



February 15, 2024

Dear Fellow Shareholders:

In the fourth quarter, we took meaningful actions to further bolster our balance sheet and drive improvement in our pre-tax, pre-provision income – excluding losses on securities sales— generating momentum and fortifying our foundation for improved earnings growth in 2024.

We reported fourth quarter earnings of \$610,000, compared to \$5.3 million for the third quarter. Diluted earnings per share were \$0.04, compared to \$0.33 in the prior quarter. Our net interest margin increased five basis points to 2.53%, the second consecutive quarter of margin expansion. We posted earnings of \$19.9 million for 2023, or \$1.24 per share; that compared with \$46.6 million, or \$2.92, for the previous year.

Importantly, ***we divested lower-yielding securities*** and further reduced our short-term borrowings. While the loss from the securities sales lowered our earnings, we directed the proceeds toward new loan originations and paid down our borrowings to accelerate margin improvement in the coming quarters. These actions countered the adverse impacts of increased funding costs that have resulted from the high interest rate environment.

While our loan balances were essentially flat from the prior period due to elevated levels of payoffs, our lending teams were actively attracting new clients and identifying an increasing volume of attractive opportunities. ***Our loan originations more than doubled from the previous quarter to \$53.8 million***. We are well-positioned for loan growth that could further support our margin and earnings in 2024.

Even as we pursue prudent growth, ***we are highly selective and committed to strong asset quality***. We are also proactive with credit administration. We added to our provision for credit losses, increasing our allowance modestly to 1.2% of total loans from 1.16% the prior quarter. Overall, our credit quality remains excellent, with non-accrual loans standing at just 0.39% of our portfolio at the close of 2023.

We have strong capital and liquidity levels. Although our funding costs increased during the fourth quarter, reflecting industry-wide trends, our core deposit franchise has proven to be an enduring and reliable pillar of strength. Our deposits declined moderately—mostly due to activity from clients executing typical seasonal and year-end business transactions—but we continued to successfully attract new clients and deepen ties with existing customers to support our funding base.

Our Board of Directors declared a quarterly cash dividend of \$0.25 per share, consistent with the prior quarter. Our 75th consecutive quarterly cash dividend is payable on February 15 to shareholders of record as of February 8. Our \$25 million share repurchase program remains in place and is effective through July 2025.

As always, we sincerely appreciate the support of our shareholders and the loyalty of our customers and employees.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Myers", written over a light blue horizontal line.

Tim Myers
President & CEO

A handwritten signature in black ink, appearing to read "William H. McDevitt", written over a light blue horizontal line.

William H. McDevitt
Chairman of the Board