposits were 36.6% of total deposits, compared to 38.1% at December 31, 2021.

Our average cost of total deposits was 0.27% for the quarter ended March 31, 2022, compared to 0.55% for the same period last year. The decrease is primarily due to a $647.8 million increase in average noninterest bearing demand deposits, and a decrease in the average rate paid on interest-bearing deposits to 0.44% from 0.73% due to the decline in market rates.

Borrowings, consisting of long-term FHLB advances, long-term debt and subordinated debt, increased to $337.7 million at March 31, 2022, compared to $337.5 million as of December 31, 2021, or an increase of $199,000 or 0.1% The $150.0 million in five-year original term FHLB advances have an average fixed rate of 1.18% and will mature by March 2025. The purpose of the advances was to enhance our liquidity in light of the COVID-19 pandemic at an attractive interest rate. As of March 31, 2022 and December 31, 2021, we had no short-term advances from the FHLB.

The Company adopted ASU 2016-02, Leases, as of January 1, 2021. As of March 31, 2022, the Company reported $22.5 million in right-of-use assets for operating leases and $23.3 million in lease liabilities.

The allowance for loan losses was $33.3 million at March 31, 2022, compared to $32.9 million at December 31, 2021, an increase of $380,000 during the three-month period ending March 31, 2022. The increase was due to a $366,000 loan loss provision, attributable to loan growth, partially offset by a decrease in our COVID-19 reserve because of the improving economic conditions. The allowance for loan losses to total HFI loans and leases outstanding was 1.11% and 1.12% as of March 31, 2022 and December 31, 2021, respectively.

Shareholders’ equity decreased $1.9 million, or 0.4%, to $464.8 million during the three-month period ending March 31, 2022 due to $2.7 million of common stock dividends, $5.7 million from the repurchase of common stock and a $8.7 million decrease in net accumulated other comprehensive income, which was partially offset by $14.6 million of net income, $394,000 from the exercise of stock options and $257,000 from stock-based compensation. The decrease in accumulated other comprehensive income primarily resulted from decreases in unrealized gains on AFS securities.

Our capital ratios under the revised capital framework referred to as Basel III remain well capitalized. As of March 31, 2022, the Company’s Tier 1 leverage capital ratio was 9.90%, the common equity Tier 1 ratio was 14.12%, the Tier 1 risk-based capital ratio was 14.63%, and the total risk-based capital ratio was 21.96%. See “Analysis of Financial Condition -- Regulatory Capital Requirements” herein for a further discussion of our regulatory capital requirements.

On April 11, 2022, the Company announced that its President and Chief Executive Officer, Alan Thian, had resigned effective immediately following the completion of an internal investigation conducted by a special committee of the board of directors. Mr. Thian had been on a paid leave of absence since February 22, 2022. The investigation, which was conducted by an independent outside law firm on behalf of a special committee of the board of directors, identified violations of Company policies and procedures, including those relating to personnel decisions, as well as resulting adverse effects on officer and employee morale. The board of directors and management indicated that the violations did not have any overall adverse financial impact on the Company.

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ANALYSIS OF RESULTS OF OPERATIONS

Financial Performance

	For the Three Months Ended March 31,		Increase (Decrease)	
	2022	2021	$ or #	%
	(Dollars in thousands, except per share amounts)			
Interest income	$ 39,566	$ 35,540	$ 4,026	11.3%
Interest expense	5,075	6,055	(980)	(16.2)%
Net interest income	34,491	29,485	5,006	17.0%
Provision for loan losses	366	1,500	(1,134)	(75.6)%
Net interest income after provision for loan losses	34,125	27,985	6,140	21.9%
Noninterest income	2,944	5,894	(2,950)	(50.1)%
Noninterest expense	16,061	15,792	269	1.7%
Income before income taxes	21,008	18,087	2,921	16.1%
Income tax expense	6,391	5,631	760	13.5%
Net income	$ 14,617	$ 12,456	$ 2,161	17.3%
Share Data				
Earnings per common share:				
Basic	$ 0.75	$ 0.64	$ 0.11	17.2%
Diluted (1)	0.74	0.63	0.11	17.5%
Weighted average shares outstanding (1):				
Basic	19,377,407	19,475,814	(98,407)	(0.5)%
Diluted	19,799,323	19,812,841	(13,518)	(0.1)%
Performance Ratios				
Return on average assets, annualized	1.39%	1.47%	(0.08)%	(5.4)%
Return on average shareholders’ equity, annualized	12.59%	11.64%	0.95%	8.2%
Noninterest income to average assets, annualized	0.28%	0.70%	(0.42)%	(60.0)%
Noninterest expense to average assets, annualized	1.53%	1.86%	(0.33)%	(17.7)%
Efficiency ratio	42.90%	44.64%	(1.74)%	(3.9)%
Dividend payout ratio	18.67%	18.75%	(0.08)%	(0.4)%
Average equity to asset ratio	11.06%	12.63%	(1.57)%	(12.4)%
Return on average tangible common equity, annualized (2)	14.91%	14.05%	0.86%	6.1%
Tangible book value per share (2)	$ 20.20	$ 18.51	$ 1.69	9.1%

(1) Basic earnings per share are calculated by dividing earnings to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share are calculated by dividing earnings by the weighted average number of shares adjusted for the dilutive effect of outstanding stock options using the treasury stock method.

(2) Tangible book value per share and return on average tangible common equity are non-GAAP financial measures. See "Non-GAAP Financial Measures" for a reconciliation of these measures to their most comparable GAAP measures.

Net Interest Income

The principal component of our earnings is net interest income, which is the difference between the interest and fees earned on loans and investments (interest-earning assets) and the interest paid on deposits and borrowed funds (interest-bearing liabilities). Net interest margin is net interest income as a percentage of average interest-earning assets for the period. The level of interest rates and the volume and mix of interest-earning assets and interest-bearing liabilities impact net interest income and net interest margin. The net interest spread is the yield on average interest earning assets minus the cost of average interest-bearing liabilities. Net interest margin and net interest spread are included on a tax equivalent ("TE") basis by adjusting interest income utilizing the federal statutory tax rate of 21% for 2022 and 2021. Our net interest income, interest spread, and net interest margin are sensitive to general business and economic conditions. These conditions include short-term and long-term interest rates, inflation, monetary supply, and the strength of the international, national and state economies, in general, and more specifically, the local economies in which we conduct business. Our ability to manage net interest income during changing interest rate environments will have a significant impact on our overall performance. We manage net interest income through affecting changes in the mix of interest-earning assets as well as the mix of interest-bearing liabilities, changes in the level of interest-bearing liabilities in proportion to interest-earning assets, and in the growth and maturity of earning assets. For additional information see the sections on "*Capital Resources and Liquidity Management*" and Item 3. *Quantitative and Qualitative Disclosures about Market Risk* included in this Report.

The following tables present average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the three months ended March 31, 2022 and 2021. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments.

Interest-Earning Assets and Interest-Bearing Liabilities

(tax-equivalent basis, dollars in thousands)	For the Three Months Ended March 31, 2022 Average Balance	2022 Interest & Fees	2022 Yield / Rate	2021 Average Balance	2021 Interest & Fees	2021 Yield / Rate
Interest-earning assets:						
Federal funds sold, cash equivalents and other (1)	$ 628,634	$ 673	0.43%	$ 215,230	$ 397	0.75%
Securities (2)						
Available for sale	392,858	974	1.01%	239,768	571	0.97%
Held to maturity	6,250	57	3.70%	7,000	64	3.71%
Mortgage loans held for sale	3,652	43	4.78%	54,021	411	3.09%
Loans held for investment: (3)						
Real estate	2,602,382	33,095	5.16%	2,307,431	29,521	5.19%
Commercial	380,978	4,748	5.05%	384,442	4,584	4.84%
Total loans held for investment	2,983,360	37,843	5.14%	2,691,873	34,105	5.14%
Total earning assets	4,014,754	$ 39,590	4.00%	3,207,892	$ 35,548	4.49%
Noninterest-earning assets	241,235			228,002		
Total assets	$ 4,255,989			$ 3,435,894		
Interest-bearing liabilities:						
NOW	$ 75,399	$ 43	0.23%	$ 64,592	$ 44	0.28%
Money market	720,197	643	0.36%	579,347	623	0.44%
Saving deposits	145,327	32	0.09%	131,151	31	0.10%
Time deposits, less than $250,000	600,563	754	0.51%	663,029	1,496	0.92%
Time deposits, $250,000 and over	570,210	820	0.58%	593,981	1,468	1.00%
Total interest-bearing deposits	2,111,696	2,292	0.44%	2,032,100	3,662	0.73%
FHLB advances	150,000	435	1.18%	150,000	435	1.18%
Long-term debt	173,058	2,194	5.14%	111,739	1,808	6.56%
Subordinated debentures	14,521	154	4.30%	14,302	150	4.25%
Total interest-bearing liabilities	2,449,275	5,075	0.84%	2,308,141	6,055	1.06%
Noninterest-bearing liabilities						
Noninterest-bearing deposits	1,301,497			653,674		
Other noninterest-bearing liabilities	34,319			40,119		
Total noninterest-bearing liabilities	1,335,816			693,793		
Shareholders' equity	470,898			433,960		
Total liabilities and shareholders' equity	$ 4,255,989			$ 3,435,894		
Net interest income / interest rate spreads		$ 34,515	3.16%		$ 29,493	3.43%
Net interest margin			3.49%			3.73%

(1) Includes income and average balances for FHLB stock, term federal funds, interest-bearing time deposits and other miscellaneous interest-bearing assets.

(2) Interest income and average rates for tax-exempt securities are presented on a tax-equivalent basis.

(3) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs and discount accretion.

Interest Rates and Operating Interest Differential

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous period's volume. Changes which are not due solely to volume or rate have been allocated to these categories based on the respective percent changes in average volume and average rate as they compare to each other.

	Comparison of Three Months Ended March 31, 2022 and 2021		
	Change due to:		
(tax-equivalent basis, dollars in thousands)	**Volume**	**Rate**	**Interest Variance**
Earning assets:			
Federal funds sold, cash equivalents & other (1)	$ 1,353	$ (1,077)	$ 276
Securities: (2)			
Available for sale	379	24	403
Held to maturity	(7)	0	(7)
Mortgage loans held for sale	(1,383)	1,015	(368)
Loans held for investment: (3)			
Real estate	4,744	(1,170)	3,574
Commercial	(250)	414	164
Total loans held for investment	4,494	(756)	3,738
Total earning assets	$ 4,836	$ (794)	$ 4,042
Interest-bearing liabilities			
NOW	$ 30	$ (31)	$ (1)
Money market	542	(522)	20
Saving deposits	14	(13)	1
Time deposits, less than $250,000	(130)	(612)	(742)
Time deposits, $250,000 and over	(56)	(592)	(648)
Total interest-bearing deposits	400	(1,770)	(1,370)
Long-term debt	2,553	(2,167)	386
Subordinated debentures	2	2	4
Total interest-bearing liabilities	2,955	(3,935)	(980)
Changes in net interest income	$ 1,881	$ 3,141	$ 5,022

(1) Includes income and average balances for FHLB stock, term federal funds, interest-bearing time deposits and other miscellaneous interest-bearing assets.

(2) Interest income and average rates for tax-exempt securities are presented on a tax-equivalent basis.

(3) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs and discount accretion.

Results of Operations—Comparison of Results of Operations for the Three Months Ended March 31, 2022 and 2021

The following discussion of our results of operations compares the three months ended March 31, 2022 and 2021. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2022.

Net Interest Income/Average Balance Sheet. In the first quarter of 2022, we generated $34.5 million of taxable-equivalent net interest income, which was an increase of $5.0 million, or 17.0%, from the $29.5 million of taxable-equivalent net interest income we earned in the first quarter of 2021. The increase in net interest income was primarily due to an $806.9 million increase in average earning assets and a 22 basis point decrease in the average rate paid on interest-bearing liabilities, partially offset by a 49 basis point decrease in the average yield on interest-earning assets. The decreases in average yield on interest-earning assets and the average rate paid on interest-bearing liabilities were primarily due to a decrease in market rates. The increase in average interest-earning assets resulted from increases in average federal funds sold and cash equivalents, investment securities and average loan balances.

Our average interest-bearing deposit balances increased by $79.6 million, primarily as a result of organic growth. The decrease in interest expense was primarily due to a 22 basis point decrease in the average rate paid on interest-bearing liabilities. For the three months ended March 31, 2022 and 2021, our net interest margin was 3.49% and 3.73%, respectively. Our net interest margin benefits from discount accretion on our purchased loan portfolios. Our net interest margin for the three months ended March 31, 2022 and 2021, excluding accretion income, would have been 3.46% and 3.67%, respectively.

Total tax-equivalent interest income was $39.6 million for the first quarter of 2022 compared to $35.5 million for the first quarter of 2021. The $4.0 million, or 11.4%, increase in total tax-equivalent interest income was primarily due to a $806.9 million increase in average earning assets, partially offset by a 49 basis point decrease in the yield on average earning assets.

Interest and fees on HFI and HFS loans for the first quarter of 2022 was $37.9 million compared to $34.5 million for the first quarter of 2021. The $3.4 million, or 9.8%, increase was primarily due to a $241.1 million, or 8.8%, increase in the average balance of total loans outstanding and a 4 basis point increase in the average yield on total loans. The increase in the average loan balance was primarily due to organic loan growth. Purchased loan discount accretion income totaled $246,000 in the first quarter of 2022 compared to $481,000 in the first quarter of 2021. The average yield on loans benefits from discount accretion on our purchased loan portfolio. For the three months ended March 31, 2022 and 2021, the yield on total HFI and HFS loans was 5.14% and 5.10%, respectively, while the yield on total loans excluding accretion income would have been 5.11% and 5.03%, respectively. Due to payoffs of acquired loans, we expect accretion income to decline through the remainder of 2022.

	As of and For the Three Months Ended March 31,	
(dollars in thousands)	**2022**	**2021**
Beginning balance of discount on purchased loans	$ 1,726	$ 2,872
Additions due to acquisitions:		
Commercial and industrial	8	—
Commercial real estate	26	—
Single family residential mortgages	(52)	—
Total additions	$ (18)	$ —
Accretion:		
Commercial and industrial	4	(5)
SBA	3	3
Construction and land development	(1)	1
Commercial real estate	54	159
Single family residential mortgages	186	323
Total accretion	$ 246	$ 481
Ending balance of discount on purchased loans	$ 1,462	$ 2,391

Interest income on our total securities portfolio (taxable equivalent) increased $396,000, or 62.4%, to $1.0 million in the first quarter of 2022 compared to $635,000 in the first quarter of 2021. This increase is primarily attributable to a $152.3 million, or 61.7%, increase in the average balance, plus a 1 basis point increase in the yield on average securities, in the first quarter of 2022 as compared to the first quarter of 2021. Securities income reported in the average balance sheet has been adjusted to a tax-equivalent basis; interest income reported in the Company's consolidated statements of income has not been grossed-up.

Interest income on interest-earning deposits, dividend income on FHLB stock, federal funds sold, cash equivalents and other investments increased to $673,000 for the three months ended March 31, 2022 compared to $397,000 for the three months ended March 31, 2021. This increase was primarily due to a $413.4 million increase in the average balance of short-term cash investments, partially offset by a 32 basis point decrease in the average yield between the two periods.

Interest expense on interest-bearing liabilities decreased by $980,000, or 16.2%, to $5.1 million for the first quarter of 2022 as compared to $6.1 million in the first quarter of 2021 due to decreases in interest rates on both deposits and borrowings, partially offset by a $141.1 million increase in average interest-bearing liabilities.

Interest expense on deposits decreased to $2.3 million for the first quarter of 2022 as compared to $3.7 million for the first quarter of 2021. The $1.4 million, or 37.4%, decrease in interest expense on deposits was primarily due to a 29 basis point decrease in the average rate paid on interest-bearing deposits, plus a $86.2 million decrease in average time deposits, partially offset by $165.8 million increase in average NOW, money market and saving deposits. Deposits increased due to organic deposit growth. The average balance of interest-bearing deposits increased $79.6 million, or 3.9%, from $2.0 billion in the first quarter of 2021 compared to $2.1 billion in the first quarter of 2022. Average brokered certificates of deposit were $1.5 million in the first quarter of 2022 compared to $17.4 million in the first quarter of 2021. Average non-interest-bearing deposits increased to $1.3 billion, or 99.1%, from $653.7 million in the first quarter of 2021. The 29 basis point decrease in the average rate paid on interest-bearing deposits was primarily due to lower market interest rates.

Interest expense on FHLB advances was $435,000 in both the first quarter of 2021 and the first quarter of 2022. The average balance remained unchanged from $150.0 million between the two quarters. The $150.0 million in FHLB advances at March 31, 2022 were fixed-rate FHLB advances with an average rate of 1.18% maturing in the first quarter of 2025. The purpose of this borrowing was to obtain funding in order to enhance liquidity in light of the COVID-19 pandemic and obtain funding at an attractive interest rate. The Company had no outstanding overnight FHLB advances as of March 31, 2022 and no overnight FHLB advances as of March 31, 2021.

Interest expense on long-term debt and subordinated debentures increased by $390,000 to $2.3 million in the first quarter of 2022 from $2.0 million during the first quarter of 2021. The average balance of long-term debt and subordinated debentures increased to $187.6 million in the first quarter of 2022, compared to $126.0 million in the first quarter of 2021. The average rate on long-term debt and subordinated debentures was 5.08% in the first quarter of 2022 compared to 6.30% in the first quarter of 2021.

Provision for Loan Losses. The $1.1 million decrease in the provision for loan losses, to $366,000 in the first quarter of 2022 compared to $1.5 million in the first quarter of 2021, was primarily attributable to the reversal of COVID-19 pandemic reserve due to less severe status than two years ago. There were $14,000 in net loan recoveries in the first quarter of 2022, as compared to $42,000 in net loan charge-offs in the first quarter of 2021.

Noninterest Income. Noninterest income decreased $3.0 million, or 50.1%, to $2.9 million for the first quarter of 2022, compared to $5.9 million in the same quarter in the prior year. The following table sets forth the major components of our noninterest income for the three months ended March 31, 2022 and 2021:

	For the Three Months Ended March 31,		**Increase (Decrease)**	
(dollars in thousands)	**2022**	**2021**	**$**	**%**
Noninterest income:				
Service charges, fees and other	$ 1,116	$ 1,410	$ (294)	(20.9)%
Gain on sale of loans	1,174	3,841	(2,667)	(69.4)%
Loan servicing fee, net of amortization	432	246	186	75.6%
Recoveries on loans acquired in business combinations	5	5	—	0.0%
Unrealized loss on equity investments	—	(20)	20	(100.0)%
(Loss) Gain on derivatives	(108)	225	(333)	(148.0)%
Increase in cash surrender of life insurance	325	187	138	73.8%
Total noninterest income	$ 2,944	$ 5,894	$ (2,950)	(50.1)%

Service charges, fees and other income. Service charges, fees and other income totaled $1.1 million in the first quarter of 2022, compared to $1.4 million in the first quarter of 2021. The $294,000 decrease was in primarily due to a $362,000 decrease in analysis charges.

Gain on sale of loans. Gains on sale of loans are comprised primarily of gains on sale of SFR mortgage loans and SBA loans. Gains on sale of loans totaled $1.2 million in the first quarter of 2022, compared to $3.8 million in the first quarter of 2021. The decrease was primarily caused by a decrease of $98.3 million in loan sale volume, primarily due to a decrease in FNMA and non-qualified mortgage loan sales.

The following table presents information on loans sold and gains on loans sold for the three months ended March 31, 2022 and 2021.

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021	Increase (Decrease) $	%
Loans sold:				
SBA	$ 8,349	$ 3,540	$ 4,809	135.8%
Single family residential mortgage	26,932	130,088	(103,156)	(79.3)%
	$ 35,281	$ 133,628	$ (98,347)	(73.6)%
Gain on loans sold:				
SBA	$ 463	$ 355	$ 108	30.4%
Single family residential mortgage	711	3,486	(2,775)	(79.6)%
	$ 1,174	$ 3,841	$ (2,667)	(69.4)%

Loan servicing income, net of amortization. Our loan servicing income, net of amortization, increased by $186,000 to $432,000 for the three months ended March 31, 2022 compared to net servicing income of $246,000 for the three months ended March 31, 2021. Loan servicing income, net of amortization increased due to higher interest rates, which affects the pre-payment speeds on loans serviced. We are experiencing lower loan pre-payments in SFR loans due to higher mortgage rates. The decrease in SBA loan servicing income is due to the decrease in the volume of SBA loans we are servicing. The following table presents information on loans servicing income for the three months ended March 31, 2022 and 2021.

(dollars in thousands) *For the period*	For the Three Months Ended March 31, 2022	2021	Increase (Decrease) $	%
Loan servicing income, net of amortization:				
Single family residential loans serviced	$ 250	$ 10	$ 240	2400.0%
SBA loans serviced	182	236	(54)	(22.9)%
Total	$ 432	$ 246	$ 186	75.6%

As of March 31, 2022, we are servicing SFR mortgage loans for other financial institutions and FNMA, and we are also servicing SBA and CRE loans. The decline in the respective servicing portfolios reflects prepayment of loans from year-end 2021 through the first quarter of 2022.

The following table shows loans serviced for others as of March 31, 2022 and 2021:

(dollars in thousands)	March 31, 2022	2021	Increase (Decrease) $	%
As of period-end				
Single family residential loans serviced	$ 1,236,179	$ 1,526,285	$ (290,106)	(19.0)%
SBA loans serviced	142,023	154,064	(12,041)	(7.8)%
Commercial real estate loans serviced	4,050	4,126	(76)	(1.8)%
Total	$ 1,382,252	$ 1,684,475	$ (302,223)	(17.9)%

Recoveries on loans acquired in business combinations. Recoveries on loans acquired in business combinations was $5,000 and $5,000 for quarters ended March 31, 2022 and 2021, respectively.

Unrealized loss on equity investments. There was no unrealized loss on equity investments for the first quarter of 2022, compared to $20,000 unrealized loss in the first quarter of 2021, per the guidance of ASU 2016-01.

(Loss) Gain on Derivatives. The $108,000 loss on derivatives in the first quarter was due to a higher market rate and a lower amount of loans that were committed to be delivered to FNMA at quarter-end, which compared to $225,000 of gains for the first quarter of 2021.

Cash surrender value of life insurance. The income from the cash surrender value of life insurance increased $138,000 in the quarter ended March 31, 2022 compared to the same quarter in 2021. We purchased additional BOLI in the second quarter of 2021.

Noninterest expense. Noninterest expense increased $269,000 or 1.7%, to $16.1 million in the first quarter of 2022 compared to $15.8 million in the first quarter of 2021. The following table sets forth major components of our noninterest expense for the three months ended March 31, 2022 and 2021:

	For the Three Months Ended March 31,		Increase (Decrease)	
(dollars in thousands)	**2022**	**2021**	**$**	**%**
Noninterest expense:				
Salaries and employee benefits	$ 9,369	$ 9,242	$ 127	1.4%
Occupancy and equipment expenses	2,206	2,242	(36)	(1.6)%
Data processing	1,258	1,440	(182)	(12.6)%
Legal and professional	1,006	805	201	25.0%
Office expenses	293	255	38	14.9%
Marketing and business promotion	307	184	123	66.8%
Insurance and regulatory assessments	441	348	93	26.7%
Amortization of core deposit intangible	279	301	(22)	(7.3)%
OREO expenses	8	5	3	60.0%
Merger expenses	37	42	(5)	(11.9)%
Other expenses	857	928	(71)	(7.7)%
Total noninterest expense	$ 16,061	$ 15,792	$ 269	1.7%

Salaries and employee benefits expense. Salaries and employee benefits expense increased $127,000, or 1.4%, to $9.4 million for the first quarter of 2022 compared to $9.2 million for the first quarter of 2021, due to normal salary increases and increases in health benefit costs. The number of full-time equivalent employees was 357 at March 31, 2022 compared to 366 at March 31, 2021. None of our employees are represented by a labor union, or governed by any collective bargaining agreements. We consider relations with our employees to be satisfactory. On a periodic basis, the human resources department will advise senior management of the following human capital management metrics: (1) open positions, (2) overtime expense, (3) staff turnover, and (4) employee headcount.

Occupancy and equipment expense. Occupancy and equipment expense decreased $36,000, or 1.6%, to $2.2 million for the first quarter of 2022 compared to $2.2 million for the first quarter of 2021 due to moving one branch to a lower rent property , offset by adding the Hawaai branch and increases in rental income.

Data processing expense. Data processing expense decreased $182,000, or 12.6%, to $1.3 million for the first quarter of 2022, compared to $1.4 million for the first quarter of 2021, due to continued expense control and migrating to more cost effective cloud based systems. Effective June 2019, the Company renegotiated its data processing master agreement with the vendor, under which the Company is allowed to offset future monthly data processing expenses up to approximately $2.2 million through January 2026. As of March 31, 2022, $1.2 million of this benefit remained for future use.

Legal and professional expense. Legal and professional expense increased $201,000 to $1.0 million in the three months ended March 31, 2022 compared to $805,000 for the three months ended March 31, 2021. This increase was primarily due to a previously announced Board-authorized special investigation.

Office expenses. Office expenses are comprised of communications, postage, armored car, and office supplies and were $293,000 for the three months ended March 31, 2022 compared to $255,000 for the three months ended March 31, 2021. This increase primarily resulted from normal business activity.

Marketing and business promotion expense. Marketing and business promotion expense increased by $123,000, or 66.8%, to $307,000 in the first quarter of 2022, compared to $184,000 for the first quarter of 2021. The increase was primarily due to increased marketing efforts in the first quarter of 2022 that were reduced in 2021 due to COVID-19.

Insurance and regulatory expenses. Insurance and regulatory assessments increased $93,000, or 26.7%, to $441,000 in the first quarter of 2022 due to an increase in the FDIC assessment by $80,000.

Amortization of core deposit intangible expense. Amortization of the core deposit intangible was $279,000 in the first quarter of 2022, compared to $301,000 in the same period of 2021. During the first quarter, the Company recognized $729,000 of core deposit intangible associated with the acquisition of the Honolulu Branch office of the Bank of the Orient.

Merger expenses. Merger expense was $37,000 in the first quarter of 2022 compared to $42,000 in the same period of 2021, following the completion of the Honolulu, Hawaii branch acquisition in the first quarter of 2022.

Other expenses. Other expenses decreased $71,000, or 7.7%, to $857,000 for the first quarter of 2022, compared to $928,000 in the first quarter of 2021. There was a provision reserve for unfunded commitments recorded of $17,000 in the first quarter of 2022 compared to a provision of $63,000 in the first quarter of 2021.

Income Tax Expense. During the three months ended March 31, 2022 and 2021, the Company recorded an income tax provision of $6.4 million and $5.6 million, respectively, reflecting an effective tax rate of 30.4% and 31.1% for the three months ended March 31, 2022 and 2021, respectively. The Company recognized tax benefit from stock option exercises of $23,000 for the three months ended March 31, 2022 and $56,000 for the same period in 2021.

Net Income. Net income after tax amounted to $14.6 million for the first quarter 2022, a $2.2 million increase, or a 17.3% increase from $12.5 million in the first quarter of 2021. For the first quarter of 2022 as compared to the first quarter of 2021, net interest income before the provision for loan losses increased by $5.0 million, the provision for loan losses decreased by $1.1 million, non-interest income decreased by $3.0 million, non-interest expense increased by $269,000, and income tax expense increased by $760,000.

ANALYSIS OF FINANCIAL CONDITION

Assets

Total assets were $4.0 billion as of March 31, 2022 and $4.2 billion as of December 31, 2021. Cash and cash equivalents decreased by $344.6 million and HFS loans decreased by $2.4 million, which were partially offset by an increase of $52.2 million in investment securities and a $75.1 million increase in net HFI loans.

Investment Securities

Our investment strategy aims to maximize earnings while maintaining liquidity in securities with minimal credit risk. The types and maturities of securities purchased are primarily based on our current and projected liquidity and interest rate sensitivity positions.

The following table sets forth the book value and percentage of each category of securities at March 31, 2022 and December 31, 2021. The book value for debt securities classified as available for sale is reflected at fair market value and the book value for securities classified as held to maturity is reflected at amortized cost.

	March 31, 2022		December 31, 2021	
(dollars in thousands)	**Amount**	**% of Total**	**Amount**	**% of Total**
Securities, available for sale, at fair value				
Government agency securities	$ 5,066	1.2%	$ 5,610	1.5%
SBA agency securities	3,122	0.7%	3,469	0.9%
Mortgage-backed securities - Government sponsored agencies	45,466	10.7%	55,025	14.7%
Collateralized mortgage obligations	115,518	27.1%	119,511	31.9%
Commercial paper	205,110	48.1%	129,926	34.7%
Corporate debt securities (1)	36,054	8.4%	42,205	11.3%
Municipal securities	10,112	2.4%	12,514	3.3%
Total securities, available for sale, at fair value	$ 420,448	98.6%	$ 368,260	98.3%
Securities, held to maturity, at amortized cost				
Taxable municipal securities	$ 1,505	0.4%	$ 1,506	0.4%
Tax-exempt municipal securities	4,741	1.0%	4,746	1.3%
Total securities, held to maturity, at amortized cost	6,246	1.4%	6,252	1.7%
Total securities	$ 426,694	100.0%	$ 374,512	100.0%

(1) Comprised of corporate note securities, commercial paper and financial institution subordinated debentures.

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The tables below set forth investment debt securities AFS and HTM for the periods presented.

(dollars in thousands) **March 31, 2022**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Available for sale				
Government agency securities	$ 5,373	$ —	$ (307)	$ 5,066
SBA agency securities	3,182	—	(60)	3,122
Mortgage-backed securities- Government sponsored agencies	48,686	—	(3,220)	45,466
Collateralized mortgage obligations	122,621	—	(7,103)	115,518
Commercial paper	205,326	—	(216)	205,110
Corporate debt securities	37,477	69	(1,492)	36,054
Municipal securities	12,693	—	(2,581)	10,112
	$ 435,358	$ 69	$ (14,979)	$ 420,448
Held to maturity				
Municipal taxable securities	$ 1,505	$ 36	$ —	$ 1,541
Municipal securities	4,741	16	(6)	4,751
	$ 6,246	$ 52	$ (6)	$ 6,292
December 31, 2021				
Available for sale				
Government agency securities	$ 5,689	$ 4	$ (83)	$ 5,610
SBA securities	3,351	118	—	3,469
Mortgage-backed securities- Government sponsored agencies	55,534	31	(540)	55,025
Collateralized mortgage obligations	121,377	128	(1,994)	119,511
Commercial paper	129,962	—	(36)	129,926
Corporate debt securities	41,999	460	(254)	42,205
Municipal securities	12,701	—	(187)	12,514
	$ 370,613	$ 741	$ (3,094)	$ 368,260
Held to maturity				
Municipal taxable securities	$ 1,506	$ 77	$ —	$ 1,583
Municipal securities	4,746	248	—	4,994
	$ 6,252	$ 325	$ —	$ 6,577

The weighted-average book yield on the total investment portfolio at March 31, 2022 was 1.09% with a weighted-average life of 3.8 years. This compares to a weighted-average book yield of 1.03% with a weighted-average life of 3.8 years at December 31, 2021. The weighted-average life is the average number of years that each dollar of unpaid principal due remains outstanding. Average life is computed as the weighted-average time to the receipt of all future cash flows, using as the weights the dollar amounts of the principal pay-downs.

The table below shows the Company's investment securities' gross unrealized losses and estimated fair value by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2022 and December 31, 2021. The unrealized losses on these securities were primarily attributed to changes in interest rates. The issuers of these securities have not, to our knowledge, evidenced any cause for default on these securities. These securities have fluctuated in value since their purchase dates as market rates have fluctuated. However, we have the ability and the intention to hold these securities until their fair values recover to cost or maturity. As such, management does not deem these securities to be other-than-temporarily-impaired A summary of our analysis of these securities and the unrealized losses is described more fully in Note 4 — *Investment Securities* in the Notes to the 2021 consolidated financial statements included in our 2021 Annual Report. Economic trends may adversely affect the value of the portfolio of investment securities that we hold.

	Less than Twelve Months			**Twelve Months or More**			**Total**		
(dollars in thousands)	**Unrealized**	**Estimated Fair**	**No. of**	**Unrealized**	**Estimated Fair**	**No. of**	**Unrealized**	**Estimated Fair**	**No. of**
March 31, 2022	**Losses**	**Value**	**Issuances**	**Losses**	**Value**	**Issuances**	**Losses**	**Value**	**Issuances**
Government sponsored agencies	$ (307)	$ 5,066	3	$ —	$ —	—	$ (307)	$ 5,066	3
SBA Agency Securities	(60)	3,122	4	—	—	—	(60)	3,122	4
Mortgage-backed securities- Government sponsored agencies	(2,536)	33,698	12	(684)	11,769	3	(3,220)	45,467	15
Collateralized mortgage obligations	(5,989)	84,608	31	(1,114)	25,845	7	(7,103)	110,453	38
Commercial paper	(216)	205,110	30	—	—	—	(216)	205,110	30
Corporate debt securities	(1,096)	20,916	23	(396)	2,872	2	(1,492)	23,788	25
Municipal securities	(2,263)	8,817	8	(318)	1,295	3	(2,581)	10,112	11
Total available for sale	$ (12,467)	$ 361,337	111	$ (2,512)	$ 41,781	15	$ (14,979)	$ 403,118	126
December 31, 2021									
Government sponsored agencies	$ (83)	$ 4,860	1	$ —	$ —	—	$ (83)	$ 4,860	1
Mortgage-backed securities- Government sponsored agencies	(536)	44,009	12	(4)	9,974	2	(540)	53,983	14
Collateralized mortgage obligations	(1,916)	79,851	23	(78)	17,782	4	(1,994)	97,633	27
Commercial paper	(36)	129,926	19	—	—	—	(36)	129,926	19
Corporate debt securities	(254)	13,208	12	—	—	—	(254)	13,208	12
Municipal securities	(160)	11,447	9	(27)	1,067	2	(187)	12,514	11
Total available for sale	$ (2,985)	$ 283,301	76	$ (109)	$ 28,823	8	$ (3,094)	$ 312,124	84

The Company did not record any charges for other-than-temporary impairment losses for the three months ended March 31, 2022 and 2021.

Loans

At March 31, 2022, total loans held for investment, net of allowance for loan losses, totaled $3.0 billion. The following table presents the balance and associated percentage of each major category in our loan portfolio at March 31, 2022 and December 31, 2021:

	As of March 31, 2022		As of December 31, 2021	
(dollars in thousands)	**$**	**Mix %**	**$**	**Mix %**
Loans:(1)				
Commercial and industrial	$ 280,825	9.3%	$ 268,709	9.2%
SBA	67,688	2.3%	76,136	2.6%
Construction and land development	346,766	11.5%	303,144	10.3%
Commercial real estate (2)	1,217,985	40.5%	1,247,999	42.6%
Single-family residential mortgages	1,064,581	35.4%	1,004,576	34.3%
Other loans	28,639	1.0%	30,786	1.0%
Total loans	3,006,484	100.0%	2,931,350	100%
Allowance for loan losses	(33,292)		(32,912)	
Total loans, net	$ 2,973,192		$ 2,898,438	

(1) Net of discounts and deferred fees and costs.
(2) Includes non-farm & non-residential real estate loans, multifamily residential and single-family residential loans for a business purpose.

Total HFI loans increased $75.1 million, or 2.6%, to $3.0 billion at March 31, 2022 compared to $2.9 billion at December 31, 2021. The total loan portfolio increased primarily in single-family residential mortgages, construction and land development loans and commercial and industrial, partially offset by decreases in commercial real estate, SBA loans and other loans.

Commercial and industrial loans. We provide a mix of variable and fixed rate commercial and industrial loans. The loans are typically made to small- and medium-sized manufacturing, wholesale, retail and service businesses for working capital needs, business expansions and for international trade financing. Commercial and industrial loans include lines of credit with a maturity of one year or less, commercial and industrial term loans with maturities of five years or less, shared national credits with maturities of five years or less, mortgage warehouse lines with a maturity of one year or less, purchased receivables with a maturity of two months or less and international trade discounts with a maturity of three months or less. Substantially all of our commercial and industrial loans are collateralized by business assets or by real estate.

Commercial and industrial loans increased $12.1 million, or 4.5%, to $280.8 million as of March 31, 2022 compared to $268.7 million at December 31, 2021 due to normal loan activity.

Commercial real estate loans. Commercial real estate loans include owner-occupied and non-occupied commercial real estate, multi-family residential and SFR mortgage loans originated for a business purpose. The interest rate for the majority of these loans are prime-based and have a maturity of five years or less. Our policy maximum loan-to-value ("LTV") ratio is 75% for commercial real estate loans; however, we temporarily lowered the applicable LTV to 70% to be conservative in regards to real estate valuations. The total commercial real estate portfolio decreased $30.0 million, or 2.4%, to $1.22 billion at March 31, 2022, compared to $1.25 billion at December 31, 2021. The multi-family residential loan portfolio was $520.0 million as of March 31, 2022 and $545.9 million as of December 31, 2021. The SFR mortgage loan portfolio originated for a business purpose totaled $58.3 million as of March 31, 2022 and $65.6 million as of December 31, 2021.

Construction and land development loans. Construction and land development loans increased $43.6 million, or 14.4%, to $346.8 million at March 31, 2022 as compared to $303.1 million at December 31, 2021, as originations exceeded loan repayments. The following table shows the categories of our construction and land development portfolio as of March 31, 2022 and December 31, 2021:

	As of March 31, 2022		As of December 31, 2021		Increase (Decrease)	
(dollars in thousands)	**$**	**Mix %**	**$**	**Mix %**	**$**	**%**
Residential construction	$ 237,650	68.5%	$ 211,850	69.9%	$ 25,800	12.2%
Commercial construction	75,690	21.8%	71,918	23.7%	3,772	5.2%
Land development	33,426	9.7%	19,376	6.4%	14,050	72.5%
Total construction and land development loans	$ 346,766	100.0%	$ 303,144	100.0%	$ 43,622	14.4%

SBA guaranteed loans. We are designated a Preferred Lender under the SBA Preferred Lender Program. We offer mostly SBA 7(a) variable-rate loans. We generally sell the 75% guaranteed portion of the SBA loans that we originate. Our SBA loans are typically made to small-sized manufacturing, wholesale, retail, hotel/motel and service businesses for working capital needs or business expansions. SBA loans can have any maturity up to 25 years. Typically, non-real estate secured loans mature in less than 10 years. Collateral may also include inventory, accounts receivable and equipment, and includes personal guarantees. Our unguaranteed SBA loans collateralized by real estate are monitored by collateral type and are included in our CRE Concentration Guidance.

SBA loans decreased $8.5 million, or 11.1%, to $67.7 million at March 31, 2022 compared to $76.1 million at December 31, 2021. We originated SBA loans of $11.9 million during the first three months of 2022. Partially offsetting the loan origination were loan sales of $8.3 million and net loan payoffs and paydowns of $12.1 million during the first three months of 2022.

SFR Loans. We originate both qualified and non-qualified, alternative documentation SFR mortgage loans through correspondent relationships or through our branch network or retail channel to accommodate the needs of the Asian-American market. As of March 31, 2022, we had $1.1 billion of SFR real estate loans, representing 35.4% of our HFI loan portfolio, excluding available for sale SFR loans.

There are three non-qualified SFR loan products. The five-year and seven-year hybrid adjustable mortgage re-price at five and seven years, respectively, to the one-year Constant Maturity Treasury rate plus 3.00% for Primary Residences or plus 3.50% for Second Home/Investment. The start rate for the five-year hybrid is 4.00% plus 0.5% in points while the start rate for the seven-year hybrid is 4.25% plus 0.5% in points. The start rate for the 30-year fixed mortgage is 4.875% plus 0.5% in points.

As of March 31, 2022, the weighted-average loan-to-value of the portfolio was 56.6%, the weighted average FICO score was 761 and the average duration of the portfolio was 2.5 years. We also offer qualified SFR mortgage loans as a correspondent to a national financial institution.

We originate non-qualified SFR mortgage loans both to sell and hold for investment. The loans held for investment are generally originated through our retail branch network to our customers, many of whom establish a deposit relationship with us and by correspondent relationships. At this time, we are not selling non-qualified SFR mortgages.

Except for SFR loans sold to FNMA or in connection with a securitization, the loans are sold with no representation or warranties and with a replacement feature for the first 90-days if the loan pays off early. As a condition of the sale, the buyer must have the loans audited for underwriting and compliance standards. We originate qualified mortgages and sell them directly to FNMA. These loans are underwritten under FNMA guidelines and sold with the normal FNMA conditions. In addition, we may sell some of our non-qualified SFR mortgage loans to FNMA in a bulk sale with limited recourse to us.

SFR mortgage real estate loans (which include $5.3 million of home equity loans) increased $60.0 million, or 6.0%, to $1.1 billion as of March 31, 2022 as compared to $1.0 billion as of December 31, 2021. In addition, loans held for sale decreased $2.4 million, or 40.0%, to $3.6 million as of March 31, 2022 compared to $6.0 million December 31, 2021. The decrease in loans held for sale is primarily due to loan sales.

Loan Quality

We use what we believe is a comprehensive methodology to monitor credit quality and prudently manage credit concentration within our loan portfolio. Our underwriting policies and practices govern the risk profile and credit and geographic concentration for our loan portfolio. We also have what we believe to be a comprehensive methodology to monitor these credit quality standards, including a risk classification system that identifies potential problem loans based on risk characteristics by loan type as well as the early identification of deterioration at the individual loan level. In addition to our allowance for loan losses, our purchase discounts on acquired loans provide additional protections against loan losses.

Discounts on Purchased Loans. In connection with our acquisitions, we hire a third-party to determine the fair value of loans acquired. In many instances, fair values were determined by estimating the cash flows expected to result from those loans and discounting them at appropriate market rates. The excess of expected cash flows above the fair value of the majority of loans will be accreted to interest income over the remaining lives of the loans in accordance with FASB ASC 310-20, *Receivables—Nonrefundable Fees and Other Costs*.

Analysis of the Allowance for Loan Losses. The following table allocates the allowance for loan losses, or the allowance, by category:

	As of March 31, 2022		As of December 31, 2021	
(dollars in thousands)	**$**	**% (1)**	**$**	**% (1)**
Loans:				
Commercial and industrial	$ 2,899	1.03%	$ 2,813	1.05%
SBA	901	1.33%	980	1.29%
Construction and land development	4,748	1.37%	4,150	1.37%
Commercial real estate (2)	15,880	1.30%	16,603	1.33%
Single family residential mortgages	8,394	0.79%	7,839	0.78%
Other	470	1.64%	527	1.71%
Allowance for loan losses	$ 33,292	1.11%	$ 32,912	1.12%

(1) % of allowance to total loans in the respective category

(2) Includes non-farm and non-residential real estate loans, multi-family residential and single-family residential loans originated for a business purpose.

The allowance and the balance of accretable credit discounts represent our estimate of probable and reasonably estimable loan losses inherent in loans held for investment as of the respective balance sheet date. The accretable credit discount was $3.1 million at March 31, 2022 and $3.3 million at December 31, 2021.

Allowance for loan losses. Our methodology for assessing the appropriateness of the allowance for loan losses includes a general allowance for performing loans, which are grouped based on similar characteristics, and a specific allowance for individual impaired loans or loans considered by management to be in a high-risk category. General allowances are established based on a number of factors, including historical loss rates, an assessment of portfolio trends and conditions, accrual status and economic conditions.

For commercial and industrial, SBA, commercial real estate, construction and land development and SFR mortgage loans held for investment, a specific allowance may be assigned to individual loans based on an impairment analysis. Loans are considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. The amount of impairment is based on an analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the estimated market value or the fair value of the underlying collateral. Interest income on impaired loans is accrued as earned, unless the loan is placed on nonaccrual status.

Credit-discount on loans purchased through bank acquisitions. Purchased loans are recorded at market value in two categories, credit discount, and liquidity discount and premiums. The remaining credit discount at the end of a period is compared to the analysis for loan losses for each acquisition. If the credit discount is greater than the expected loss no additional provision is needed. The following table shows our credit discounts by loan portfolio for purchased loans only as of March 31, 2022 and December 31, 2021. We have recorded additional reserves of $1.4 million due to the credit discounts on acquired loans being less than the analysis for loan losses on those acquisitions as of March 31, 2022.

(dollars in thousands)	As of March 31, 2022	As of December 31, 2021
Commercial and industrial	$ 34	$ 38
SBA	30	31
Construction and land development	2	2
Commercial real estate	567	629
Single-family residential mortgages	2,451	2,619
Total credit discount on purchased loans	$ 3,084	$ 3,319
Total remaining balance of purchased loans through acquisition	$ 397,112	$ 418,038
Credit-discount to remaining balance of purchased loans	0.78%	0.79%

Individual loans considered to be uncollectible are charged off against the allowance. Factors used in determining the amount and timing of charge-offs on loans include consideration of the loan type, length of delinquency, sufficiency of collateral value, lien priority and the overall financial condition of the borrower. Collateral value is determined using updated appraisals and/or other market comparable information. Charge-offs are generally taken on loans once the impairment is determined to be other-than-temporary. Recoveries on loans previously charged off are added to the allowance. Net charge-offs (recoveries) to average loans were 0.00% and 0.01% for the three months ended March 31, 2022 and 2021, respectively.

The allowance for loan losses was $33.3 million at March 31, 2022 compared to $32.9 million at December 31, 2021. The $380,000 increase was due to a $366,000 loan loss provision driven by loan growth and $14,000 in net recoveries.

We analyze the loan portfolio, including delinquencies, concentrations, and risk characteristics, at least quarterly in order to assess the overall level of the allowance and nonaccretable discounts. We also rely on internal and external loan review procedures to further assess individual loans and loan pools, and economic data for overall industry and geographic trends.

In determining the allowance and the related provision for credit losses, we consider three principal elements: (i) valuation allowances based upon probable losses identified during the review of impaired commercial and industrial, commercial real estate, construction and land development loans, (ii) allocations, by loan classes, on loan portfolios based on historical loan loss experience and qualitative factors and (iii) review of the credit discounts in relationship to the valuation allowance calculated for purchased loans. Provisions for credit losses are charged to operations to record changes to the total allowance to a level deemed appropriate by us.

The following table provides an analysis of the allowance for loan losses, provision for loan losses and net charge-offs for the three months ended March 31, 2022 and 2021:

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Balance, beginning of period	$ 32,912	$ 29,337
Charge-offs:		
Other	(47)	(42)
Total charge-offs	(47)	(42)
Recoveries:		
Commercial and industrial	1	—
SBA	59	—
Other	1	—
Total recoveries	61	—
Net (charge-offs)/recoveries	14	(42)
Provision for loan losses	366	1,500
Balance, end of period	$ 33,292	$ 30,795
Total HFI loans at end of period	3,006,484	2,715,205
Average HFI loans	2,983,360	2,691,873
Net charge-offs to average HFI loans	0.00%	0.01%
Allowance for loan losses to total loans	1.11%	1.13%
Credit discount on loans purchased through acquisitions	$ 3,084	$ 4,328

Problem Loans. Loans are considered delinquent when principal or interest payments are past due 30 days or more; delinquent loans may remain on accrual status between 30 days and 89 days past due. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Typically, the accrual of interest on loans is discontinued when principal or interest payments are past due 90 days or when, in the opinion of management, there is a reasonable doubt as to collectability in the normal course of business. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Loans are restored to accrual status when loans become well-secured and management believes full collectability of principal and interest is probable.

A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans include loans on nonaccrual status and performing restructured loans. Income from loans on nonaccrual status is recognized to the extent cash is received and when the loan's principal balance is deemed collectible. Depending on a particular loan's circumstances, we measure impairment of a loan based upon either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral less estimated costs to sell if the loan is collateral dependent. A loan is considered collateral dependent when repayment of the loan is based solely on the liquidation of the collateral. Fair value, where possible, is determined by independent appraisals, typically on an annual basis. Between appraisal periods, the fair value may be adjusted based on specific events, such as if deterioration of quality of the collateral comes to our attention as part of our problem loan monitoring process, or if discussions with the borrower lead us to believe the last appraised value no longer reflects the actual market for the collateral. The impairment amount on a collateral-dependent loan is charged-off to the allowance if deemed not collectible and the impairment amount on a loan that is not collateral-dependent is set up as a specific reserve.

In cases where a borrower experiences financial difficulties and we make certain concessionary modifications to contractual terms, the loan is classified as a TDR. These concessions may include a reduction of the interest rate, principal or accrued interest, extension of the maturity date or other actions intended to minimize potential losses. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the loan is modified may be excluded from restructured loan disclosures in years subsequent to the restructuring if the loans are in compliance with their modified terms. A restructured loan is considered impaired despite its accrual status and a specific reserve is calculated based on the present value of expected cash flows discounted at the loan's effective interest rate or the fair value of the collateral less estimated costs to sell if the loan is collateral dependent.

Pursuant to recent regulatory guidance, we have elected under the CARES Act to not apply GAAP requirements to loan modifications related to the COVID-19 pandemic that would otherwise be categorized as a TDR, and have suspended the determination of loan modifications related to the pandemic from being treated as TDRs. Modifications include the following: (1) forbearance agreements, (2) interest-rate modifications, (3) repayment plans, and (4) any other similar arrangements that defer or delay payments of principal or interest. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and that occur beginning on March 1, 2020, until January 1, 2022. The suspension of TDR accounting and reporting guidance may not be applied to any loan of a borrower that is not related to the COVID-19 pandemic.

Real estate we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as OREO until sold, and is carried at estimated fair value less estimated costs to sell.

The following table sets forth the allocation of our nonperforming assets among our different asset categories as of the dates indicated. Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest (of which there were none during the periods presented), and loans modified under TDRs. Nonperforming loans exclude PCI loans. The balances of nonperforming loans reflect the net investment in these assets.

(dollars in thousands)	As of March 31, 2022	As of December 31, 2021
Accruing troubled debt restructured loans:		
Commercial and industrial	$ 384	$ 410
Commercial real estate	1,309	1,328
Total accruing troubled debt restructured loans	1,693	1,738
Non-accrual loans:		
Commercial and industrial	4,282	3,712
SBA	5,117	6,263
Construction and land development	141	149
Commercial real estate	3,916	4,672
Single-family residential mortgages	5,539	4,191
Other	3	—
Total non-accrual loans	18,998	18,987
Total non-performing loans	20,691	20,725
OREO	293	293
Nonperforming assets	$ 20,984	$ 21,018
Nonperforming loans to total loans	0.69%	0.71%
Nonperforming assets to total assets	0.52%	0.50%

The $34,000 decrease in nonperforming loans at March 31, 2022 was primarily due to payoffs and paydowns of $2.3 million, partially offset by the addition of three SFR loans in the amounts of $1.6 million, two C&I loans in the amount of $578,000 and one home improvement loan in the amount of $3,000 and recovery of one non-accrual loan for $58,000 during the first three months of 2022.

Our 30-89 day delinquent loans, excluding nonaccrual loans were $17.6 million as of March 31, 2022 compared to $17.6 million as of December 31, 2021. The $5,000 decrease in past due loans (which consist primarily of SFR mortgages) was due to the decreasing economic impact of the COVID-19 pandemic.

We did not recognize any interest income on nonaccrual loans during the three months ended March 31, 2022 and 2021, while the loans were in nonaccrual status. We recognized interest income on loans modified under TDRs of $46,000 and $40,000 during the three months ended March 31, 2022 and 2021, respectively.

We utilize an asset risk classification system in compliance with guidelines established by the FDIC as part of our efforts to improve asset quality. In connection with examinations of insured institutions, examiners have the authority to identify problem assets and, if appropriate, classify them. There are three classifications for problem assets: “substandard,” “doubtful,” and “loss.” Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full questionable and there is a high probability of loss based on currently existing facts, conditions and values. An asset classified as loss is not considered collectable and is of such little value that continuance as an asset is not warranted.

We use a risk grading system to categorize and determine the credit risk of our loans. Potential problem loans include loans with a risk grade of 6, which are “special mention,” loans with a risk grade of 7, which are “substandard” loans that are generally not considered to be impaired and loans with a risk grade of 8, which are “doubtful” loans generally considered to be impaired. These loans generally require more frequent loan officer contact and receipt of financial data to closely monitor borrower performance. Potential problem loans are managed and monitored regularly through a number of processes, procedures and committees, including oversight by a loan administration committee comprised of executive officers and other members of the Bank’s senior management.

COVID-19 Impact on Loan Quality. We decreased SBA lending during the first quarter of 2022 as the Bank’s SBA’s PPP Program ended on May 31, 2021. As of March 31, 2022, the Company has approximately 14 PPP loans with the SBA in the total amount of approximately $2.6 million, or 0.08%, of the Company’s total HFI loan portfolio.

As of March 31, 2022, the Company had no loans deferred as a result of the COVID-19 pandemic.

Cash and Cash Equivalents. Cash and cash equivalents decreased $344.6 million, or 49.6%, to $349.8 million as of March 31, 2022 as compared to $694.4 million at December 31, 2021. This decrease was primarily due to $33.1 million in cash from operating activities, partially offset by $307.0 million used in financing activities and $70.8 million used in investing activities.

The Federal Reserve announced the reduction of the reserve requirement ratio to zero percent across all deposit tiers, effective March 26, 2020. Depository institutions that were required to maintain deposits in a Federal Reserve Bank account to satisfy reserve requirements will no longer be required to do so and can use the additional liquidity to lend to individuals and businesses. It is our understanding that the Federal Reserve currently has no current plans to reinstate the reserve requirement. However, the Federal Reserve may adjust reserve requirement ratios in the future if conditions warrant.

Goodwill and Other Intangible Assets. Goodwill was $71.5 million and $69.2 million at March 31, 2022 and December 31, 2021, respectively. Goodwill in the amount of $2.3 million was recorded due to the Honolulu, Hawaii branch acquisition in the first of quarter of 2022. Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired. Other intangible assets, which consists of CDI, were $4.5 million and $4.1 million at March 31, 2022 and December 31, 2021, respectively. CDI of $729,000 was recorded due to the Hawaii branch purchase in the first of quarter of 2022. The CDI assets are amortized primarily on an accelerated basis over their estimated useful lives, generally over a period of eight to ten years.

Liabilities. Total liabilities decreased by $212.8 million to $3.5 billion at March 31, 2022 from $3.8 billion at December 31, 2021, primarily due to $217.3 million decrease in deposits.

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Deposits. As a Chinese-American business bank that focuses on successful businesses and their owners, many of our depositors choose to make large deposits with us. The Bank measures core deposits by reviewing all relationships over $250,000 on a quarterly basis. We track all deposit relationships over $250,000 on a quarterly basis and consider a relationship to be core if there are any three or more of the following: (i) relationships with us (as a director or shareholder); (ii) deposits within our market area; (iii) additional non-deposit services with us; (iv) electronic banking services with us; (v) active demand deposit account with us; (vi) deposits at market interest rates; and (vii) longevity of the relationship with us. We consider all deposit relationships under $250,000 as a core relationship except for time deposits originated through an internet service. This differs from the traditional definition of core deposits which is demand and savings deposits plus time deposits less than $250,000. As many of our customers have more than $250,000 on deposit with us, we believe that using this method reflects a more accurate assessment of our deposit base. As of March 31, 2022, the Bank considers $2.6 billion or 82.5%, of our deposits as core relationships.

As of March 31, 2022, our top ten deposit relationships totaled $730.0 million, of which one is related to directors and shareholders of the Company for a total of $39.5 million, or approximately 5.4% of our top ten deposit relationships. As of March 31, 2022, our directors and shareholders with deposits over $250,000 totaled $62.7 million, or 2.8%, of all relationships over $250,000.

The following table summarizes our average deposit balances and weighted average rates for the three months ended March 31, 2022 and year ended December 31, 2021:

	For the Three Months Ended March 31, 2022		For the Year Ended December 31, 2021	
(dollars in thousands)	**Average Balance**	**Weighted Average Rate (%)**	**Average Balance**	**Weighted Average Rate (%)**
Noninterest-bearing demand	$ 1,301,497	—	$ 938,710	—
Interest-bearing:				
NOW	75,399	0.23%	69,211	0.27%
Money market	720,197	0.36%	637,539	0.39%
Savings	145,327	0.09%	137,534	0.10%
Time, less than $250,000	600,563	0.51%	640,747	0.70%
Time, $250,000 and over	570,210	0.58%	597,770	0.79%
Total interest-bearing	2,111,696	0.44%	2,082,801	0.57%
Total deposits	$ 3,413,193	0.27%	$ 3,021,511	0.40%

The following table sets forth the maturity of time deposits of $250,000 or more and wholesale deposits as of March 31, 2022:

	Maturity Within:				
(dollars in thousands)	**Three Months**	**After Three to Six Months**	**Six to 12 Months**	**After 12 Months**	**Total**
Time, $250,000 and over	$ 190,324	$ 187,951	$ 178,504	$ 4,446	$ 561,225
Wholesale deposits (1)	22,214	4,305	4,333	5,263	36,115
Time, brokered	—	—	—	—	—
Total	$ 212,538	$ 192,256	$ 182,837	$ 9,709	$ 597,340

(1) Wholesale deposits are defined as time deposits originated through via internet rate line and/or through other deposit originators.

We acquire wholesale time deposits from the internet and outside deposits originators as needed to supplement liquidity. These time deposits are primarily under $250,000 and we do not consider them core deposits. The total amount of such deposits was $36.1 million as of March 31, 2022 and $70.1 million as of December 31, 2021. The Bank had no brokered deposits at March 31, 2022 and $2.4 million in brokered deposits at December 31, 2021. The brokered deposits were acquired to support our loan growth.

The following table sets forth the estimated deposits exceeding the FDIC insurance limit:

(dollars in thousands)	**March 31, 2022**	**December 31, 2021**
Uninsured deposits	$ 1,578,868	$ 1,823,410

The estimated aggregate amount of time deposits in excess of the FDIC insurance limit is $449.2 milllion at March 31, 2022. The following table sets forth the maturity distribution of the estimated uninsured time deposits

(dollars in thousands)	**As of March 31, 2022**
3 months or less	$ 143,777
Over 3 months through 6 months	161,382
Over 6 months through 12 months	141,334
Over 12 months	2,752
Total	$ 449,245

Total deposits decreased $217.3 million to $3.2 billion at March 31, 2022 as compared to $3.4 billion at December 31, 2021. The decrease was expected and mainly due to customers placing funds into other investments. As of March 31, 2022, total deposits were comprised of 36.6% noninterest-bearing demand accounts, 27.9% of interest-bearing non-maturity accounts and 35.5% of time deposits.

As of March 31, 2022, $322,000 in deposit overdrafts were reclassified as other loans. As of December 31, 2021, the amount was $20,000.

FHLB Borrowings. In addition to deposits, we have used long- and short-term borrowings, such as federal funds purchased and FHLB long-and short-term advances, as a source of funds to meet the daily liquidity needs of our customers and fund growth in earning assets. We had no FHLB short-term advances at March 31, 2022 and December 31, 2021. We had $150.0 million in FHLB long-term advances at March 31, 2022 and December 31, 2021. The original term is five years, maturing by March 2025. The average fixed interest rate is 1.18%. The Company secured this funding in case it experienced a liquidity issue caused by the COVID-19 pandemic and to obtain an attractive interest rate. The following table sets forth information on our total FHLB advances during the periods presented:

	As of and For the Three Months Ended March 31,	
(dollars in thousands)	**2022**	**2021**
Outstanding at period-end	$ 150,000	$ 150,000
Average amount outstanding	150,000	150,000
Maximum amount outstanding at any month-end	150,000	150,000
Weighted average interest rate:		
During period	1.18%	1.18%
End of period	1.18%	1.18%

Long-term Debt. In March 2016, the Company issued $50 million of 6.5% fixed-to-floating rate subordinated debentures, due March 31, 2026. The interest rate is fixed through March 31, 2021 and floats at three month LIBOR plus 516 basis points thereafter. The Company redeemed these subordinated debentures on March 31, 2021. The redemption price for the subordinated debentures was equal to 100% of principal amount of the notes redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date of March 31, 2021.

In November 2018, the Company issued $55.0 million of 6.18% fixed-to-floating rate subordinated notes due December 1, 2028. The Company used the net proceeds from the offering for general corporate purposes, including providing capital to the Bank and maintaining adequate liquidity at the Company. The subordinated notes bear interest at the initial rate of 6.18% per annum from December 1, 2018 until but excluding December 1, 2023, payable on June 1 and December 1 of each year. Thereafter, the Company will pay interest on the principal amount of this note at a variable rate equal to three month LIBOR plus 315 basis points each March 1, June 1, September 1 and December 1.

In March 2021, the Company issued $120 million of 4.00% fixed-to-floating rate subordinated debentures due April 1, 2031. The interest rate is fixed through July 1, 2026 and floats at 3 month SOFR plus 329 basis points thereafter. The Company can redeem these subordinated debentures beginning April 1, 2026. The subordinated debentures are considered Tier 2 capital at the Company.

Subordinated Debentures. Subordinated debentures consist of subordinated notes. As of March 31, 2022 and December 31, 2021, the amount outstanding was $14.6 million and $14.5 million, respectively. Under the terms of our subordinated notes and the related subordinated notes purchase agreements, we are not permitted to declare or pay any dividends on our capital stock if an event of default occurs under the terms of the long term debt. These subordinated notes consist of the following:

- The Company maintains the TFC Statutory Trust, which has issued a total of $5.2 million securities ($5.0 million in capital securities and $155,000 in common securities). These trust preferred securities were originally issued by the Trust, which was a subsidiary of TFC, which was acquired by the Company in February 2016. The Company determined the fair value as of the valuation date of the Trust issuance was $3.3 million, indicating a discount of $1.9 million. The underlying debentures bear interest equal to three month LIBOR plus 1.65%, payable each March 15, June 15, September 15 and December 15. The maturity date is March 15, 2037. The subordinated debentures have a variable rate of interest equal to the three month LIBOR plus 1.65%, which was 2.48% as of March 31, 2022 and 1.85% at December 31, 2021.

- The Company maintains the FAIC Trust, which has issued a total of $7.2 million securities ($7.0 million in capital securities and $217,000 in common securities). These trust preferred securities were originally issued by FAIC Trust, which was a subsidiary of FAIC, which the Company acquired in October 2018. The Company determined the fair value as of the valuation date of the FAIC Trust issuance was $6.0 million, with a discount of $1.2 million. The underlying debentures bear interest equal to three month LIBOR plus 2.25%, payable each March 15, June 15, September 15 and December 15. The maturity is December 15, 2034. The rate at March 31, 2022 was 3.08% and 2.45% at December 31, 2021.

- In January 2020, the Company, through the acquisition of PGBH, acquired PGBH Trust, a Delaware statutory trust formed in December 2004. PGBH Trust issued 5,000 units of fixed-to-floating rate capital securities with an aggregate liquidation amount of $5.0 million and 155 common securities with an aggregate liquidation amount of $155,000. There was a $763,000 discount recorded to arrive at market value which is treated as a yield adjustment and is amortized over the life of the security. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The subordinated debentures have a variable rate of interest equal to the three-month LIBOR plus 2.10% through final maturity on December 15, 2034. The rate at March 31, 2022 was 2.93% and 2.30% at December 31, 2021.

The British banking regulators eliminated use of the LIBOR rate at the end of 2021. At this point in time, the Company has adopted SOFR as the alternative reference rate to replace LIBOR with respect to the Company’s long-term debt and subordinated debentures.

Capital Resources and Liquidity Management

Capital Resources. Shareholders' equity is influenced primarily by earnings, dividends, sales and redemptions of common stock and changes in accumulated other comprehensive income caused primarily by fluctuations in unrealized holding gains or losses, net of taxes, on available for sale investment securities.

Shareholders' equity decreased $1.9 million, or 0.4%, to $464.8 million during the three-month period ending March 31, 2022 due to $2.7 million of common stock dividends, $5.7 million from the repurchase of common stock and a $8.7 million decrease in net accumulated other comprehensive income. The decrease in accumulated other comprehensive income primarily resulted from decreases in unrealized gains on AFS securities, which was partially offset by $14.6 million of net income, $394,000 from the exercise of stock options and $257,000 from stock-based compensation.

Liquidity Management. Liquidity refers to the measure of our ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting our operating, capital and strategic cash flow needs, all at a reasonable cost. We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner that will meet all short-term and long-term cash requirements. We manage our liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our shareholders.

Our liquidity position is supported by management of liquid assets and liabilities and access to alternative sources of funds. Liquid assets include cash, interest-bearing deposits in banks, federal funds sold, available for sale securities, term federal funds, purchased receivables and maturing or prepaying balances in our securities and loan portfolios. Liquid liabilities include core deposits, federal funds purchased, securities sold under repurchase agreements and other borrowings. Other sources of liquidity include the sale of loans, the ability to acquire additional national market non-core deposits, the issuance of additional collateralized borrowings such as FHLB advances, the issuance of debt securities, additional borrowings through the Federal Reserve's discount window and the issuance of preferred or common securities. Our short-term and long-term liquidity requirements are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit to borrowers, capital expenditures and shareholder dividends. These liquidity requirements are met primarily through cash flow from operations, redeployment of prepaying and maturing balances in our loan and investment portfolios, debt financing and increases in customer deposits. For additional information regarding our operating, investing and financing cash flows, see the consolidated statements of cash flows provided in our consolidated financial statements.

Integral to our liquidity management is the administration of short-term borrowings. To the extent we are unable to obtain sufficient liquidity through core deposits, we seek to meet our liquidity needs through wholesale funding or other borrowings on either a short- or long-term basis.

As of both March 31, 2022 and December 31, 2021, we had $92.0 million of unsecured federal funds lines with no amounts advanced against the lines as of such dates. In addition, lines of credit from the Federal Reserve Discount Window were $18.0 million at March 31, 2022 and $22.3 million at December 31, 2021, respectively. Federal Reserve Discount Window lines were collateralized by a pool of loans totaling $22.7 million and $33.2 million as of March 31, 2022 and December 31, 2021, respectively. We did not have any borrowings outstanding with the Federal Reserve at March 31, 2022 and December 31, 2021, and our borrowing capacity is limited only by eligible collateral.

At March 31, 2022 and December 31, 2021, we had $150.0 million in FHLB long-term advances outstanding. At March 31, 2022 and December 31, 2021, we had no FHLB short-term (overnight) advances outstanding. Based on the values of loans pledged as collateral, we had $893.4 million of borrowing capacity with the FHLB as of March 31, 2022 and $833.6 million at December 31, 2021.

RBB is a corporation separate and apart from the Bank and, therefore, must provide for its own liquidity. RBB's main source of funding is dividends declared and paid to RBB by the Bank and RAM. There are statutory, regulatory and debt covenant limitations that affect the ability of the Bank to pay dividends to RBB. Management believes that these limitations will not impact our ability to meet the Company's ongoing short-term cash obligations.

Regulatory Capital Requirements

We are subject to various regulatory capital requirements administered by the federal and state banking regulators. Failure to meet regulatory capital requirements may result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for “prompt corrective action” (described below), we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting policies.

In the wake of the global financial crisis of 2008-2009, the role of capital has become fundamentally more important, as banking regulators have concluded that the amount and quality of capital held by banking organizations was insufficient to absorb losses during periods of severely distressed economic conditions. The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and banking regulations promulgated by the U.S. federal banking regulators to implement Basel III have established strengthened capital standards for banks and bank holding companies and require more capital to be held in the form of common stock. These provisions, which generally became applicable to RBB and the Bank on January 1, 2015, impose meaningfully more stringent regulatory capital requirements than those applicable to RBB and the Bank prior to that date. In addition, the Basel III regulations implemented a concept known as the “capital conservation buffer.” In general, banks and bank holding companies are required to hold a buffer of common equity Tier 1 capital equal to 2.5% of risk-weighted assets over each minimum capital ratio to avoid being subject to limits on capital distributions (e.g., dividends, stock buybacks, etc.) and certain discretionary bonus payments to executive officers. For community banks, the capital conservation buffer requirement commenced on January 1, 2016, with a gradual phase-in. Full compliance with the capital conservation buffer was required by January 1, 2019.

The table below summarizes the minimum capital requirements applicable to RBB and the Bank pursuant to Basel III regulations as of the dates reflected and assuming the capital conservation buffer has been fully-phased in. The minimum capital requirements are only regulatory minimums and banking regulators can impose higher requirements on individual institutions. For example, banks and bank holding companies experiencing internal growth or making acquisitions generally will be expected to maintain strong capital positions substantially above the minimum supervisory levels. Higher capital levels may also be required if warranted by the particular circumstances or risk profiles of individual banking organizations. The table below also summarizes the capital requirements applicable to RBB and the Bank in order to be considered “well-capitalized” from a regulatory perspective, as well as RBB’s and the Bank’s capital ratios as of March 31, 2022 and December 31, 2021. RBB and the Bank exceeded all regulatory capital requirements under Basel III and the Bank was considered to be “well-capitalized” as of the dates reflected in the table below:

	Ratio at March 31, 2022	**Ratio at December 31, 2021**	**Regulatory Capital Ratio Requirements**	**Regulatory Capital Ratio Requirements, including fully phased-in Capital Conservation Buffer**	**Minimum Requirement for "Well Capitalized" Depository Institution**
Tier 1 Leverage Ratio					
Consolidated	9.90%	10.21%	4.00%	4.00%	N/A
Bank	12.29%	12.45%	4.00%	4.00%	5.00%
Common Equity Tier 1 Risk-Based Capital Ratio (1)					
Consolidated	14.12%	14.86%	4.50%	7.00%	N/A
Bank	18.15%	18.80%	4.50%	7.00%	6.50%
Tier 1 Risk-Based Capital Ratio					
Consolidated	14.63%	15.40%	6.00%	8.50%	N/A
Bank	18.15%	18.80%	6.00%	8.50%	8.00%
Total Risk-Based Capital Ratio					
Consolidated	21.96%	23.15%	8.00%	10.50%	N/A
Bank	19.37%	20.05%	8.00%	10.50%	10.00%

The Basel III regulations also revised the definition of capital and describe the capital components and eligibility criteria for common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital. The most significant changes to the capital criteria were that: (i) the prior concept of unrestricted Tier 1 capital and restricted Tier 1 capital has been replaced with additional Tier 1 capital and a regulatory capital ratio that is based on common equity Tier 1 capital; and (ii) trust preferred securities and cumulative perpetual preferred stock issued after May 19, 2010 no longer qualify as Tier 1 capital. This change is already effective due to the Dodd-Frank Act, although such instruments issued prior to May 19, 2010 continue to qualify as Tier 1 capital (assuming they qualified as such under the prior regulatory capital standards and that the asset size of the issuer does not exceed $15 billion), subject to the 25% of Tier 1 capital limit.

Contractual Obligations

The following table contains supplemental information regarding our total contractual obligations at March 31, 2022:

	Payments Due				
(dollars in thousands)	**Within One Year**	**One to Three Years**	**Three to Five Years**	**After Five Years**	**Total**
Deposits without a stated maturity	$ 2,044,753	$ —	$ —	$ —	$ 2,044,753
Time deposits	1,088,146	33,087	2,267	—	1,123,500
FHLB advances	—	150,000	—	—	150,000
Long-term debt	—	—	—	173,152	173,152
Subordinated debentures	—	—	—	14,556	14,556
Leases	4,673	6,945	5,788	6,212	23,618
Total contractual obligations	$ 3,137,572	$ 190,032	$ 8,055	$ 193,920	$ 3,529,579

Off-Balance Sheet Arrangements

We have limited off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

In the ordinary course of business, the Company enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit, unused lines of credit, commercial and similar letters of credit and standby letters of credit. Those instruments involve to varying degrees, elements of credit and interest rate risk not recognized in the Company's financial statements.

The Company's exposure to loan loss in the event of nonperformance on these financial commitments is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans reflected in its financial statements.

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. Since many of the commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements. The Company evaluates each client's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company is based on management's credit evaluation of the customer.

Non-GAAP Financial Measures

Some of the financial measures included herein are not measures of financial performance recognized by GAAP. These non-GAAP financial measures include "tangible common equity to tangible assets," "tangible book value per share," "return on average tangible common equity," "adjusted earnings," "adjusted diluted earnings per share," "adjusted return on average assets," and "adjusted return on average tangible common equity". Our management uses these non-GAAP financial measures in its analysis of our performance.

Tangible Common Equity to Tangible Assets Ratio and Tangible Book Value Per Share. The tangible common equity to tangible assets ratio and tangible book value per share are non-GAAP measures generally used by financial analysts and investment bankers to evaluate capital adequacy. We calculate: (i) tangible common equity as total shareholders' equity less goodwill and other intangible assets (excluding mortgage servicing rights); (ii) tangible assets as total assets less goodwill and other intangible assets; and (iii) tangible book value per share as tangible common equity divided by shares of common stock outstanding.

Our management, banking regulators, many financial analysts and other investors use these measures in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, which typically stem from the use of the purchase accounting method of accounting for mergers and acquisitions. Tangible common equity, tangible assets, tangible book value per share and related measures should not be considered in isolation or as a substitute for total shareholders' equity, total assets, book value per share or any other measure calculated in accordance with GAAP. Moreover, the manner in which we calculate tangible common equity, tangible assets, tangible book value per share and any other related measures may differ from that of other companies reporting measures with similar names. The following table reconciles shareholders' equity (on a GAAP basis) to tangible common equity and total assets (on a GAAP basis) to tangible assets, and calculates our tangible book value per share:

(dollars in thousands)	**March 31, 2022**	**December 31, 2021**
Tangible common equity:		
Total shareholders' equity	$ 464,825	$ 466,683
Adjustments		
Goodwill	(71,498)	(69,243)
Core deposit intangible	(4,525)	(4,075)
Tangible common equity	$ 388,802	$ 393,365
Tangible assets:		
Total assets-GAAP	$ 4,013,569	$ 4,228,194
Adjustments		
Goodwill	(71,498)	(69,243)
Core deposit intangible	(4,525)	(4,075)
Tangible assets:	$ 3,937,546	$ 4,154,876
Common shares outstanding	19,247,970	19,455,544
Common equity to assets ratio	11.58%	11.04%
Book value per share	$ 24.15	$ 23.99
Tangible common equity to tangible assets ratio	9.87%	9.47%
Tangible book value per share	$ 20.20	$ 20.22

Return on Average Tangible Common Equity. Management measures return on average tangible common equity ("ROATCE") to assess the Company's capital strength and business performance. Tangible equity excludes goodwill and other intangible assets (excluding mortgage servicing rights), and is reviewed by banking and financial institution regulators when assessing a financial institution's capital adequacy. This non-GAAP financial measure should not be considered a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures used by other companies. The following table reconciles return on average tangible common equity to its most comparable GAAP measure:

	For the Three Months Ended March 31,	
(dollars in thousands)	**2022**	**2021**
Net income available to common shareholders	$ 14,617	$ 12,456
Average shareholders equity	470,898	433,960
Adjustments:		
Goodwill	(69,268)	(69,243)
Core deposit intangible	(4,061)	(5,092)
Adjusted average tangible common equity	$ 397,569	$ 359,625
Return on average tangible common equity	14.91%	14.05%

Regulatory Reporting to Financial Statements

Core Deposits and Non-core Funding Dependency. The Bank measures core deposits by reviewing all relationships over $250,000 on a quarterly basis. We track all deposit relationships over $250,000 on a quarterly basis and consider a relationship to be core if there are any three or more of the following: (i) relationships with us (as a director or shareholder); (ii) deposits within our market area; (iii) additional non-deposit services with us; (iv) electronic banking services with us; (v) active demand deposit account with us; (vi) deposits at market interest rates; and (vii) longevity of the relationship with us. We consider all deposit relationships under $250,000 as a core relationship except for time deposits originated through an internet service. This differs from the traditional definition of core deposits which is demand and savings deposits plus time deposits less than $250,000. As many of our customers have more than $250,000 on deposit with us, we believe that using this method reflects a more accurate assessment of our deposit base. The following table reconciles the adjusted core deposit to total deposits and the adjusted net non-core dependency ratio.

	As of	
(dollars in thousands)	**March 31, 2022**	**December 31, 2021**
Adjusted core deposit to total deposit ratio:		
Core deposits: demand and savings deposits of any amount plus time deposits less than $250,000	$ 2,615,027	$ 2,807,033
Adjustments:		
CDs > $250,000 considered core deposits (1)	305,161	317,501
Less brokered deposits considered non-core	—	(2,398)
Less internet and outside deposit originated time deposits < $250,000 considered non-core	(38,318)	(70,303)
Less other deposits not considered core (2)	(91,558)	(90,116)
Total adjustments	175,285	154,684
Adjusted core deposits	2,790,312	2,961,717
Total deposits	$ 3,168,253	$ 3,385,532
Adjusted core deposits to total deposits ratio	88.07%	87.48%
Non-core deposits: Time deposits greater than $250,000	$ 553,226	$ 578,499
Less total adjustments	(175,285)	(154,684)
Total adjusted non-core deposits	377,941	423,815
Short term borrowing outstanding	—	—
Adjusted non-core liabilities (A)	377,941	423,815
Short term assets(3)	563,822	837,941
Adjustment to short term assets:		
Purchased receivables with maturities less than 90-days	—	—
Adjusted short term assets (B)	563,822	837,941
Net non-core funding (A-B)	$ (185,881)	$ (414,126)
Total earning assets	3,775,148	3,988,715
Adjusted net non-core funding dependency ratio	-4.92%	-10.38%

(1) Comprised of time deposits to core customers over $250,000 as defined in the lead-in to the table above.

(2) Comprised of demand and savings deposits in relationships over $250,000, which are considered non-core deposits because they do not satisfy the definition of core deposits set forth in the lead-in to the table above.

(3) Short term assets include cash equivalents and investment with maturities less than one year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk represents the risk of loss due to changes in market values of assets and liabilities. We incur market risk in the normal course of business through exposures to market interest rates, equity prices, and credit spreads. We have identified two primary sources of market risk: interest rate risk and price risk.

Interest Rate Risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (repricing risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay residential mortgage loans at any time and depositors' ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and LIBOR (basis risk).

Our asset liability committee ("ALCO"), establishes broad policy limits with respect to interest rate risk. ALCO establishes specific operating guidelines within the parameters of the board of directors' policies. In general, we seek to minimize the impact of changing interest rates on net interest income and the economic values of assets and liabilities. Our ALCO meets monthly to monitor the level of interest rate risk sensitivity to ensure compliance with the board of directors' approved risk limits.

Interest rate risk management is an active process that encompasses monitoring loan and deposit flows complemented by investment and funding activities. Effective management of interest rate risk begins with understanding the dynamic characteristics of assets and liabilities and determining the appropriate interest rate risk posture given business forecasts, management objectives, market expectations, and policy constraints.

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate higher net interest income, as rates earned on our interest-earning assets would reprice upward more quickly than rates paid on our interest-bearing liabilities, thus expanding our net interest margin. Conversely, a liability sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate lower net interest income, as rates paid on our interest-bearing liabilities would reprice upward more quickly than rates earned on our interest-earning assets, thus compressing our net interest margin.

Interest rate risk measurement is calculated and reported to the board and ALCO at least quarterly. The information reported includes period-end results and identifies any policy limits exceeded, along with an assessment of the policy limit breach and the action plan and timeline for resolution, mitigation, or assumption of the risk.

We use two approaches to model interest rate risk: Net Interest Income at Risk ("NII at Risk") and Economic Value of Equity ("EVE"). Under NII at Risk, net interest income is modeled utilizing various assumptions for assets, liabilities, and derivatives. EVE measures the period end market value of assets minus the market value of liabilities and the change in this value as rates change. EVE is a period end measurement.

	Net Interest Income Sensitivity Immediate Change in Rates			
(dollars in thousands)	**-200**	**-100**	**+100**	**+200**
March 31, 2022				
Dollar change	$ (6,331)	$ (3,675)	$ 12,055	$ 24,734
Percent change	(4.57)%	(2.65)%	8.71%	17.86%
December 31, 2021				
Dollar change	$ (685)	$ 135	$ 13,590	$ 27,947
Percent change	(0.53)%	0.10%	10.44%	21.46%

We report NII at Risk to isolate the change in income related solely to interest earning assets and interest-bearing liabilities. The NII at Risk results included in the table above reflect the analysis used quarterly by management. It models immediate -200, -100, +100 and +200 basis point parallel shifts in market interest rates, implied by the forward yield curve over the next one-year period.

We are within board policy limits for the +/-100 and +/-200 basis point scenarios. The NII at Risk reported at March 31, 2022, projects that our earnings are expected to be slightly asset sensitive to changes in interest rates over the next year. In recent periods, the amount of floating rate assets increased, resulting in a position shift from interest rate neutral to slightly asset sensitive.

	Economic Value of Equity Sensitivity (Shock) Immediate Change in Rates			
(dollars in thousands)	**-200**	**-100**	**+100**	**+200**
March 31, 2022				
Dollar change	(186,790)	(79,577)	18,427	32,119
Percent change	(27.26)%	(11.61)%	2.69%	4.69%
December 31, 2021				
Dollar change	(140,235)	(97,523)	31,226	56,888
Percent change	(24.61)%	(17.12)%	5.48%	9.98%

The EVE results included in the table above reflect the analysis used quarterly by management. It models immediate +/-100 and +/-200 basis point parallel shifts in market interest rates.

We are within board policy limits for the +100 and +/-200 basis point scenarios. The EVE for the -100 basis point scenario is slightly out of compliance, primarily due to a large deposit over the quarter-end and the amount of borrowings we have at the holding company. The likelihood that interest rates decrease further or become negative is small, in management's opinion. Therefore, this scenario is considered remote. The EVE reported at March 31, 2022 projects that as interest rates increase immediately, the economic value of equity position will be expected to increase slightly. When interest rates rise, fixed rate assets generally lose economic value; the longer the duration, the greater the value lost. The opposite is true when interest rates fall.

Price Risk represents the risk of loss arising from adverse movements in the prices of financial instruments that are carried at fair value and subject to fair value accounting. We have price risk from our available for sale SFR mortgage loans and our fixed-rate available for sale securities.

Basis Risk represents the risk of loss arising from asset and liability pricing movements not changing in the same direction. We have basis risk in our SFR mortgage loan portfolio and our securities portfolio.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The Company’s management, including our Interim President and Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the “Exchange Act), as of the end of the period covered by this Form 10-Q. Based on such evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures were effective.

Changes in internal control over financial reporting. There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this Form 10-Q relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to our business. Management believes that none of the legal proceedings occurring in the ordinary course of business, individually or in the aggregate, will have a material adverse impact on the results of operations or financial condition of the Company.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors as previously disclosed in Item 1A to Part I of our 2021 Annual Report. The materiality of any risks and uncertainties identified in our "Cautionary Note Regarding Forward-Looking Statements" contained in this Report or those that are presently unforeseen could result in significant adverse effects on our financial condition, results of operations and cash flows. See Part I, Item 2 for "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 24, 2019 and on April 22, 2021, the Board of Directors approved a stock repurchase program to buy back up to an aggregate of 1.0 million and 500,000, respectively, shares of our common stock. On March 16, 2022, the Board of Directors approved a stock repurchase program to buy back up to an aggregate amount of 500,000 shares of our common stock. For the three months ended March 31, 2022, we repurchased shares of common stock, as set forth in the table below.

	Issuer Purchases of Equity Securities			
	(a)	(b)	(c)	(d)
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
January 1, 2022 to January 31, 2022	1,934	$ 26.05	1,934	333,716
February 1, 2022 to February 28, 2022	25,432	$ 23.17	25,432	308,284
March 1, 2022 to March 31, 2022	205,971	$ 24.74	205,971	602,313
Total	233,337			602,313

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No	Description of Exhibits
3.1	Articles of Incorporation of RBB Bancorp (1)
3.2	Bylaws of RBB Bancorp (2)
3.3	Amendment to Bylaws of RBB Bancorp (4)
4.1	Specimen Common Stock Certificate of RBB Bancorp (3)
	The other instruments defining the rights of holders of the long-term debt securities of the Company and its subsidiaries are omitted pursuant to section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Company hereby agrees to furnish copies of these instruments to the SEC upon request.
10.1	First Amendment of Employment Agreement dated October 22, 2021 between RBB Bancorp, Royal Business Bank and Mr. I-Ming (Vincent) Liu
10.2	First Amendment of Employment Agreement dated October 22, 2021 between RBB Bancorp, Royal Business Bank and Mr. David R. Morris
10.3	First Amendment of Employment Agreement dated October 22, 2021 between RBB Bancorp, Royal Business Bank and Mr. Simon Pang
10.4	First Amendment of Employment Agreement dated October 22, 2021 between RBB Bancorp, Royal Business Bank and Mr. Jeffrey Yeh
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page of RBB Bancorp's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in Inline XBRL (contained in Exhibit 101)

(1) Incorporated by reference from Exhibit 3.1 of the Registrant's Registration Statement in Form S-1 filed with the SEC on June 28, 2017.

(2) Incorporated by reference from Exhibit 3.2 of the Registrant's Registration Statement in Form S-1 filed with the SEC on June 28, 2017.

(3) Incorporated by reference from Exhibit 4.1 of the Registrant's Registration Statement in Form S-1 filed with the SEC on June 28, 2017.

(4) Incorporated by reference from Exhibit 3.3 of the Registrant's Quarterly Report in Form 10-Q filed with the SEC on November 13, 2018.

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.

	RBB BANCORP (Registrant)
Date: May 9, 2022	/s/ David Morris David Morris Duly Authorized Officer, Interim President and Chief Executive Officer, Executive Vice President and Chief Financial Officer

Exhibit 10.1

FIRST AMENDMENT OF EMPLOYMENT AGREEMENT

This First Amendment of Employment Agreement ("First Amendment") is made and effective as of this 22nd day of October 2021, by and between ROYAL BUSINESS BANK ("Bank"), RBB Bancorp (the “Company”) and Mr. I-Ming (Vincent) Liu ("Executive"). This First Amendment is made with specific reference to the following facts:

RECITALS

Bank and Executive entered into that certain Employment Agreement dated April 12, 2017 ("Agreement”), pursuant to which Executive was retained. Bank and Executive desire to enter into this First Amendment in order to amend the first paragraph of Section 4(a) Change of Control.

NOW, THEREFORE, for and in consideration of the foregoing recitals and the Terms and Conditions contained in this First Amendment, the parties agree as follows:

1. **The first paragraph of Section 4(a) of the Agreement is hereby amended to read in full as follows**:

“Except for termination for Cause (pursuant to Section F.3 hereof), disability or death (pursuant to Section F.2 hereof), after the occurrence of a Change in Control (as defined below) and in no other event, if Executive’s employment with the Bank is materially adversely altered or Executive is not retained by the Bank or the surviving bank or company, Executive shall be entitled to receive severance payment in the amount equal to twelve (12) months of Executive’s then current annual salary, and continuation of Executive’s medical and dental insurance coverage for one (1) year or until Executive has found employment, whichever occurs earlier. Such payment shall terminate this Agreement in all respects, but shall not prohibit Executive from continuing as an employee under a new agreement with the Bank or a successor bank.”

2. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

3. This First Amendment may be entered into in one or more counterparts, all of which shall be considered one in the same instrument, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

4. This First Amendment shall be governed by and construed in accordance with the laws of the State of California.

5. The execution and delivery of this First Amendment by the Executive and the Bank executing the First Amendment have been duly authorized by the Bank, and this First Amendment constitutes a legal, valid and binding agreement of the Executive and the Bank in accordance with its respective terms.

6. **Remaining Terms and Conditions**. All remaining Terms and Conditions of the Agreement, as amended, shall remain in full force and effect between Bank and Executive and are incorporated herein as if restated in full.

IN WITNESS WHEREOF, the parties hereto have executed the foregoing First Amendment effective as of the date first written above.

ROYAL BUSINESS BANK	“EXECUTIVE”
By: /s/ James Kao	/s/ I-Ming (Vincent) Liu
Name: James Kao	I-Ming (Vincent) Liu
Title: Chairman of the Board	

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

RBB BANCORP

By: /s/ James Kao
Name: James Kao
Title: Chairman of the Board

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

FIRST AMENDMENT OF EMPLOYMENT AGREEMENT

This First Amendment of Employment Agreement ("First Amendment") is made and effective as of this 22nd day of October 2021, by and between ROYAL BUSINESS BANK ("Bank"), RBB Bancorp (the “Company”) and Mr. David R. Morris ("Executive"). This First Amendment is made with specific reference to the following facts:

RECITALS

Bank and Executive entered into that certain Employment Agreement dated April 12, 2017 ("Agreement”), pursuant to which Executive was retained. Bank and Executive desire to enter into this First Amendment in order to amend the first paragraph of Section 4(a) Change of Control.

NOW, THEREFORE, for and in consideration of the foregoing recitals and the Terms and Conditions contained in this First Amendment, the parties agree as follows:

1. **The first paragraph of Section 4(a) of the Agreement is hereby amended to read in full as follows**:

   “Except for termination for Cause (pursuant to Section F.3 hereof), disability or death (pursuant to Section F.2 hereof), after the occurrence of a Change in Control (as defined below) and in no other event, if Executive’s employment with the Bank is materially adversely altered or Executive is not retained by the Bank or the surviving bank or company, Executive shall be entitled to receive severance payment in the amount equal to twelve (12) months of Executive’s then current annual salary, and continuation of Executive’s medical and dental insurance coverage for one (1) year or until Executive has found employment, whichever occurs earlier. Such payment shall terminate this Agreement in all respects, but shall not prohibit Executive from continuing as an employee under a new agreement with the Bank or a successor bank.”

2. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

3. This First Amendment may be entered into in one or more counterparts, all of which shall be considered one in the same instrument, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

4. This First Amendment shall be governed by and construed in accordance with the laws of the State of California.

5. The execution and delivery of this First Amendment by the Executive and the Bank executing the First Amendment have been duly authorized by the Bank, and this First Amendment constitutes a legal, valid and binding agreement of the Executive and the Bank in accordance with its respective terms.

6. **Remaining Terms and Conditions**. All remaining Terms and Conditions of the Agreement, as amended, shall remain in full force and effect between Bank and Executive and are incorporated herein as if restated in full.

IN WITNESS WHEREOF, the parties hereto have executed the foregoing First Amendment effective as of the date first written above.

ROYAL BUSINESS BANK	“EXECUTIVE”
By: /s/ James Kao	/s/ David R. Morris
Name: James Kao	David R. Morris
Title: Chairman of the Board	

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

RBB BANCORP

By: /s/ James Kao
Name: James Kao
Title: Chairman of the Board

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

FIRST AMENDMENT OF EMPLOYMENT AGREEMENT

This First Amendment of Employment Agreement ("First Amendment") is made and effective as of this 22nd day of October 2021, by and between ROYAL BUSINESS BANK ("Bank"), RBB Bancorp (the "Company") and Mr. Simon Pang ("Executive"). This First Amendment is made with specific reference to the following facts:

RECITALS

Bank and Executive entered into that certain Employment Agreement dated April 12, 2017 ("Agreement"), pursuant to which Executive was retained. Bank and Executive desire to enter into this First Amendment in order to amend the first paragraph of Section 4(a) Change of Control.

NOW, THEREFORE, for and in consideration of the foregoing recitals and the Terms and Conditions contained in this First Amendment, the parties agree as follows:

1. **The first paragraph of Section 4(a) of the Agreement is hereby amended to read in full as follows**:

   "Except for termination for Cause (pursuant to Section F.3 hereof), disability or death (pursuant to Section F.2 hereof), after the occurrence of a Change in Control (as defined below) and in no other event, if Executive's employment with the Bank is materially adversely altered or Executive is not retained by the Bank or the surviving bank or company, Executive shall be entitled to receive severance payment in the amount equal to twelve (12) months of Executive's then current annual salary, and continuation of Executive's medical and dental insurance coverage for one (1) year or until Executive has found employment, whichever occurs earlier. Such payment shall terminate this Agreement in all respects, but shall not prohibit Executive from continuing as an employee under a new agreement with the Bank or a successor bank."

2. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

3. This First Amendment may be entered into in one or more counterparts, all of which shall be considered one in the same instrument, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

4. This First Amendment shall be governed by and construed in accordance with the laws of the State of California.

5. The execution and delivery of this First Amendment by the Executive and the Bank executing the First Amendment have been duly authorized by the Bank, and this First Amendment constitutes a legal, valid and binding agreement of the Executive and the Bank in accordance with its respective terms.

6. **Remaining Terms and Conditions**. All remaining Terms and Conditions of the Agreement, as amended, shall remain in full force and effect between Bank and Executive and are incorporated herein as if restated in full.

IN WITNESS WHEREOF, the parties hereto have executed the foregoing First Amendment effective as of the date first written above.

ROYAL BUSINESS BANK	"EXECUTIVE"
By: /s/ James Kao	/s/ Simon Pang
Name: James Kao	Simon Pang
Title: Chairman of the Board	

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

RBB BANCORP

By: /s/ James Kao
Name: James Kao
Title: Chairman of the Board

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

FIRST AMENDMENT OF EMPLOYMENT AGREEMENT

This First Amendment of Employment Agreement ("First Amendment") is made and effective as of this 22nd day of October 2021, by and between ROYAL BUSINESS BANK ("Bank"), RBB Bancorp (the "Company") and Mr. Jeffrey Yeh ("Executive"). This First Amendment is made with specific reference to the following facts:

RECITALS

Bank and Executive entered into that certain Employment Agreement dated April 12, 2017 ("Agreement"), pursuant to which Executive was retained. Bank and Executive desire to enter into this First Amendment in order to amend the first paragraph of Section 4(a) Change of Control.

NOW, THEREFORE, for and in consideration of the foregoing recitals and the Terms and Conditions contained in this First Amendment, the parties agree as follows:

1. **The first paragraph of Section 4(a) of the Agreement is hereby amended to read in full as follows**:

   "Except for termination for Cause (pursuant to Section F.3 hereof), disability or death (pursuant to Section F.2 hereof), after the occurrence of a Change in Control (as defined below) and in no other event, if Executive's employment with the Bank is materially adversely altered or Executive is not retained by the Bank or the surviving bank or company, Executive shall be entitled to receive severance payment in the amount equal to twelve (12) months of Executive's then current annual salary, and continuation of Executive's medical and dental insurance coverage for one (1) year or until Executive has found employment, whichever occurs earlier. Such payment shall terminate this Agreement in all respects, but shall not prohibit Executive from continuing as an employee under a new agreement with the Bank or a successor bank."

2. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

3. This First Amendment may be entered into in one or more counterparts, all of which shall be considered one in the same instrument, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

4. This First Amendment shall be governed by and construed in accordance with the laws of the State of California.

5. The execution and delivery of this First Amendment by the Executive and the Bank executing the First Amendment have been duly authorized by the Bank, and this First Amendment constitutes a legal, valid and binding agreement of the Executive and the Bank in accordance with its respective terms.

6. **Remaining Terms and Conditions**. All remaining Terms and Conditions of the Agreement, as amended, shall remain in full force and effect between Bank and Executive and are incorporated herein as if restated in full.

IN WITNESS WHEREOF, the parties hereto have executed the foregoing First Amendment effective as of the date first written above.

ROYAL BUSINESS BANK	"EXECUTIVE"
By: /s/ James Kao	/s/ Jeffrey Yeh
Name: James Kao	Jeffrey Yeh
Title: Chairman of the Board	

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

RBB BANCORP

By: /s/ James Kao
Name: James Kao
Title: Chairman of the Board

By: /s/ Peter Chang
Name: Peter Chang
Title: Secretary

Exhibit 31.1

CERTIFICATION

I, Alan Thian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RBB Bancorp;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2022

By: /s/ David Morris
David Morris,
Interim President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David Morris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RBB Bancorp;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2022

By: /s/ David Morris
David Morris,
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

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

In connection with the Quarterly Report of RBB Bancorp (the “Company”) on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alan Thian, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 9, 2022

By: /s/ David Morris
David Morris,
Interim President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION

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

In connection with the Quarterly Report of RBB Bancorp (the “Company”) on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David Morris, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 9, 2022

By: /s/ David Morris
David Morris,
Executive Vice President and Chief Financial Officer