First Commerce Bank

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Dear Fellow Shareholders,

Fiscal year 2022 and the beginning portion of this year have proven to be an exciting time for our shareholders. In September of last year, the Bank declared and paid its first special cash dividend and simultaneously announced the commencement of a quarterly cash dividend in an effort to provide a competitive return on investment to our shareholder base, thereby enhancing shareholder value. Shortly thereafter, the Bank announced plans to reorganize into a Holding Company structure. This structure provides the Bank with additional financial and operational flexibility as well as better access to capital which we believe is in the shareholder's best interest. Then last month, the Bank announced our intention to submit an application to list the common shares of the proposed Holding Company to the Nasdaq Capital Market. We believe that this initiative affords the Bank better access to capital, the possibility of greater trading volume through a more comprehensive investor base, possible addition in a stock market index and an enhanced ability to use our stock as acquisition consideration. It is our belief that the initiation and planned successful execution of these three strategies demonstrates the Board and Management's commitment to building shareholder value.

In conjunction with the aforementioned, First Commerce Bank was able to achieve competitive results from both a balance sheet and operational perspective, consistent with and in some cases, surpassing the Bank's Strategic Plan projections. Total assets increased by $157.7 million or 13.9% to $1.29 billion at December 31, 2022, from $1.13 billion at December 31, 2021. The increase in total assets was achieved primarily as a result of an increase in loans receivable, net of $191.0 million or 21.0% to $1.1 billion at December 31, 2022, from $909.3 million at December 31, 2021 and an increase in investment securities of $33.5 million or 72.4% to $79.7 million at December 31, 2022 from $46.2 million at December 31, 2021. These increases were partially offset by a decrease in cash and cash equivalents of $70.8 million or 62.4% to $42.6 million at December 31, 2022, from $113.3 million at December 31, 2021, as the Bank deployed excess liquidity into higher yielding assets such as loans and investment securities.

Total liabilities increased by $149.6 million or 15.6% to $1.11 billion at December 31, 2022, from $962.1 million at December 31, 2021. Total deposits increased by $84.7 million or 9.0% to $1.03 billion at December 31, 2022, from $941.9 million at December 31, 2021. The increase in total deposits occurred primarily as a result of a $227.4 million increase in time deposits partially offset by decreases of $101.8 million, $25.8 million, $9.9 million and $5.2 million in savings, money market, non-interest bearing and NOW deposits, respectively. As a result of the Federal Reserve's efforts to reduce inflation through systematic short-term interest rate increases during 2022, internal disintermediation has occurred which has restructured the Bank's deposit mix to be more heavily weighted in time deposits as opposed to core deposits. Through the second half of 2022, the Bank utilized wholesale borrowings from the Federal Home Loan Bank of New York to fund loan demand. Wholesale borrowings totaled $59.0 million at December 31, 2022, from no such balance at December 31, 2021.

The results of operations generated in fiscal year 2022 compared favorably with the Strategic Plan as well as to peer size institutions. Net income for the twelve months ended December 31, 2022 was $16.6 million or $0.70 per common share as compared to $16.7 million or $0.72 per common share for the twelve months ended December 31, 2021. Total interest income increased by $6.8 million or 14.6% year-over-year, while interest expense increased by $2.96 million or 81.1% year-over-year as the Federal Reserve, in their quest to reduce forty-year high inflation rates, aggressively tightened short-term interest rates by 425 basis points throughout the majority of 2022 adversely impacting funding costs in 2022. The average cost of funds increased by twentyseven basis points to 0.66% for the twelve months ended December 31, 2022, from 0.39% for the twelve months ended December 31, 2021. Despite rising funding costs, the Banks select profitability metrics of a net interest margin of 4.07%, return on average assets of 1.38% and return on equity of 9.28% represent competitive operational results. The end result of these competitive operating results manifests itself in our strong capital ratios as of December 31, 2022, which are as follows: Tier 1 Risk Based Capital Ratio was 14.97%, Total Risk Based Capital Ratio was 16.23%, Leverage Capital Ratio was 14.33% and Common Equity Tier 1 Capital Ratio was 14.97%. All of these capital measurements result in the Bank remaining significantly above the level designated as "well-capitalized" by our regulatory agencies. While these profitability and capital measurements compare favorably with our peers, it remains our goal to both maintain and improve on these metrics in our continuing effort to benefit you, our trusted shareholders.

Certain events in the financial institution industry over the last several weeks have created some disruption and uncertainty within the marketplace. This uncertainty has the capacity to create a level of concern and consternation for both customer and shareholder alike. These events provide us the opportunity to reassure you, our valued shareholders that First Commerce Bank does not have and does not plan to have any exposure to the highly volatile cryptocurrency markets. Further, the Bank undergoes a robust three-tiered Liquidity Stress Test on a quarterly basis which it consistently passes, and the Bank has a comprehensive Contingency Funding Plan which is tested regularly to ensure that the Bank has and maintains ample liquidity and liquidity lines to access in the event of market disruption. Please know and be reassured that your Board of Directors and Management Team works diligently every day to prudently manage our risk profile while continuing to provide value to our shareholders.

As we navigate the currently challenging economic and geopolitical environment which continues to create a heightened degree of disruption and uncertainty, please know that we will make every effort to engage the prudent and conservative judgment that has been our hallmark. Your faith and confidence in our ability to provide competitive results remains the driving force in our efforts to perform on your behalf. We would be remiss if we did not thank our shareholders, customers and employees for their tireless support. Collectively, we draw our inspiration from you to continue to work hard to earn your confidence.

Very truly yours,

Benedict Romeo
Chairman of the Board

Donald Mindiak
President & CEO