



October 28, 2022

Dear Shareholder:

As we disclosed in our October 25 press release, we are pleased that the 3<sup>rd</sup> Quarter 2022 produced the most profitable quarter since we opened Trinity Bank in 2003. Net income for the quarter was \$1,866,000 – an increase of 26.4% over 3<sup>rd</sup> quarter 2021 of \$1,476,000. Net income for nine months year to date increased 21.9% to \$5,156,000 versus \$4,230,000 for 2021. The full Press Release and Financial Summary are available on our website. Go to [www.trinitybk.com](http://www.trinitybk.com) – click on About Us and Investor Information.

### **Where do we go from here?**

It seems for the past several years, all we have talked about is the pandemic and the shock it caused to the US economy (and the world economy as well). Throw in the tensions with China, the Ukraine invasion, and the energy crisis in Europe and you have an environment with more questions than answers. In times like these, we try to remain focused on basic principles that do not change. We want to revisit a few with you.

### **Will we have (or are we already in) a recession?**

There are several definitions of what constitutes a recession. But the Fed is in a situation that has no good or painless options. If they continue to raise rates, something will break (or break more). Stocks and bonds are already down 20% plus. The housing market will continue to slow down with mortgage rates nearing 7%. Our “hope” is that a national recession will have a minimal impact on Texas. We still have in-migration, household formation, and a favorable business climate. The Great Financial Crisis of 2008-2009 wasn’t very noticeable to us at Trinity Bank. The last financial crisis to have severely impacted Texas was in the late 80’s.

On the other hand, if the Fed pauses the rate hikes or pivots to cutting rates too soon, the “market” will fear that inflation will become entrenched at an unacceptably high level and when this happens, businesses and individuals come to expect continued inflation and adjust accordingly. As our business borrowers see that their interest expense on borrowed money has doubled in six months, they will change their behavior. This doesn’t bode too well for loan demand down the road, but when Prime Rate goes from 3.25% to 7.5% (projection based on the Fed’s meeting minutes) in nine months, some investments just don’t work anymore. Raising borrowing costs takes some time for the effects to be seen in the economy. We hope that in January 2023, the Fed at least pauses to make sure they haven’t gone too far and too fast. But circumstances in this environment can change without much warning.

However, the good news is that we usually do better (acquire new relationships) when times are tough and competitors pull back. ADAPT – IMPROVISE – OVERCOME remain our goals.

## Interest Rates

Below we have reproduced the chart from the 2Q Shareholder Letter and updated it. The speed at which the Fed is raising interest rates is (like a lot of other things) unprecedented. The good news is that for the first time in 15 years, savers are receiving more income from their savings. The bad news is that, at 3-4%, it is still about half of the rate of inflation we are all experiencing in food, energy, services, etc. How high and how much more? We have no idea.

<b>Interest Rates Comparison (12 months)</b>				
	<b>6/30/2021</b>	<b>3/31/2022</b>	<b>6/30/2022</b>	<b>Current</b>
<b>Fed Funds Rate (Avg.)</b>	0.10%	0.50%	1.75%	3.25%
<b>Fed Prime Rate</b>	3.25%	3.50%	4.75%	6.25%
<b>90 Day Treasury</b>	0.05%	0.52%	1.72%	3.82%
<b>10 Year Treasury</b>	1.98%	2.57%	3.30%	4.24%
<b>30 Year Mortgage</b>	2.98%	4.67%	5.70%	6.94%
<b>Auto Rates (Avg. 60 mos.)</b>	4.18%	4.12%	4.82%	5.27%
<b>Credit Card Rates (Avg.)</b>	15.78%	16.17%	16.65%	17.76%

One thing to consider. The US national debt surpassed \$30 trillion this year. Because of the artificial suppression of interest rates by the Federal Reserve since 2008, the interest paid by the government has not increased significantly (the effective cost is less than 3%) despite the increase in debt levels. Going forward, if the rate paid by the government increases by 2%, then interest costs go up by \$600 billion per year. That would make interest on the national debt the largest item in the federal budget - even higher than defense spending. That is obviously unsustainable. The only way to fix the problem is to raise taxes, cut spending, or a combination of both.

## Current Challenge

One of the big challenges today is maintaining and increasing our deposit base. Deposits are the raw material (our inventory) for banks. We are fortunate to have an excellent deposit base. Our focus on Commercial & Industrial lending over the years has generated operating accounts from our business borrowers. These tend to grow as a company grows. Being in one of the best markets in the country is certainly a tailwind.

Maintaining deposits involves providing exceptional personal service AND competitive rates. We have mentioned many times in previous shareholder letters that we try to “pay as much as we can instead of as little as we can get by with”. With the Fed raising rates .75% each of the last three meetings (with another .75% projected for November 2), we have aggressively raised the rates we pay for deposits. Please see below as an example comparing March 2022 (when the first rate increase came) to this September.

March 2022 Total Interest Expense                      \$62,156

September 2022 Total Interest Expense              \$241,359

October’s interest expense will be close to \$300,000. Please go to our website and check out our deposit rates. We may not be the absolute highest, but we will be competitive and we assure you that we will provide exceptional customer service and we will be here when you have a problem or an opportunity.

## **How does Trinity Bank incur substantial increases in interest costs and still report record earnings?**

Our usual answer is “superb management and humility”. Just kidding. We have all been around Mr. Harp too long.

1. We are fortunate to have about 40% of our loans that float with the Prime Rate.
2. We have substantial overnight investments at the Federal Reserve. In March of 2022, the Fed was paying us .10% for overnight money. Today they are paying 3.15%.
3. We have approximately \$150 million in investment securities. 10-12% of those securities mature each year and we receive about \$4 million annually in interest payments. These dollars can now be reinvested at higher rates. We also have a lot of loans (primarily equipment loans) that pay monthly so even if they are at a lower rate, we can reinvest the payments at higher rates.

It is a balancing act and we try to stay balanced. We always try to make sure that we can make progress throughout the whole business cycle.

Your bank continues to perform at a high level. Trinity’s Return on Assets and Return on Equity are well above our Peer Group. You will soon receive the 22<sup>nd</sup> dividend of \$.78 per share. We are proud of the fact that we have been able to increase the dividend each six months for the last 11 years.

## **What can we do to prepare?**

We wish we had clear answers. From Trinity Bank’s perspective, we can only influence the things that we have some control over. We can maintain a strong Capital base. We can remain vigilant about loaning money to good borrowers and helping good people through bad times. We can operate efficiently. One of the pluses that has helped this year is “operating leverage”. Operating leverage occurs when operating revenue increases faster than operating expenses. Since 2017, we have doubled the number of employees and the square footage in our facility, and invested in new product hardware and software – all of which increased expenses. There are always new requirements, but a substantial part of the investment in people, facility, and products is behind us. We are now seeing the benefit of revenue increasing faster than expenses.

## **How can a successful bank get in trouble?**

95% of the problems that get banks in trouble involves bad loans. The other 5% are due to interest rate mismatches and/or liquidity problems. As good a track record as Trinity Bank has with loan problems, one is only as good as what happens tomorrow. We are in constant contact with our borrowing customers and to date, we have not seen stress in our loan portfolio. Many are doing extremely well while dealing with increased costs, labor issues, and the increase in interest rates. One of the most important assets of the American economy is its resiliency. When circumstances change, business people adapt. If we can just keep the government (and the Fed) from trying to “fix” everything by manipulating interest rates and passing new laws and regulations, we will be fine.


If you will remember, over the last two years, we have added over \$2,000,000 to our Reserve for Loan Losses effectively doubling it in size from \$2,262,000 to \$4,319,000 today. We basically took all of our fee income from the SBA Payroll Protection Program and put it in the Loan Loss Reserve. Our Loan Loss Reserve as a percentage of Total Loans is approximately 50% higher than our Peer Group. You probably know the old joke about bankers. “They wear a belt and suspenders”. We are as prepared as we can be for a rainy day.

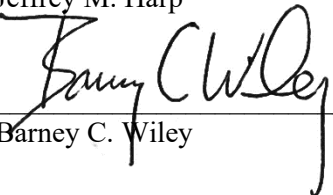
The bank regulators and the accounting profession have produced a new standard for reserving for loan losses that will impact Trinity Bank in 2023. In the past, banks have looked at historical losses and made “qualitative” adjustments based on present circumstances to calculate a Loan Loss Reserve. That has changed. The new standard is to calculate future “estimated” losses for existing loans and each new loan made. This is a little counterintuitive in that if we expected any loss on a new loan, we wouldn’t make the loan. However, we have to comply. In the first quarter of 2023, we will most likely make another substantial addition to the Reserve for Loan Losses. The good news is that it will not impact current net income. There is a one-time allowance to move that provision from Retained Earnings to the Loan Loss Reserve. When you see another large provision in the 1Q 2023, don’t be alarmed. If we have a substantial Loan Loss Reserve and we need it, we don’t penalize future earnings. If we don’t need it, we don’t have to make provisions in the future – which helps future earnings. We always focus on doing what is best for Trinity Bank in the long run. In other words, we are going to buy pants that are too small in the waist and wear a belt and wear suspenders.


**Thanksgiving**

If this is not our favorite time of year, it is tied for first. We have so much to be thankful for – both personally and professionally. We have a Creator that loves us and has blessed us individually and as a nation. Thanks for your continued support of Trinity Bank. Enjoy this holiday season.

Sincerely,

  
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Jeffrey M. Harp

  
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Barney C. Wiley

  
\_\_\_\_\_  
Richard A. Burt

  
\_\_\_\_\_  
Matt R. Opitz

***For Immediate Release***

TRINITY BANK REPORTS 2022 3<sup>RD</sup> QUARTER NET INCOME OF \$1,866,000

3<sup>RD</sup> QUARTER RETURN ON ASSETS 1.60%

3<sup>RD</sup> QUARTER RETURN ON EQUITY 15.99%

FORT WORTH, Texas, October 25, 2022 – Trinity Bank N.A. (OTCIQ PINK: TYBT) today announced operating results for the third quarter and the nine months ending September 30, 2022.

**Results of Operation**

For the third quarter 2022, Trinity Bank, N.A. reported Net Income after Taxes of \$1,866,000, an increase of 26.4% over third quarter 2021 earnings of \$1,476,000. Earnings per diluted common share for the third quarter 2022 amounted to \$1.64, an increase of 26.2% over third quarter 2021 results of \$1.30 per diluted common share.

For the first nine months of 2022, Net Income after Taxes was \$5,156,000, an increase of 21.9% over the first nine months of 2021 results of \$4,230,000. Earnings per diluted common share for the first nine months of 2022 were \$4.53, an increase of 20.8% over the first nine months of 2021 results of \$3.75 per diluted common share.

CEO Matt R. Opitz stated, “We are pleased with 3Q 2022 results which represent our most profitable quarter since inception in 2003. We are especially proud of our employees who continue to demonstrate their willingness to go above and beyond when it comes to meeting the needs of our customers.”

While we continue to experience global economic uncertainty, a rapidly rising rate environment and a controversial upcoming mid-term election, we remain encouraged by the performance and resilience of the North Texas market. Despite the sense that a deeper economic slow-down is inevitable, we have yet to see any deterioration in our loan portfolio. Further, we continue to see good loan demand both from our existing customer base as well as new opportunities with quality prospects.”

Matt R. Opitz further commented, “While the rising rate environment has certainly helped to increase our interest income, we remain committed to paying as much as we can for deposits instead of as little as we can get away with. Trinity Bank is currently offering a number of deposit products with rates well above most of our local competition.”

“Trinity Bank is positioned to perform well in an unsettled economic time with a strong capital base as well as significantly above average profitability and efficiency.”

**Actual for Quarter Ending 09/30/2022**

(in 000's)	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>%</u>
Net Interest Income	\$ 3,981	\$ 3,542	12.4
Non-Interest Income	\$ 172	\$ 167	3.0
Non-Interest Expense	\$ (1,948)	\$ (1,678)	16.1
Pretax Pre-provision Income	\$ 2,205	\$ 2,031	8.6
Gains on Sale of Securities and Other Assets	\$ (19)	0	N/M
Loan Loss Provision	\$ -	\$ (290)	N/M
Pre-Tax Income	\$ 2,186	\$ 1,741	25.6
Income Tax	\$ (320)	\$ (265)	N/M
Net Income	\$ 1,866	\$ 1,476	26.4
Diluted Weighted Average Shares	\$ 1,140	\$ 1,132	
Earnings per Share	\$ 1.64	\$ 1.30	26.2

**Actual for Nine Months Ending 09/30/2022**

(in 000's)	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>%</u>
Net Interest Income	\$ 10,930	\$ 10,727	1.9
Non-Interest Income	\$ 524	\$ 478	9.6
Non-Interest Expense	\$ (5,399)	\$ (4,865)	11.0
Pretax Pre-provision Income	\$ 6,055	\$ 6,340	-4.5
Gains on Sale of Securities and Other Assets	\$ (19)	\$ -	N/M
Loan Loss Provision	\$ -	\$ (1,390)	N/M
Pre-Tax Income	\$ 6,036	\$ 4,950	21.9
Income Tax	\$ (880)	\$ (720)	22.2
Net Income	\$ 5,156	\$ 4,230	21.9
Diluted Weighted Average Shares	\$ 1,138	\$ 1,129	
Earnings per Share	\$ 4.53	\$ 3.75	20.8

Trinity Bank, N.A. is a commercial bank that began operations May 28, 2003. For a full financial statement, visit Trinity Bank’s website: [www.trinitybk.com](http://www.trinitybk.com) Regulatory reporting format is also available at [www.fdic.gov](http://www.fdic.gov).

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This Press Release may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future financial conditions, results of operations and the Bank's business operations. Such forward-looking statements involve risks, uncertainties and assumptions, including, but not limited to, monetary policy and general economic conditions in Texas and the greater Dallas-Fort Worth metropolitan area, the risks of changes in interest rates on the level and composition of deposits, loan demand and the values of loan collateral, securities and interest rate protection agreements, the actions of competitors and customers, the success of the Bank in implementing its strategic plan, the failure of the assumptions underlying the reserves for loan losses and the estimations of values of collateral and various financial assets and liabilities, that the costs of technological changes are more difficult or expensive than anticipated, the effects of regulatory restrictions imposed on banks generally, any changes in fiscal, monetary or regulatory policies and other uncertainties as discussed in the Bank's Registration Statement on Form SB-1 filed with the Office of the Comptroller of the Currency. Should one or more of these risks or uncertainties materialize, or should these underlying assumptions prove incorrect, actual outcomes may vary materially from outcomes expected or anticipated by the Bank. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. The Bank believes it has chosen these assumptions or bases in good faith and that they are reasonable. However, the Bank cautions you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. The Bank undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless the securities laws require the Bank to do so.

TRINITY BANK N.A.  
(Unaudited)  
(Dollars in thousands, except per share data)

EARNINGS SUMMARY	Quarter Ended			Nine Months Ending		
	September 30 2022	2021	% Change	September 30 2022	2021	% Change
Interest income	\$4,588	\$3,692	24.3%	\$11,951	\$11,153	7.2%
Interest expense	607	150	304.7%	1,021	426	139.7%
<b>Net Interest Income</b>	<b>3,981</b>	<b>3,542</b>	<b>12.4%</b>	<b>10,930</b>	<b>10,727</b>	<b>1.9%</b>
Service charges on deposits	58	56	3.6%	182	169	7.7%
Other income	114	111	2.7%	342	309	10.7%
<b>Total Non Interest Income</b>	<b>172</b>	<b>167</b>	<b>3.0%</b>	<b>524</b>	<b>478</b>	<b>9.6%</b>
Salaries and benefits expense	1,290	1,127	14.5%	3,385	3,166	6.9%
Occupancy and equipment expense	163	121	34.7%	383	359	6.7%
Other expense	495	430	15.1%	1,631	1,340	21.7%
<b>Total Non Interest Expense</b>	<b>1,948</b>	<b>1,678</b>	<b>16.1%</b>	<b>5,399</b>	<b>4,865</b>	<b>11.0%</b>
<b>Pretax pre-provision income</b>	<b>2,205</b>	<b>2,031</b>	<b>8.6%</b>	<b>6,055</b>	<b>6,340</b>	<b>-4.5%</b>
Gain on sale of securities	(19)	0	N/M	(19)	0	N/M
<b>Provision for Loan Losses</b>	<b>0</b>	<b>290</b>	<b>-100.0%</b>	<b>0</b>	<b>1,390</b>	<b>-100.0%</b>
Earnings before income taxes	2,186	1,741	25.6%	6,036	4,950	21.9%
Provision for income taxes	320	265	N/M	880	720	22.2%
<b>Net Earnings</b>	<b>\$1,866</b>	<b>\$1,476</b>	<b>26.4%</b>	<b>\$5,156</b>	<b>\$4,230</b>	<b>21.9%</b>
Basic earnings per share	1.71	1.36	25.5%	4.72	3.91	20.9%
Basic weighted average shares outstanding	1,094	1,086		1,092	1,083	
Diluted earnings per share - estimate	1.64	1.30	25.5%	4.53	3.75	20.8%
Diluted weighted average shares outstanding	1,140	1,132		1,138	1,129	

BALANCE SHEET SUMMARY	Average for Quarter			Average for Nine Months		
	September 30 2022	2021	% Change	September 30 2022	2021	% Change
Total loans	\$266,041	\$249,471	6.6%	\$255,376	\$257,795	-0.9%
Total short term investments	50,091	26,122	91.8%	36,569	22,017	66.1%
Total investment securities	143,746	113,914	26.2%	142,937	101,540	40.8%
<b>Earning assets</b>	<b>459,878</b>	<b>389,507</b>	<b>18.1%</b>	<b>434,882</b>	<b>381,352</b>	<b>14.0%</b>
<b>Total assets</b>	<b>467,859</b>	<b>395,762</b>	<b>18.2%</b>	<b>442,387</b>	<b>387,645</b>	<b>14.1%</b>
Noninterest bearing deposits	177,293	143,056	23.9%	165,891	140,044	18.5%
Interest bearing deposits	246,907	207,369	19.1%	232,636	203,647	14.2%
<b>Total deposits</b>	<b>424,200</b>	<b>350,425</b>	<b>21.1%</b>	<b>398,527</b>	<b>343,691</b>	<b>16.0%</b>
Fed Funds Purchased and Repurchase Agreements	0	0	N/M	0	81	N/M
<b>Shareholders' equity</b>	<b>\$46,676</b>	<b>\$41,723</b>	<b>11.9%</b>	<b>\$45,217</b>	<b>\$40,390</b>	<b>12.0%</b>



TRINITY BANK N.A.  
(Unaudited)  
(Dollars in thousands, except per share data)

<b>BALANCE SHEET SUMMARY</b>	<b>Average for Quarter Ending</b>				<b>Sept. 30, 2021</b>
	<b>Sept. 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>Dec 31, 2021</b>	
Total loans	\$266,041	\$255,951	\$240,831	\$236,698	\$222,400
Total PPP loans	0	\$0	3,062	11,585	27,071
Total short term investments	50,091	30,993	28,809	33,497	26,122
Total investment securities	143,746	142,743	142,717	128,283	113,914
<b>Earning assets</b>	<b>459,878</b>	<b>429,687</b>	<b>415,419</b>	<b>410,063</b>	<b>389,507</b>
<b>Total assets</b>	<b>467,859</b>	<b>437,237</b>	<b>421,711</b>	<b>416,766</b>	<b>395,762</b>
Noninterest bearing deposits	177,293	164,965	154,029	170,822	143,056
Interest bearing deposits	246,907	229,986	221,868	215,287	207,369
<b>Total deposits</b>	<b>424,200</b>	<b>394,951</b>	<b>375,897</b>	<b>386,109</b>	<b>350,425</b>
Fed Funds Purchased and Repurchase Agreements	0	0	0	0	0
<b>Shareholders' equity</b>	<b>\$46,676</b>	<b>\$ 45,059</b>	<b>\$ 44,456</b>	<b>\$ 43,113</b>	<b>\$ 41,723</b>
<b>HISTORICAL EARNINGS SUMMARY</b>	<b>Quarter Ended</b>				<b>Sept. 30, 2021</b>
	<b>Sept. 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>Dec 31, 2021</b>	
Interest income less PPP	\$4,588	\$3,763	\$3,321	\$3,302	\$3,162
PPP interest and fees	0	0	278	245	530
Interest expense	<b>607</b>	248	165	159	150
<b>Net Interest Income</b>	<b>3,981</b>	<b>3,515</b>	<b>3,434</b>	<b>3,388</b>	<b>3,542</b>
Service charges on deposits	58	62	59	58	56
Other income	114	126	106	108	111
<b>Total Non Interest Income</b>	<b>172</b>	<b>188</b>	<b>165</b>	<b>166</b>	<b>167</b>
Salaries and benefits expense	1,290	1,096	999	1,009	1,127
Occupancy and equipment expense	163	111	110	108	121
Other expense	495	536	600	540	430
<b>Total Non Interest Expense</b>	<b>1,948</b>	<b>1,743</b>	<b>1,709</b>	<b>1,657</b>	<b>1,678</b>
<b>Pretax pre-provision income</b>	<b>2,205</b>	<b>1,960</b>	<b>1,890</b>	<b>1,897</b>	<b>2,031</b>
Gain on sale of securities	(19)	0	0	0	0
Gain on sale of foreclosed assets	0	0	0	0	0
Gain on sale of other assets	0	0	0	0	0
<b>Provision for Loan Losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>290</b>
Earnings before income taxes	2,186	1,960	1,890	1,897	1,741
Provision for income taxes	320	280	280	305	265
<b>Net Earnings</b>	<b>\$1,866</b>	<b>\$1,680</b>	<b>\$1,610</b>	<b>\$1,592</b>	<b>\$1,476</b>
Diluted earnings per share	\$ 1.64	\$ 1.47	\$ 1.42	\$ 1.41	\$ 1.30

TRINITY BANK N.A.  
(Unaudited)  
(Dollars in thousands, except per share data)

<b>HISTORICAL BALANCE SHEET</b>	Ending Balance				
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec 31, 2021	Sept. 30, 2021
Total loans	\$265,811	\$267,163	\$247,358	\$240,283	\$228,976
Total PPP loans	0	-	-	9,380	20,911
Total short term investments	58,084	19,635	39,776	41,153	34,818
Total investment securities	136,114	142,834	138,793	137,387	117,844
<b>Total earning assets</b>	<b>460,009</b>	<b>429,632</b>	<b>425,927</b>	<b>428,203</b>	<b>402,549</b>
Allowance for loan losses	(4,314)	(4,314)	(4,314)	(4,306)	(4,306)
Premises and equipment	1,976	2,019	2,065	2,118	2,179
Other Assets	11,957	11,260	10,557	5,802	6,803
<b>Total assets</b>	<b>469,628</b>	<b>438,597</b>	<b>434,235</b>	<b>431,817</b>	<b>407,225</b>
Noninterest bearing deposits	181,436	170,661	158,072	167,497	148,238
Interest bearing deposits	248,475	226,141	233,142	218,611	214,162
<b>Total deposits</b>	<b>429,911</b>	<b>396,802</b>	<b>391,214</b>	<b>386,108</b>	<b>362,400</b>
Fed Funds Purchased and Repurchase Agreements	0	0	0	0	0
Other Liabilities	2,794	1,474	2,033	1,181	1,834
<b>Total liabilities</b>	<b>432,705</b>	<b>398,276</b>	<b>393,247</b>	<b>387,289</b>	<b>364,234</b>
Shareholders' Equity Actual	46,712	45,830	44,093	43,113	41,465
Unrealized Gain/Loss - AFS	(9,789)	(5,509)	(3,105)	1,415	1,526
<b>Total Equity</b>	<b>\$36,923</b>	<b>\$40,321</b>	<b>\$40,988</b>	<b>\$44,528</b>	<b>\$42,991</b>
<b>NONPERFORMING ASSETS</b>	Quarter Ending				
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec 31, 2021	Sept. 30, 2021
Nonaccrual loans	\$195	\$211	\$239	\$259	\$279
Restructured loans	\$0	\$0	\$0	\$0	\$0
Other real estate & foreclosed assets	\$0	\$0	\$0	\$0	\$0
Accruing loans past due 90 days or more	\$0	\$0	\$0	\$0	\$0
<b>Total nonperforming assets</b>	<b>\$195</b>	<b>\$211</b>	<b>\$239</b>	<b>\$259</b>	<b>\$279</b>
Accruing loans past due 30-89 days	\$0	\$0	\$0	\$0	\$600
Total nonperforming assets as a percentage of loans and foreclosed assets	0.07%	0.08%	0.10%	0.11%	0.12%

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ALLOWANCE FOR LOAN LOSSES	Quarter Ending				
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec 31, 2021	Sept. 30, 2021
<b>Balance at beginning of period</b>	<b>\$4,314</b>	<b>\$4,314</b>	<b>\$4,306</b>	<b>\$4,306</b>	<b>\$4,016</b>
Loans charged off	0	0	0	0	0
Loan recoveries	0	0	8	0	0
Net (charge-offs) recoveries	0	0	8	0	0
Provision for loan losses	0	0	0	0	290
<b>Balance at end of period</b>	<b>\$4,314</b>	<b>\$4,314</b>	<b>\$4,314</b>	<b>\$4,306</b>	<b>\$4,306</b>
Allowance for loan losses as a percentage of total loans	1.62%	1.61%	1.74%	1.72%	1.88%
Allowance for loan losses net of PPP Loans as a percentage of total loans	1.62%	1.61%	1.74%	1.79%	1.94%
Allowance for loan losses as a percentage of nonperforming assets	2212%	2045%	1805%	1663%	1543%
Net charge-offs (recoveries) as a percentage of average loans	0.00%	0.00%	0.00%	0.00%	0.00%
Provision for loan losses as a percentage of average loans	0.00%	0.00%	0.00%	0.00%	0.13%
SELECTED RATIOS	Quarter Ending				
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec 31, 2021	Sept. 30, 2021
Return on average assets (annualized)	1.60%	1.54%	1.53%	1.53%	1.49%
Return on average equity (annualized)	17.68%	15.92%	15.71%	14.60%	13.50%
Return on average equity (excluding unrealized gain on investments)	15.99%	14.91%	14.61%	15.06%	14.15%
Average shareholders' equity to average assets	9.98%	10.31%	10.54%	10.34%	10.54%
Yield on earning assets (tax equivalent)	4.17%	3.68%	3.64%	3.95%	3.97%
Effective Cost of Funds	0.53%	0.23%	0.16%	0.15%	0.16%
Net interest margin (tax equivalent)	3.64%	3.45%	3.48%	3.80%	3.81%
Efficiency ratio (tax equivalent)	44.7%	44.9%	45.2%	44.5%	43.3%
End of period book value per common share	\$33.78	\$36.89	\$37.50	\$41.12	\$39.66
End of period book value (excluding unrealized gain on investments)	\$42.74	\$41.93	\$40.34	\$39.81	\$38.25
End of period common shares outstanding (in 000's)	1,093	1,093	1,093	1,083	1,084

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YIELD ANALYSIS	Quarter Ending				September 30, 2021			
	September 30, 2022				September 30, 2021			
	Average Balance	Interest	Yield	Tax Equivalent Yield	Average Balance	Interest	Yield	Tax Equivalent Yield
Interest Earning Assets:								
Short term investment	\$ 50,091	297	2.37%	2.37%	\$ 25,716	13	0.20%	0.20%
FRB Stock	425	6	6.00%	6.00%	406	6	6.00%	6.00%
Taxable securities	0	0	0.00%	0.00%	423	0	0.00%	0.00%
Tax Free securities	143,746	781	2.17%	2.75%	113,491	640	2.26%	2.86%
Loans	266,041	3,504	5.27%	5.27%	249,472	3,033	4.86%	4.86%
<b>Total Interest Earning Assets</b>	<b>460,303</b>	<b>4,588</b>	<b>3.99%</b>	<b>4.17%</b>	<b>389,508</b>	<b>3,692</b>	<b>3.79%</b>	<b>3.97%</b>
Noninterest Earning Assets:								
Cash and due from banks	5,446				5,481			
Other assets	6,423				4,915			
Allowance for loan losses	(4,314)				(4,142)			
<b>Total Noninterest Earning Assets</b>	<b>7,555</b>				<b>6,254</b>			
<b>Total Assets</b>	<b>\$467,858</b>				<b>\$395,762</b>			
Interest Bearing Liabilities:								
Transaction and Money Market accounts	184,600	418	0.91%	0.91%	156,631	95	0.24%	0.24%
Certificates and other time deposits	38,057	105	1.10%	1.10%	40,738	42	0.41%	0.41%
Other borrowings	24,209	84	1.39%	1.39%	10,000	13	0.52%	0.52%
<b>Total Interest Bearing Liabilities</b>	<b>246,866</b>	<b>607</b>	<b>0.98%</b>	<b>0.98%</b>	<b>207,369</b>	<b>150</b>	<b>0.29%</b>	<b>0.29%</b>
Noninterest Bearing Liabilities:								
Demand deposits	177,334				143,056			
Other liabilities	1,733				1,607			
Shareholders' Equity	41,925				43,730			
<b>Total Liabilities and Shareholders Equity</b>	<b>\$467,858</b>				<b>\$395,762</b>			
<b>Net Interest Income and Spread</b>		<b>3,981</b>	<b>3.00%</b>	<b>3.18%</b>		<b>3,542</b>	<b>3.50%</b>	<b>3.68%</b>
<b>Net Interest Margin</b>			<b>3.46%</b>	<b>3.64%</b>			<b>3.64%</b>	<b>3.81%</b>

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	<b>September 30 2022</b>	<b>%</b>	<b>September 30 2021</b>	<b>%</b>
<b>LOAN PORTFOLIO</b>				
Commercial and industrial	\$151,265	56.83%	\$142,909	57.19%
Real estate:				
Commercial	74,212	27.88%	63,791	25.53%
Residential	18,006	6.76%	19,101	7.64%
Construction and development	22,211	8.34%	23,730	9.50%
Consumer	489	0.18%	356	0.14%
<b>Total loans (gross)</b>	<b>266,183</b>	<b>100.00%</b>	<b>249,887</b>	<b>100.00%</b>
Unearned discounts	0	0.00%	0	0.00%
<b>Total loans (net)</b>	<b>\$266,183</b>	<b>100.00%</b>	<b>\$249,887</b>	<b>100.00%</b>

	<b>September 30 2022</b>	<b>September 30 2021</b>
<b>REGULATORY CAPITAL DATA</b>		
Tier 1 Capital	\$46,711	\$41,464
Total Capital (Tier 1 + Tier 2)	\$50,426	\$44,640
Total Risk-Adjusted Assets	\$296,615	\$252,968
Tier 1 Risk-Based Capital Ratio	15.75%	16.39%
Total Risk-Based Capital Ratio	17.00%	17.65%
Tier 1 Leverage Ratio	9.98%	10.48%
<b>OTHER DATA</b>		
Full Time Equivalent Employees (FTE's)	25	22
<b>Stock Price Range</b> (For the Three Months Ended):		
High	\$90.00	\$75.00
Low	\$85.00	\$73.50
Close	\$87.00	\$75.00