

# OPTIMUMBANK

## Chairman of the Board's Letter to Shareholders

Moishe Gubin, Chairman of OptimumBank



On May 29, 2024, OptimumBank will host our annual shareholder meeting. I look forward to seeing many of our investors in person. For those unable to join us in our South Florida headquarters, this year's shareholder meeting is the first time in our bank's history that we will host this meeting on a virtual platform as well. Through our adoption of upgraded technology, we are excited to be able to welcome attendees from all over the world! **Register to join via the live stream at <https://bit.ly/OptimumBankShareholderMeeting>.**

At the shareholder meeting, I will focus on our 2023 year end results as well as our recently ended first quarter and discuss our expectations for the remainder of 2024. As we will show, 2023 will go down as the greatest year in our bank's history. Our singular goal is to provide shareholder returns and we are poised to continue in 2024 the way we ended 2023, on a trajectory of income growth.

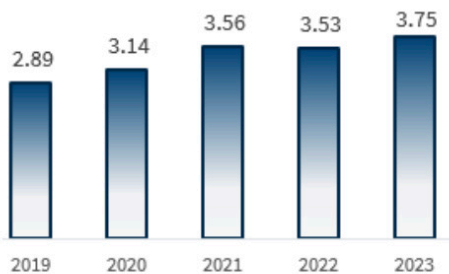
For years, OptimumBank was constrained due to challenges that the founders of the bank became embroiled in during the 2008 Great Financial Crisis. Starting with my involvement in 2010, we replaced almost every member of the management team and Board of Directors. While the hurdles we were forced to tackle over the better part of a decade were complex and immensely difficult, the experience has made our Board of Directors, as well as our management team nimble and experienced. Our leadership has a sense of trust and respect for one another, that has positioned us to work seamlessly together. The results speak for themselves, and I am fortunate to lead one of the finest Board of Directors in the industry.

The growth in 2023 was very robust, as we held our loan pricing to a spread over SOFR and achieved a net interest margin (NIM) of 3.75%. Further, we had limited income from any one-time events, and we saw our net income pre-tax and pre-allowance jump from \$8.86 Million Dollars to \$12.50 Million Dollars, a 41% increase over 2022.

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### NET INTEREST MARGIN



### CORE: PRE-TAX, PRE-PROVISION EARNINGS



As OptimumBank has evolved, our near-term goals became more focused. In 2023, we held our grand opening for our third branch, located in North Miami Beach. Due to permitting and construction delays, attaining our certificate of occupancy has been far more challenging than expected. We will officially staff the branch and open our doors to the public in the coming days, and I will be on sight to welcome our new employees and customers.

While we are cognizant of the expense associated with operating a physical location, we believe the North Miami Beach branch will resonate with a targeted audience, and the benefit will far exceed the cost. Our new branch will solidify our foothold with smaller businesses in an area where we are already well known. Even in advance of our official opening, we are seeing many of our current customers transferring more of their banking relationships to OptimumBank.



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While branch banking remains a focus for OptimumBank, we continue to make giant strides in improving customer experience through new technology. Our focus remains on assuring the best possible customer experience in the industry. In 2023 we proudly adopted Zelle, providing our customers peer-to-peer money transfer services permitting individuals to send and receive money to each other through connected bank accounts. More recently, our treasury management team upgraded their technology suite with the acquisition of PEP+ from Fiserv. This new software automates many aspects of our ACH process and permits us to service our commercial customers more vigorously. This year, we are working towards having the capability to open a new customer account online and anticipate having this capability within the next 12 months. We also are in the process of contracting with a new vendor to overhaul our website. Further details about these plans will be presented in the coming months.



During 2023, we observed turbulence in the US banking sector, with the market having lost faith in several banking institutions. OptimumBank however, has bucked this trend. In the span of five years, OptimumBank has experienced a compound annual growth rate (CAGR) of 58% over the last five years in deposits, starting with a deposit base of just \$101 Million Dollars in 2019.

More recently, our deposits grew by over 26% from year end 2022 to year end 2023, growing from \$507 Million Dollars to over \$639 Million Dollars. With the first quarter of 2024 behind us, I can proudly advise that this trend has continued, and we increased our deposit base by \$159 Million Dollars to \$798 Million Dollars in Q1. OptimumBank was early in identifying some of the risks in the banking sector. To better serve our customers, we became a member of IntraFi, which provides up to \$135 Million Dollars of FDIC insurance coverage for any of our customers seeking added protection

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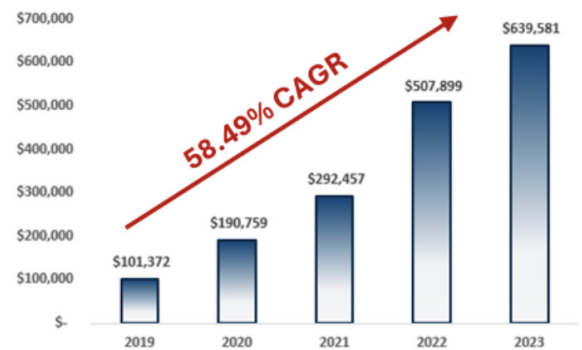
above the usual \$250,000 FDIC limit. We have been thrilled with the partnership with IntraFi and routinely hear from our customers how secure they feel banking with OptimumBank because of the policies we implemented before many of the headwinds that entered the banking sector. Above, we highlighted how our treasury management team recently upgraded its software to PEP+ by Fiserv.

This point warrants additional details to fully appreciate a business vertical that the bank has cultivated over the last four years.

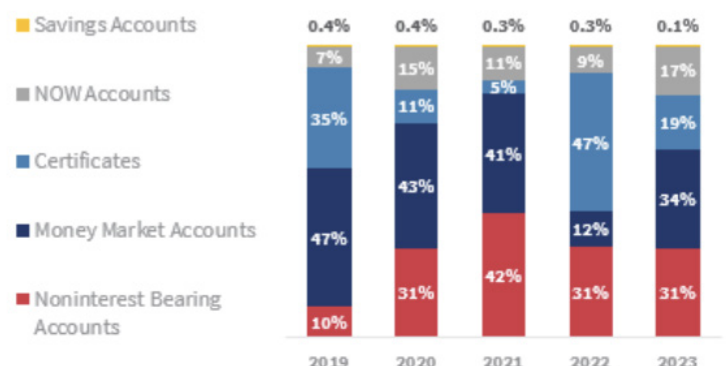
OptimumBank is one of a small handful of banking institutions that serves the merchant cash advance (MCA) industry. We are the only bank to join the Revenue Based Finance Coalition, the industry's lobbying organization. This industry provides us access to over \$125 Million Dollars of noninterest bearing deposits. Our ability to grow these noninterest bearing deposits is predicated on offering ACH technology that automates much of the work we previously did manually. With the implementation of PEP+ by Fiserv we are confident we can grow this vertical multifold.

The breakdown of all deposits includes 19% in CDs, 34% in money markets, 31% in noninterest bearing accounts, and 17% in NOW accounts. Our average deposit relationship is \$154,000 with the top 2% of depositors representing less than 15% of deposits.

### TOTAL DEPOSITS



### COMPOSITION BY DEPOSIT TYPE, 2019-2023



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Many of you know that I am the CEO and Chairman of Strawberry Fields REIT (STRW), a publicly traded REIT on the New York Stock Exchange, which owns over \$1 Billion Dollars of healthcare properties. My partner of more than 20 years in that business, is also a board member of OptimumBank, providing us with a level of expertise in this business vertical. With our knowledge of some of the pressure points that operators in skilled nursing can experience, we created a lending product to benefit this industry.

In the last few years, we have increased our SNF Accounts Receivable lending program, focused on government receivables, to now include a dedicated lender. In 2023, OptimumBank closed nine SNF loans totaling nearly \$38 Million Dollars. We are emerging as a leader in this space and expect the size of this segment of the loan portfolio to more than double by the end of 2024.

Previously, I said that 2023 was our best year yet, largely because we reached a core profitability of \$8.46 Million Dollars without adding back provision. The consolidated net income after provision and income tax expense was \$6.28 Million Dollars. The provision for loan loss in 2023 was \$4.05 Million Dollars as compared to \$3.47 Million Dollars in 2022. We maintained a sizeable provision in large part because of our extraordinary loan growth. If you add back the provision and tax, we made over \$12.5 Million Dollars in 2023.

So far in 2024, our first quarter pre-tax and pre-provision income is \$3.8 Million Dollars. In addition, we are fully allowanced, and in fact, we have a higher percentage in our allowance than many of our peers, yet we have a much lower bad debt history.

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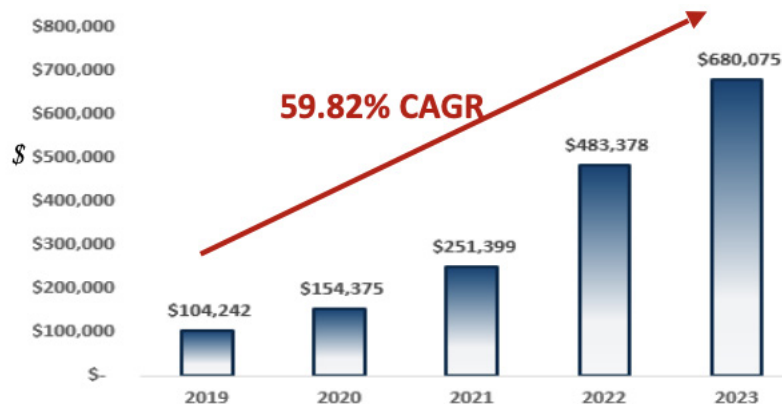
### EARNINGS ANALYSIS

(\$000s)	YE 2023	4Q 23 Ann.	Illustrative 2024
Net interest income	\$ 23,711	\$ 28,588	\$ 35,700
Loan loss provision	(4,047)	(4,306)	(5,500)
Non-interest income	3,454	4,166	6,000
Non-interest expense	(14,662)	(14,749)	(16,750)
Net income before taxes	\$ 8,456	\$ 13,698	\$ 19,450
Income tax expense / (benefit)	(2,174)	(3,500)	(4,863)
<b>Net income</b>	<b>\$ 6,282</b>	<b>\$ 10,198</b>	<b>\$ 14,588</b>
<b>Core pre-tax, pre-provision earnings</b>	<b>\$ 12,503</b>	<b>\$ 18,004</b>	<b>\$ 24,950</b>
<b>% of average assets</b>	<b>1.8%</b>	<b>2.4%</b>	<b>2.8%</b>
Loan Yield	5.6%	6.4%	7.1%
Deposit Cost	2.0%	2.4%	2.7%
Net interest margin	3.6%	3.9%	4.2%
ROAA	0.9%	1.4%	1.6%
ROAE	9.7%	15.2%	14.6%
Core return on average assets	1.8%	2.4%	2.8%
Core return on average equity	19.2%	26.8%	25.0%
Efficiency ratio	54.0%	45.0%	40.2%

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Similar to our deposit growth, in the last five years, OptimumBank has experienced a compound annual growth rate (CAGR) of 60% growth rate in lending, starting with a loan base of just \$104 Million Dollars in 2019. More recently, our total loans have grown from \$483 Million Dollars at the end of 2022 to \$680 Million Dollars at the end



of 2023, an astounding 41% growth rate. As of Q1 2024, our loan portfolio grew to \$747 Million Dollars, which is an increase of 11% for the first quarter of 2024.

Our phenomenal success lies in our customer relationships, most of whom have well-established associations with someone that works for or manages OptimumBank. It has become more routine for our team to now interact with new borrowers that were referred by existing customers of the bank, a point that the Board of Directors is particularly proud of.

While we currently spend little on annual marketing, largely because our reputation has permitted us to enjoy enormous success in the last few years, we are aware that reputation alone will only carry us so far. Last year we added an employee that focuses on investor relations and marketing. Additionally, OptimumBank has made a commitment to grow our social media presence, in an effort to attract outside customers that typically would not have banked with us.

In the span of nine months, I am pleased to report that OptimumBank now has over 1,300 followers across LinkedIn, Instagram, and Facebook. We make it a point to post weekly, and many of our posts are viewed by tens of thousands of people. We expect that our marketing efforts will reinforce our bank growth and our lending limit increases.

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In 2023, net interest income increased by \$7.88 Million Dollars or 50% over 2022. In totality, net interest income in 2023 was \$23.71 Million Dollars and we are anticipating that number to be over \$35 Million Dollars in 2024. OptimumBank ended 2023 with total assets of \$791 Million Dollars, as compared to \$585 Million Dollars for the prior year, which represents growth of \$206 Million Dollars or 35%. The increase in total assets during 2023 was mainly driven by growth of \$194 Million Dollars in loans. For the period ended March 31, 2024, we continued growing our loan portfolio by \$75 Million Dollars to \$747 million as of March 31, 2024.

Also, in 2023 our equity rose to \$70 Million Dollars from \$62.5 Million Dollars at year end 2022 after accumulated other comprehensive losses. Our performance has garnered a lot of institutional interest from several well-known firms. One in particular that has become a champion of the OptimumBank story beginning in Q4 2023 and extending into this year, is Alliance Bernstein.

In just the past few months, they have invested several million dollars into the bank, and now own over 7% of OptimumBank's common shares. We expect that as needed, OptimumBank will raise more capital to further our expansion, bolster our market cap and improve our float and stock price. At this point OptimumBank has access to enough capital so that we do not have any obstacles to the bank's growth.

To the extent that anyone of our current shareholders is interested in learning more about participating in future funding rounds, please feel free to reach out to our Managing Director of Investor Relations, Seth Denison, at [SDenison@OptimumBank.com](mailto:SDenison@OptimumBank.com).

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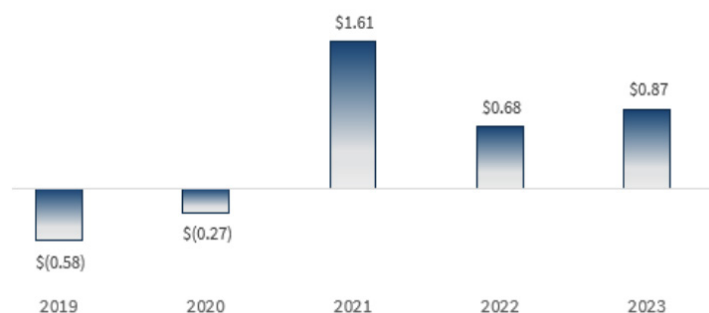
## Chairman of the Board's Letter to Shareholders

Balance Sheet	2021	2022	2023
Cash	\$ 13,681,000	\$ 19,788,000	\$ 14,008,708
Interest Bearing Deposits & Fed Funds	45,289,000	52,048,000	62,654,460
Investments & Securities	36,227,000	26,242,000	28,068,361
Loans, Net	247,902,000	477,218,000	671,092,990
Other Assets	8,779,000	9,923,000	15,429,070
<b>Total Assets</b>	<b>\$ 351,878,000</b>	<b>\$ 585,219,000</b>	<b>\$ 791,253,589</b>
Deposits	\$ 292,457,000	\$ 507,899,000	\$ 639,871,222
Borrowings	19,775,000	12,172,000	75,600,000
Other Liabilities	1,136,000	2,568,000	5,774,467
<b>Total Liabilities</b>	<b>\$ 313,368,000</b>	<b>\$ 522,639,000</b>	<b>\$ 721,245,689</b>
<b>Shareholders Equity</b>	<b>\$ 38,510,000</b>	<b>\$ 62,580,000</b>	<b>\$ 70,007,899</b>

Based on 7,250,219 shares outstanding at 12/31/2023, we had a net Earnings Per Share (EPS) of 87 cents. In the first quarter, common shares increased to 9,634,821 shares. Most of the issuances occurred at the end of March.

For the first quarter EPS is 28 cents. For the first quarter of 2024, we introduced new preferred convertible shares, Series C Preferred Stock, which is convertible into one share of common stock, at the option of the holder. On March 28, 2024, the company sold 525,641 shares of series C preferred. Upon conversion, diluted EPS would be 28 cents. For the first quarter our equity grew from \$70 million to \$83.3 million. This growth is attributed to the proceeds of stock issuance, plus the net income generated during the first quarter.

### EARNINGS PER SHARE



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In closing, I am beaming with pride because of the enterprise we have built. I view my involvement in OptimumBank as a journey, full of both triumphs and tribulations. Last year I stood before our shareholders and apologized for neglecting the capital market persona of OptimumBank. In my own professional pursuits, I learned the lesson that managing the capital market persona of the enterprise, is a task that is wholly and apart from managing the operating company.

In both my role here at OptimumBank and as CEO and Chairman of a different public company, Strawberry Fields REIT (STRW), I am investing more time and resources to managing our public persona. I have deeper appreciation for investor education and the activities required to capture the attention of the broader investment community. I am by nature programmed to work on fundamentals, and when I became involved in our bank, we focused on getting our fundamentals down. I can attest that after many tireless years, the business is sound, growing, and enjoys a remarkable reputation.

Over the last four years, we have grown core income pre-tax & pre-provision by \$11.4 Million Dollars. We have increased deposits by \$538 Million Dollars. We have increased loans by \$576 Million Dollars. We have increased our employee headcount by 41 people and we have also added a new bank branch.

I speak for the entire Board of Directors and executive management team when I assure you that the fundamentals of OptimumBank are ironclad. The task ahead is to continue to share our narrative with a broader audience. We need the capital markets to judge us based on who we are as an organization today. We are on our way to accomplishing these tasks, and are laser focused on interacting with more institutions, the investor public and attracting analyst coverage. As we succeed, we will keep pushing the goals out further so that we can improve on our results and create further value for our shareholders.

Thank you,  
Moishe Gubin, Chairman of OptimumBank