



August 2, 2023

Dear Shareholder:

We begin this letter with pride in the Bank and our staff's dedication during these turbulent times and amidst the economic shifts we are all currently experiencing. As you may already know, the banking industry has encountered substantial disruptions this past year, mainly attributed to the Federal Reserve's adoption of diverse measures to reinstate inflation to its targeted rate of 2%. The unforeseen surge in short-term interest rates and the endeavors to reduce excess liquidity from the financial system have significantly affected the banking industry.

These market factors have had a negative impact on stock values for most banks and we are not immune. As you will see in the financial highlights below, our updated stock valuation has decreased since the previous valuation on December 31, 2022. Here are the key highlights of our financial performance as of June 30, 2023:

- Total assets were \$1.20 billion on June 30, 2023, which is a slight decrease from \$1.21 billion on December 31, 2022. Deposit balances declined in the first quarter of this year, as expected, but we've seen balances begin to rebuild in the second quarter.
- Loan balances have grown steadily this year, reaching \$891 million compared to \$881 million on December 31, 2022. Credit quality remains strong with minimal delinquencies and a net recovery position year to date of \$37,000.
- We have been increasing our loan loss provision compared to last year. We have added \$300,000 in anticipation of a slow-down in economic activity. We have accumulated a reserve balance representing 1.21% of our gross loan balances.
- Net income through the first six months of 2023 totaled \$4.97 million. This is a decrease from our net income of \$6.69 million for the same period last year. This is primarily due to downward pressure on our net interest margin. We are projecting a slight improvement in our net interest margin as assets begin to reprice and reflect the higher market rates available today.
- As mentioned previously, Hovde Group has performed an updated stock valuation as of June 30, 2023. Given the current market dynamics in the banking industry, our stock value has decreased from \$135.00 to \$120.00 per share.

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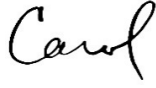
Our team is committed to our core fundamentals of generating quality loan growth and attracting new deposit relationships. Above all, our primary focus remains on delivering unparalleled service to our clients and providing unwavering support to our staff and community.

In conclusion, we extend our appreciation to our valued shareholders and dedicated employees for their ongoing support.

Sincerely,



Richard J. Brunner
Chairman and CEO



Carol A. Savage
Chief Operating Officer



Robert D. Shamy
President