

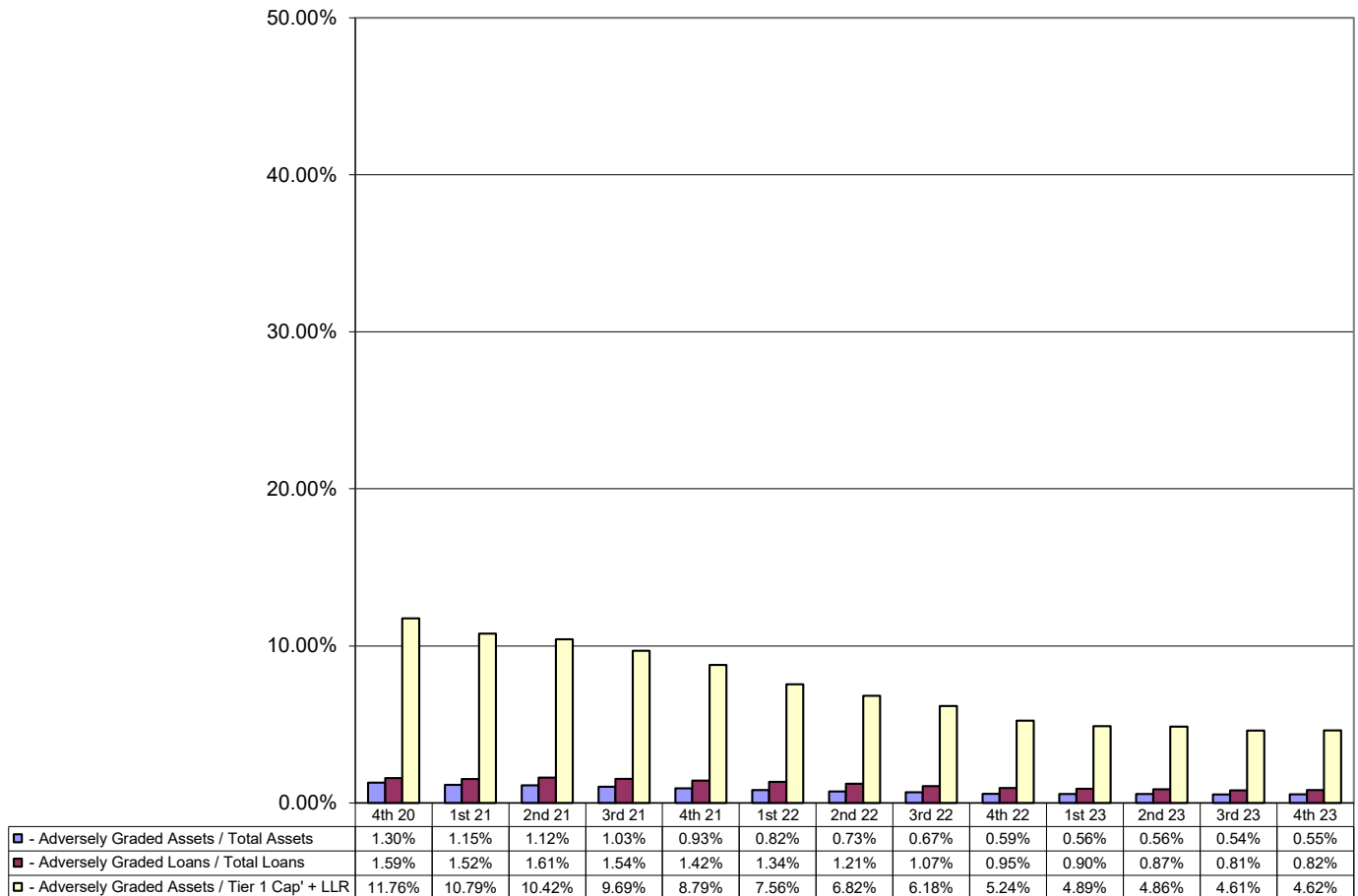


Asset Quality Update – Q4 2023 Edition

Trends in Asset Quality – Average Levels

Based on Steve H. Powell & Company client data, during the Fourth Quarter 2023, the average level of adversely graded assets increased as a percentage of total assets and capital. The average level of adversely graded loans increased as a percentage of total loans. Problem assets averaged 0.55% of total assets and 4.62% of tier-one capital plus loan loss reserve as compared to 0.54% of total assets and 4.61% of tier-one capital plus loan loss reserve while problem loans averaged 0.82% of total loans as compared to 0.81% of total loans during the Third Quarter 2023.

**TRENDS IN ASSET QUALITY
AVERAGE LEVEL OF ADVERSELY GRADED ASSETS**

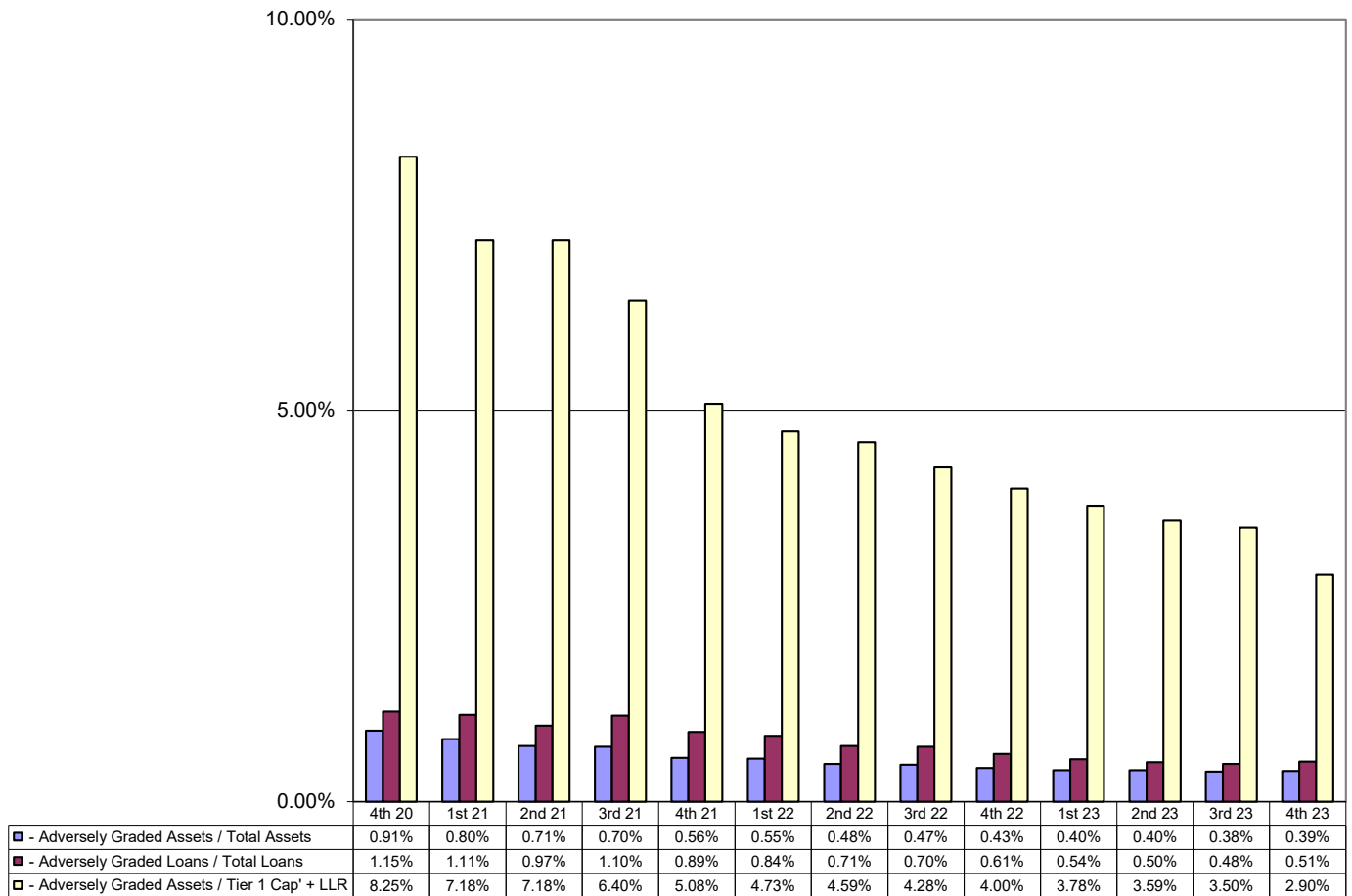


Steve H. Powell & Company was founded in August of 1993 by former banker and regulator, Steve H. Powell. With the goal of providing unparalleled asset quality monitoring and regulatory compliance services, the company's clientele base has grown and now exceeds 100 different financial institutions. We also provide our clients with bank charter consulting, due diligence support, regulatory applications, financial analysis, and strategic planning. The staff of Steve H. Powell & Company is comprised of former bankers & regulators who understand the complexities of today's regulatory environment. The unique skill sets possessed by our specialists are derived from extensive review experience in institutions of various sizes and charter types.

Trends in Asset Quality – Median Levels

The median level of problem assets as of Q4 2023 has decreased to 2.9% of tier-one capital plus loan loss reserve as compared to 3.50% during Q3 2023. Note the downward trend as overall asset quality continues to improve.

**TRENDS IN ASSET QUALITY
MEDIAN LEVEL OF ADVERSELY GRADED ASSETS**



Historical Comparisons

During Q4 2023, increases in problem assets, as measured by adversely graded assets divided by tier-one capital plus loan loss reserve, were noted in approximately 19% of our clients. This quarter’s increase compares to:

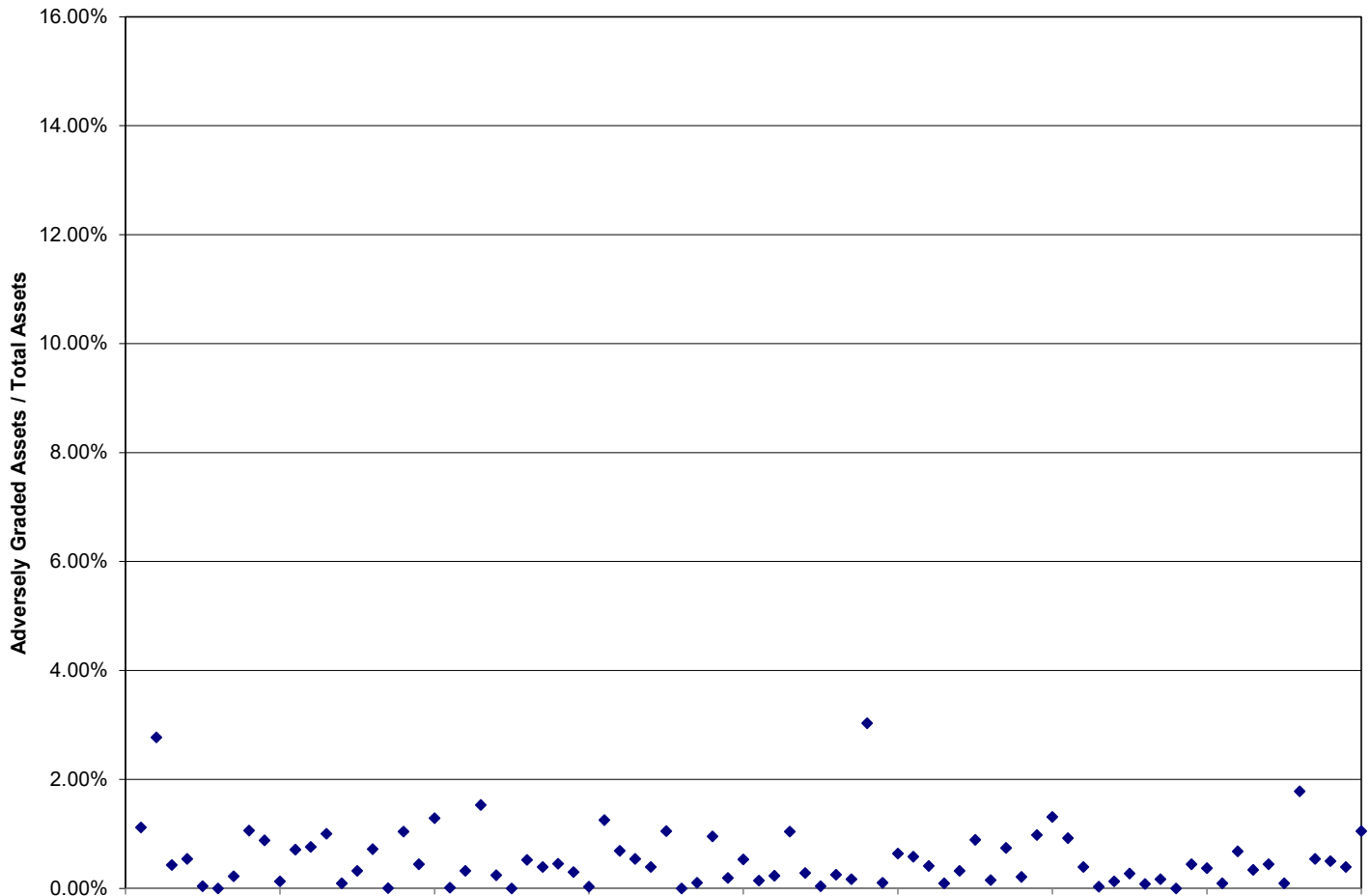
- 20% during the Third Quarter 2023
- 18% during the Second Quarter 2023
- 13% during the First Quarter 2023
- 11% during the Fourth Quarter 2022
- 8% during the Third Quarter 2022

A higher level of volatility in the percentage of increases may be expected as overall asset quality stabilizes; however, increases may indicate a rise in portfolio risk.



Dispersion of Problem Assets – as a Percentage of Total Assets

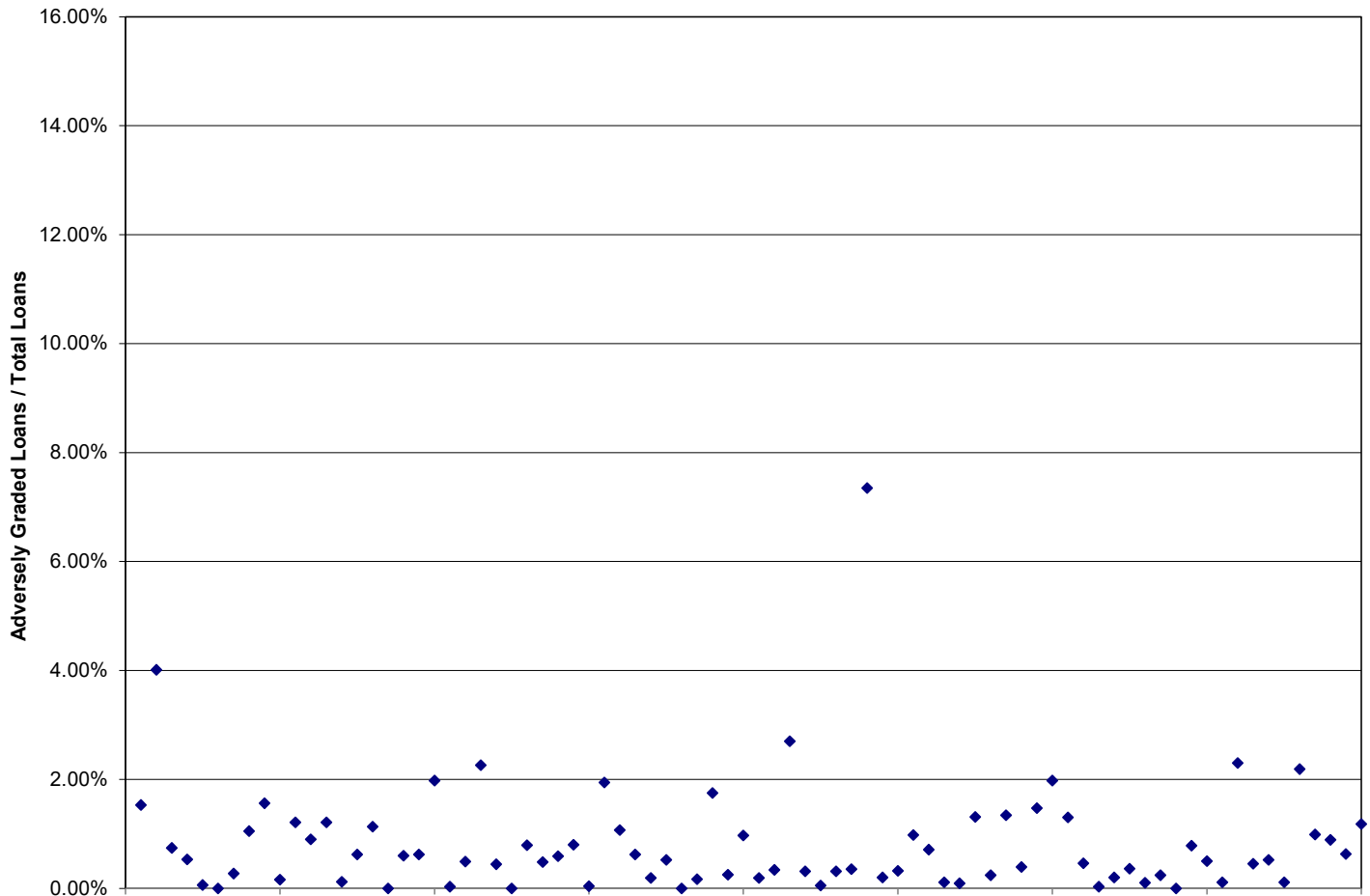
TRENDS IN ASSET QUALITY



The above graph shows the dispersion of problem assets as a percentage of total assets. A traditional benchmark for significant asset quality concern is adversely graded assets that exceed 10% of total assets.

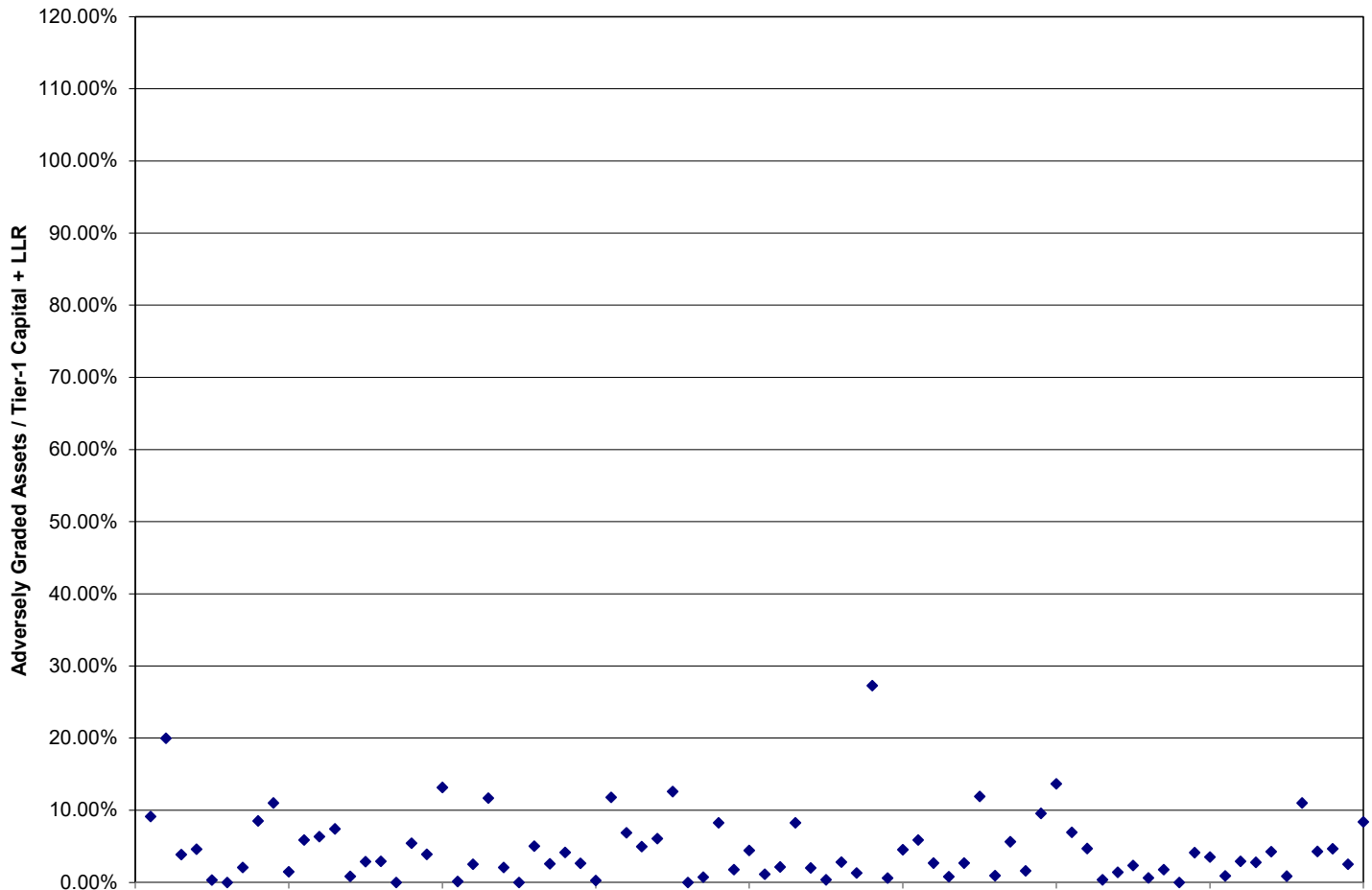
Dispersion of Problem Loans – as a Percentage of Total Loans

TRENDS IN ASSET QUALITY



Dispersion of Problem Assets – as a Percentage of Tier-One Capital & Reserves

TRENDS IN ASSET QUALITY



Historical Comparisons

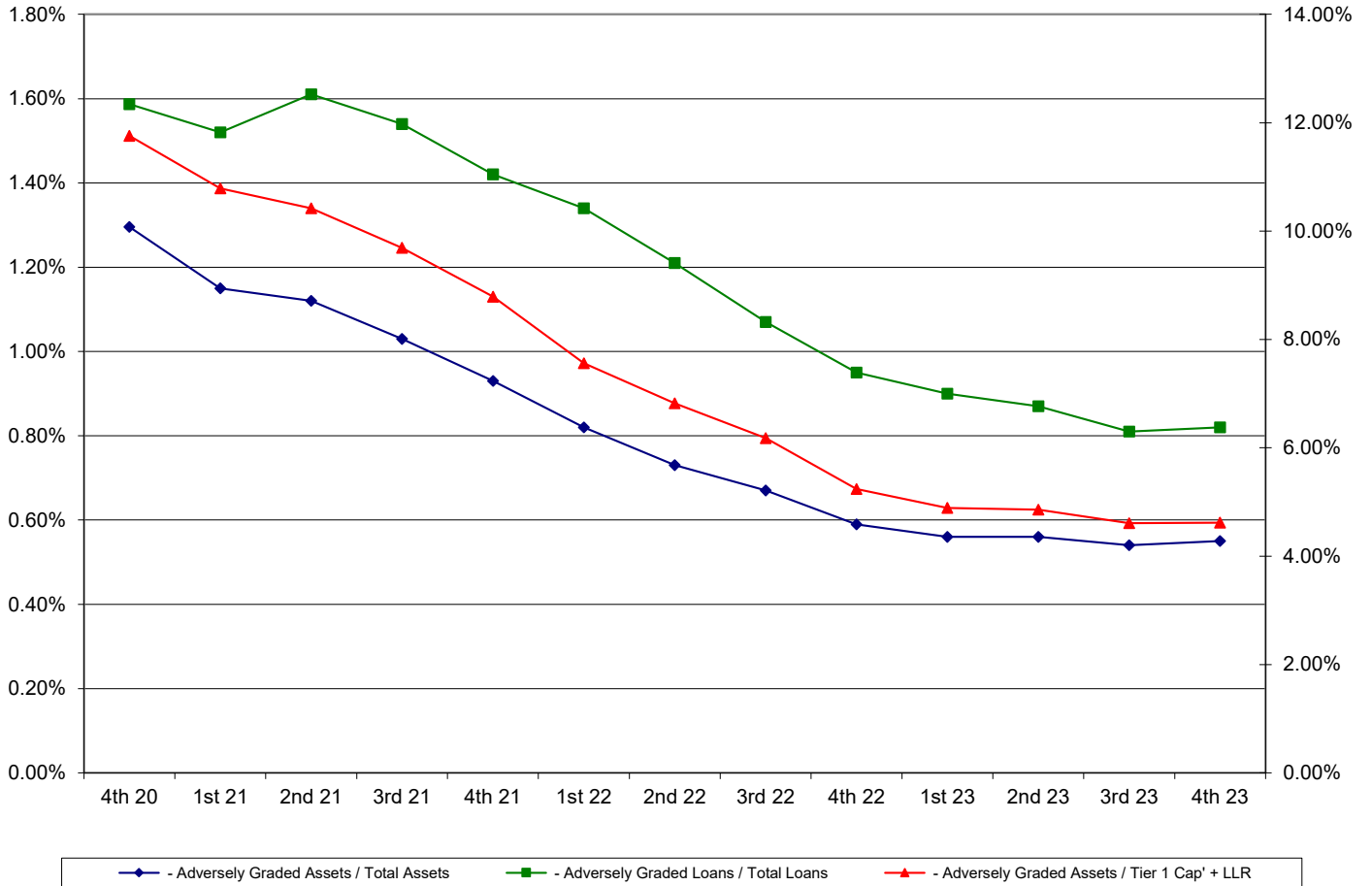
Our sample group includes no clients with problem assets that exceed 80% of tier-one capital plus loan loss reserve – a level normally associated with some form of formal regulatory action.

Additionally, our sample includes no clients with problem assets exceeding 60% of tier-one capital plus loan loss reserve. This number compares to:

- None (0) during the First Quarter 2023
- None (0) during the First Quarter 2022
- Two (2) during the First Quarter 2021
- Five (5) during the First Quarter 2019
- Eleven (11) during the First Quarter 2017

Problem Asset Trend Analysis

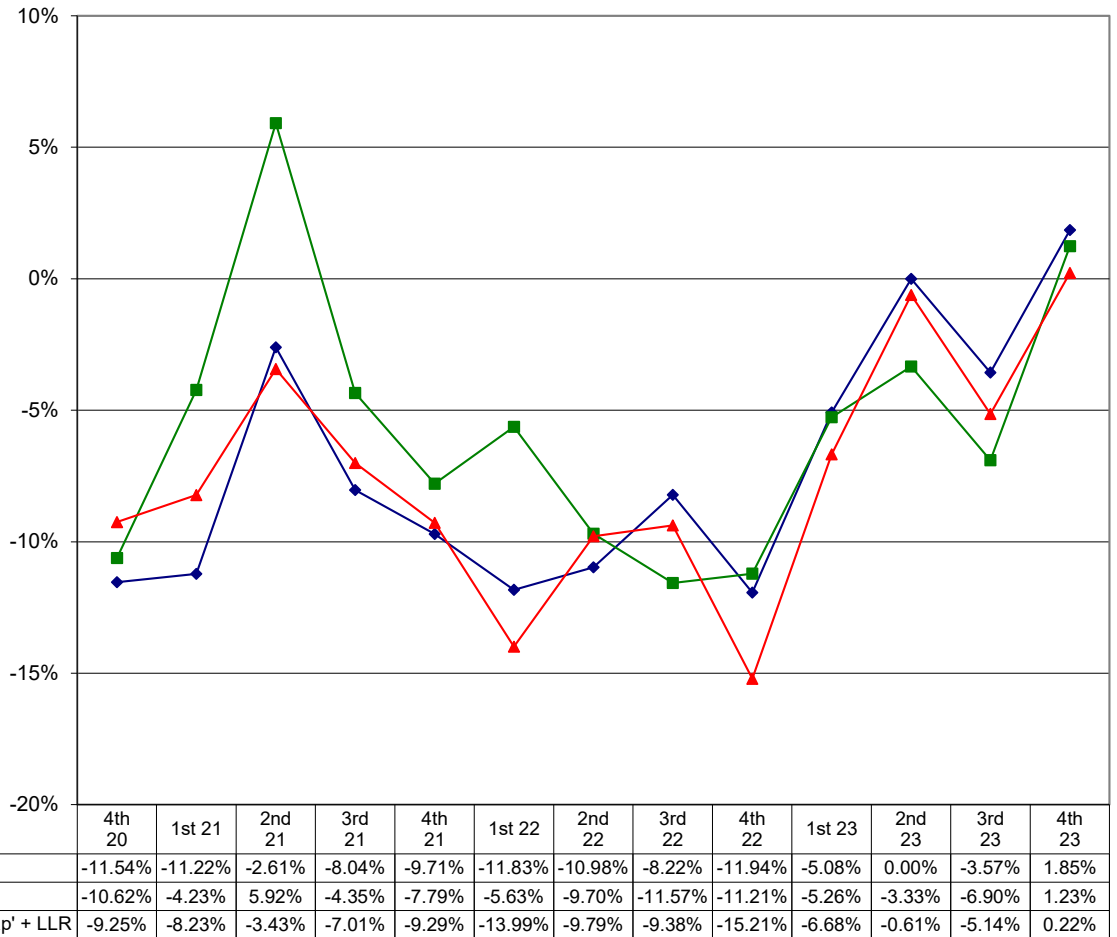
PROBLEM ASSET TREND ANALYSIS



The above graph again shows the trend in asset quality over the past three years as measured by adversely graded assets to total assets, adversely graded loans to total loans, and adversely graded assets to tier-one capital plus LLR.

Problem Asset Comparative Change Analysis

**COMPARATIVE % CHANGE IN ADVERSELY CLASSIFIED ASSETS
Comparative to Assets, Loans and Tier One Capital + LLR**



The above graph shows the pace of asset quality deterioration or improvement. The calculation is based on the percent change of problem asset levels from one quarter to the next. The graph indicates a favorable trend in asset quality ratios. Please note any data points below 0% indicate improvement in asset quality.

Modified Peer Data Analysis

An analysis was performed in which six data points were excluded – the three lowest and the three highest data points, as based on classifications as a percentage of tier-one capital plus loan loss reserve. With the excluded data points, problem assets (or loans when compared to total loans) averaged 0.49% of total assets, 0.71% of total loans, and 4.21% of tier-one capital plus loan loss reserve. Fourth Quarter 2023 modified data compares to the following Third Quarter 2023 modified average data set:

- 0.48% of total assets
- 0.70% of total loans, and
- 4.20% of tier-one capital plus loan loss reserve



For more information about Steve H. Powell & Company, please visit us on the web at

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