FLORIDA CAPITAL GROUP, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 23, 2023

Notice is hereby given that the Annual Meeting of Shareholders of Florida Capital Group, Inc. (the "Company") will be held **via teleconference 1-800-582-3014**, **Participant Code: 641847835#** on May 23, 2023, beginning at 2:00 p.m. E.T. (the "Annual Meeting"), for the following purposes:

1. Elect Directors,

2. Adopt an amendment to the Articles of Incorporation of the Company to increase its authorized shares of Common Stock,

3. Ratify the appointment of Saltmarsh, Cleaveland & Gund as auditors for the year ending December 31, 2023, and

4. To transact such other or further business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

Only shareholders of record at the close of business on April 25, 2023, are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. All shareholders, whether or not they expect to attend the Annual Meeting, are requested to complete, date, sign and return the enclosed proxy in the accompanying envelope. The proxy may be revoked by the person executing the proxy at any time before it is exercised by filing an instrument of revocation or a duly executed proxy bearing a later date with the Company. <u>It is important to return your written proxies prior to the scheduled meeting date because Shareholders will be unable to orally vote their shares during the teleconference</u>. You can also find the meeting materials posted on our website at www.flcb.com

BY ORDER OF THE BOARD OF DIRECTORS

Mark F. Johnson
President and Chief Executive Officer

May 4, 2023

PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY TO BROADRIDGE IN THE ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING.

IF YOU PLAN TO ATTEND THE MEETING VIA TELECONFERENCE, PLEASE RSVP TO MEREDITH ADAMS AT 904-472-2741 OR EMAIL: MADAMS@FLCB.COM BY May 19, 2023.

PROXY STATEMENT FOR
ANNUAL MEETING OF SHAREHOLDERS
OF FLORIDA CAPITAL GROUP, INC.
TO BE HELD ON MAY 23, 2023

INTRODUCTION

General

This Proxy Statement is being furnished to the shareholders of Florida Capital Group, Inc. (the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company from holders of the outstanding shares of the Company's common stock for use at the Annual Meeting of Shareholders of the Company to be held on Tuesday, May 23, 2023, and at any adjournment or postponement thereof (the "Annual Meeting"). The Annual Meeting is being held to (i) elect directors to serve until the Annual Meeting of Shareholders in 2024, (ii) adopt an amendment to the Articles of Incorporation to increase the authorized shares of common stock, (iii) ratify the appointment of Saltmarsh, Cleaveland & Gund as auditors for the year 2023 and (iv) transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof. The Board of Directors knows of no other business that will be presented for consideration at the Annual Meeting other than the matters described in this Proxy Statement. This Proxy Statement is dated April 25, 2023, and it and the accompanying notice and form of proxy are first being mailed to the shareholders of the Company on May 4, 2023. Additionally, the materials can be viewed and printed from our website at www.flcb.com.

The principal executive offices of the Company are located at 10151 Deerwood Park Blvd. Building 100, Suite 200, Jacksonville, Florida 32256. The telephone number is (904) 472-2741.

Record Date and Revocability of Proxies

The Board of Directors has fixed the close of business on April 25, 2023, as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only holders of record of shares of the Company's common stock at the close of business on such date will be entitled to vote at the Annual Meeting. As of April 25, 2023, there were 615,749,004 shares of the Company's common stock outstanding and entitled to vote held by 545 shareholders of record. Holders of the Company's common stock are entitled to one vote on each matter considered and voted upon at the Annual Meeting for each share of the Company's common stock held of record at the close of business on April 25, 2023.

Shares of the Company's common stock represented by a properly executed proxy, if such proxy is received prior to the vote at the Annual Meeting and not revoked, will be voted at the Annual Meeting in accordance with the instructions indicated in such proxy.

IF NO INSTRUCTIONS ARE INDICATED, SUCH SHARES OF THE COMPANY'S COMMON STOCK WILL BE VOTED FOR THE ELECTION OF THE NOMINATED DIRECTORS, FOR APPROVAL OF THE AMENDMENT TO THE COMPANY'S ARTICLES OF INCORPORATION TO INCREASE THE AUTHORIZED SHARES, AND TO RATIFY THE APPOINTMENT OF SALTMARSH, CLEAVELAND & GUND AS AUDITORS FOR THE YEAR 2023. IF ANY OTHER MATTERS PROPERLY COME BEFORE THE ANNUAL MEETING, SAID PROXIES WILL VOTE ON SUCH MATTERS IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS.

A shareholder who has given a proxy may revoke it at any time prior to its exercise at the Annual Meeting by either (i) giving written notice of revocation to the Company, or (ii) properly submitting a duly executed proxy bearing a later date to the Company. All written notices of revocation or other communications with respect to revocation of proxies should be addressed as follows: Florida Capital Group, Inc., 10151 Deerwood Park Blvd., Building 100, Suite 200, Jacksonville, Florida 32256, Attention: Keith Perry.

Quorum and Required Vote

The presence at the Annual Meeting of the holders of a majority of the outstanding shares of our common stock as of the record date is necessary to constitute a quorum. Shareholders will be counted as present at the meeting if they are present via teleconference at the Annual Meeting or if they have properly submitted a proxy card. A plurality of the votes duly cast is required for the election of directors. The affirmative vote of a majority of the shares represented at the Annual Meeting is required to approve all other proposals.

PROPOSAL ONE
ELECTION OF DIRECTORS

General

Each director of the Company serves for a term expiring at the next Annual Meeting of Shareholders, or until their successor is duly elected and qualified. Accordingly, the terms of each member of the Board expire at the Annual Meeting and, therefore, such individuals are standing for reelection to a one-year term expiring at the Annual Meeting of Shareholders in 2024.

All shares represented by valid proxies received pursuant to this solicitation and not revoked before they are exercised will be voted in the manner specified therein. If no specification is made, the proxies will be voted for the election of the nominees listed below. In the event that any nominee is unable to serve (which is not anticipated), the persons designated as proxies will cast votes for the remaining nominees and may vote for another person nominated as a substitute by the Company's Board of Directors, or the Board of Directors may reduce the number of directors.

Background and Experience of Director Nominees

Below is a description of the background and experience of each person that has been nominated for election to the Company's Board of Directors. Each of these nominees currently serves on the Company's Board of Directors.

W. Andrew Krusen, Jr., Chairman of the Board

Mr. Krusen is Chairman of Dominion Financial Group, Inc., a merchant banking organization that provides investment capital to the natural resources, communications and manufacturing and distribution sectors. He is also the managing member of Krusen-Douglas, LLC, a large landowner in the Tampa, Florida area.

Mr. Krusen serves as a director of publicly traded Alico, Inc., an agribusiness and land management company, as well as several privately held companies including Lumina Analytics, LLC, where he is Chairman of the Advisory Board.

He is currently a director and chairman of the Company as well as Florida Capital Bank, N.A., its wholly owned subsidiary.

Mr. Krusen is a former member of the Young Presidents' Organization and is currently a member of the World Presidents' Organization. He is past Chairman of Tampa's Museum of Science and Industry. Mr. Krusen holds a Bachelor of Arts degree in Geology from Princeton University (1970).

Philip Bruce Culpepper, Director

Mr. Culpepper is a trial attorney with the law firm of Culpepper and Kurland, PLLC in Tampa. His areas of practice are business litigation, insurance, administrative and banking law. He is AV rated by Martindale Hubbell, is listed in The Best Lawyers in America, was selected as a Super Lawyer in the litigation field, has received the ranking of No. 1 in Chambers USA, and is also listed in the America's Leading Lawyers for Business publication. Mr. Culpepper is a member of The Florida Bar and has served on the Florida Bar Foundation, Board of Directors, Young Lawyer's Board of Governors and several Florida Bar Professional Committees.

He practiced law in Tallahassee for over 45 years, attended the University of Florida, where he was co-captain of the 1962 football team. He attended The Levin School of Law, University of Florida and served as President of the Student Government in 1965-1966. He is a member of the University of Florida Athletic Hall of Fame. He has also served on the Tallahassee City Commission, as President of the Tallahassee Chamber of Commerce and as President of the University of Florida Boosters. Mr. Culpepper has participated as a lecturer on a number of business and litigation topics including civil trial practice, financial institution director's liability and corporate responsibilities.

Richard R. Dostie, Director

Mr. Dostie served as President of Richard R. Dostie, Inc., a development and homebuilding company from January 1974 until August 2003. In September 2003, Mr. Dostie sold his company to national homebuilder Toll Brothers, Inc. Mr. Dostie remained on board as Division President of Toll Jacksonville Limited Partnership until May 2006. Mr. Dostie currently serves as a director of Dostie Homes LLC, specializing in residential real estate development and single-family home construction in Northeast Florida and Southeast Georgia. He is also a general partner in Kingsouth Investors LLC, a general partner in RCR Acquisitions, and a director of King South Construction Inc., specializing in development and construction of suburban office parks. Mr. Dostie is also the Managing Member of CRD Terra Pines LLC.

Mr. Dostie previously served as a director with Florida Bank, FSB, and as an advisory director with AmSouth Bank and as a director of Florida Banks, Inc.

James W. Heavener, Director

James W. Heavener is the CEO and Manager of The Heavener Company and The Heavener Company Holdings, LLC, through which he holds interests in education, media production, real estate, franchising, banking and information technology. Mr. Heavener is Co-Chairman/CEO of Full Sail University, Los Angeles Film School and RMCAD (Rocky Mountain College of Art and Design). He is also a Director for Florida Capital Bank, N.A. and serves on the University of Florida Board of Trustees, the University of Florida Investment Company (UFICO), the University of Florida Alumni Association, the University of Florida Athletic Association, The University of Florida Gator Boosters, the University of Florida Foundation, UF Warrington College Business Advisory Council, the Truist Financial Corporation Advisory Board of Directors, and the Tim Tebow Foundation.

Charles E. Hughes, Jr., Director

As a Director, Mr. Hughes brings more than 30 years of banking expertise. He has served as President, Chief Executive Officer, and Director of both Florida Bank and Florida Capital Bank, N.A. and Chairman of the Board, President and Chief Executive Officer at SouthTrust Bank of Florida. Mr. Hughes remains active in the community serving as a member of the Board of Trustees of the Gator Bowl Assn. He is also an Emeritus member of the Board of Baptist Health and Baptist Medical Center and continues to serve on several board committees for that organization.

Mark F. Johnson, President & CEO, Director

Mark F. Johnson, President and CEO of Florida Capital Group, Inc., was promoted to President and CEO of Florida Capital Bank, N.A. in March 2021. He previously served as President and COO of Florida Capital Bank, N.A. Mark has been focused on growing the company’s four core businesses: mortgage lending, warehouse lending, conventional commercial lending, and specialty banking. In the past few years, Florida Capital Bank, N.A. has made significant investments in technology and human resources that have created an engaging and efficient work environment focused on outstanding service to clients. In 2020, Florida Capital Bank, N.A. was the number one bank in the State of Florida in return on average equity and return on average assets.

Prior to joining Florida Capital Bank, N.A. in 2006, Mark founded and was President and CEO of Florida Bank Mortgage, a division of Florida Bank, N.A. from 2002 to 2004. From 1976 to 2002, he was employed by HomeSide Lending where he last served as Executive Vice President of Production and Secondary Marketing. He is also the past Chairman of the Mortgage Bankers of America Secondary Capital Markets Committee, past member of the Fannie Mae Southeast Region and Residential Funding Corporation Advisory Boards, and a graduate of the School of Mortgage Banking. He holds a Bachelor of Business Administration degree from Valdosta State College.

James T. Katsur, DMD, MBA, Director

Dr. Katsur is the owner of Katsur Management Group, Inc., which he founded in 1989. He has owned and operated general and multi-specialty dental practices since 1977, during which time he has built his practice from one location to one hundred fifteen locations in nine cities and five states. He is also a principal in Katsur Mortgage Holdings, and has been involved in multi-family residential, commercial, student housing, and land development.

J. Stewart Baker, III, Director

Mr. Baker recently retired after 12 years at Florida Capital Bank, N.A. serving as Chief Credit Officer and Special Assets Manager before assuming the role of Managing Director, Banking in 2017. Mr. Baker has had a long career in Florida banking with both regional and local institutions. In the early 2000s, Mr. Baker was the founding CEO and director of the Bank of North Florida. He also served as Chairman of the Board of the Museum of Science and History.

Mr. Baker received his B.S. in Business Administration from Washington and Lee University and his M.B.A. for the University of North Florida. He served as a First Lieutenant in the US Army in Vietnam and was awarded the Bronze Star and Combat Infantry Badge.

Alexander M. Crenshaw, Director

Former Congressman Ander Crenshaw was elected to the U.S. Congress in 2000 and represented Florida's Fourth Congressional District in the U.S. House of Representatives for sixteen years. During his tenure in Congress, he served on numerous committees including the House Appropriations Committee, where he chaired the Financial Services and General Government Appropriations Subcommittee. He also sat on the Defense Appropriations Subcommittee and State and Foreign Operations Appropriations Subcommittee. Congressman Crenshaw also served as a Deputy Majority Whip.

As Chairman of the Financial Services and General Government Affairs Subcommittee, Congressman Crenshaw was charged with the oversight and funding of the Department of the Treasury, Securities and Exchange Commission, Commodities Futures Trading Commission, Federal Deposit Insurance Corporation, Internal Revenue Service, Federal Trade Commission, and Federal Communications Commission, among others. In this role, he also led efforts to reform the Consumer Financial Protection Bureau and other aspects of the Dodd-Frank Act.

Originally, a member of the House Armed Services, Budget, and Veterans Affairs committees, Congressman Crenshaw also was active in international affairs and established himself as a respected voice on military issues. A champion for our men and women in uniform, he advocated for strengthening the nation's defense capabilities and secured funding for numerous projects involving the U.S. Navy, U.S. Marine Corps, the Coast Guard, and Customs and Border Protection Services in particular. In 2013, Navy Secretary Ray Mabus recognized Congressman Crenshaw's dedication to the nation's Sailors and Marines and awarded him the Navy's highest civilian honor – The Navy Distinguished Public Service Award.

As part of his leadership in international affairs, Congressman Crenshaw founded the Congressional Caucus for Effective Foreign Assistance and helped develop the Millennium Challenge Corporation, which reformed the way the United States provides foreign assistance.

In recent years, his signature legislation was the passage of the ABLE Act to benefit individuals with disabilities by allowing them to open tax-free savings accounts for certain expenses.

Prior to serving in Congress, Congressman Crenshaw spent nearly 20 years as an investment banker. He was a managing director at Drexel Burnham Lambert and later senior vice president at Donaldson, Lufkin & Jenrette. He also served as an elected official in the State Legislature, ultimately serving as President of the Florida Senate.

Congressman Crenshaw is Senior Counsel to the international law firm King and Spalding and serves on the board of The Crohn's and Colitis Foundation. He received his B.A. from the University of Georgia and his J.D. from the University of Florida.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" ELECTION OF THE NOMINEES LISTED ABOVE.

PROPOSAL TWO
PROPOSAL TO APPROVE THE AMENDMENT TO THE ARTICLES OF INCORPORATION

The Company's Board of Directors adopted and approved in April 2023 a proposal to amend the Company's Articles of Incorporation to increase its authorized shares of Common Stock (the "Articles of Amendment"). Currently, the Company's Articles of Incorporation authorize the issuance of 617,113,408 shares of common stock. The Articles of Amendment increase the authorized shares of common stock to 619,000,000 shares. The reason for the increase in authorized shares of common stock is so that the Company has sufficient shares of common stock to issue to holders of its Series A Non-Cumulative Perpetual Convertible Preferred Stock (the "Preferred Stock"). There are currently 139,553 shares of Preferred Stock outstanding. The Company's Board of Directors in April, 2023 approved the conversion of the shares of Preferred Stock into shares of common stock subject to approval by Company shareholders of the Articles of Amendment at the Annual Meeting. Each share of Preferred Stock is convertible into 10 shares of common stock. Accordingly, the 139,553 outstanding shares of Preferred Stock are convertible into 1,395,530 shares of common stock. The approval of the Articles of Amendment will allow for the Company to have sufficient shares of common stock available for such conversion plus a small amount of additional shares for other purposes as the Company's Board of Directors may determine from time to time. If the Articles of Amendment are approved by Company shareholders at the Annual Meeting, then the shares of Preferred Stock will be converted into shares of common stock effective at 12:00 P.M. Eastern Standard Time on the second business day after the effectiveness of the filing by the Company of the Articles of Amendment with the Florida Department of State.

Approval by Company shareholders of the Articles of Amendment would amend Article III, Section 1 of the Company's Articles of Incorporation as follows:

ARTICLE III – CAPITAL STOCK

Section 1. Classes of Stock. The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is 620,000,000 consisting of:

A. 1,000,000 shares of preferred stock, par value $.01 per share ("Preferred Stock"); and

B. 619,000,000 shares of common stock, par value $.01 per share ("Common Stock"). Each holder of shares of Common Stock shall be entitled to one vote per share.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" APPROVAL OF THE ARTICLES OF AMENDMENT.

PROPOSAL THREE
PROPOSAL TO RATIFY THE APPOINTMENT OF AUDITORS

The Audit Committee of the Board of Directors has selected Saltmarsh, Cleaveland & Gund ("Saltmarsh") as Florida Capital Group's auditors for the year ending December 31, 2023, and to perform such other appropriate accounting services as may be required by the Board. Saltmarsh, Cleaveland & Gund was our independent registered public accounting firm in fiscal year 2022. The Board recommends that the stockholders vote in favor of ratifying the selection of Saltmarsh for the purposes set forth above. If the stockholders do not ratify the selection of

Saltmarsh, the Audit Committee of the board may consider a change in auditors for the next year.

Saltmarsh has advised the Company that they are independent accountants with respect to the Company, within the meaning of standards established by the American Institute of Certified Public Accountants.

During 2022, fees paid for services rendered by Saltmarsh, Cleaveland & Gund equaled $152,770.36. These amounts were primarily related to services performed for the audit of the Company's annual consolidated financial statements and tax work.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL RATIFYING THE SELECTION OF SALTMARSH AS AUDITORS FOR THE YEAR 2023

OTHER INFORMATION

The Company's management does not know of any matters to be brought before the Annual Meeting other than those described in this Proxy Statement. If any other matters properly come before the Annual Meeting, the persons named as proxies in the enclosed form of proxy and acting thereunder will vote on such matters in accordance with the recommendation of the Board of Directors.

Management's Discussion and Analysis for the Year Ended December 31, 2022

Summary

Florida Capital Group, Inc. (the "Company") and its wholly owned bank subsidiary Florida Capital Bank, N.A. (the "Bank") reported net income of $2.3 million for the year ended December 31, 2022, compared to net income of $4.8 million for 2021. However, operating results for 2021 included $2.1 million of other income associated with the Bank's qualification for the CARES Act Employee Retention Credit due to substantial declines in mortgage banking revenues. On a pre-tax, pre-credit provision basis (non-GAAP earnings), the Company reported earnings of $2.9 million compared to the 2021 level of $6.1 million.

This letter to shareholders is intended to be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022. This document and other historical financial materials are located on the Bank's website - floridacapitalbank.com - under the Investor Relations tab.

The Bank is organized along a line of business format that focuses on and measures the operating results of the following four lines of business:

- Commercial Banking (banking offices, treasury management, lending – residential, commercial, commercial real estate, and government guaranteed lending – SBA and USDA)
- Specialty Banking (prepaid cards, including MasterCard Send "FLCB Instant Money", ACH and third party payment services)
- Mortgage Banking (wholesale and retail residential mortgage origination)
- Warehouse Lending (short-term lines of credit to mortgage bankers

These business lines have been in existence for many years and each is considered an important component of the board's overall strategy. These business lines complement each other by generating counter-cyclical returns and by diversifying risk exposures, which reduce the aggregate risk profile of the Bank. During 2022, the board decided to revise the allocation of resources between the mortgage bank and commercial bank by focusing more resources to support the commercial bank. This reallocation opportunity resulted from the once-in-a-generation mortgage market of late 2019 to early 2021 during which the mortgage bank generated extraordinary earnings. As a result, regulatory capital levels had increased to levels that allowed a reallocation of this accumulated capital internally among the business units.

The strategic change of direction enhances shareholder value by improving future valuation multiples in several ways: 1) by reducing the volatility of earnings related to mortgage banking activities; 2) by concentrating resources on the growth of core deposit relationships, particularly very low cost Specialty Banking deposits, to increase lower cost funding sources; 3) by increasing the level of earning assets, particularly traditional community bank lending and 4) by retaining the capability to participate in a future vibrant mortgage market but with a lower expense base.

Commercial Bank – Florida-based marketing strategy that generates interest income from traditional community bank lending and raises low-cost core deposits. Banking offices are located in the three most attractive banking markets in Florida – Jacksonville, Orlando, and Tampa. The board's 2022 decision to invest relatively more resources into the commercial bank resulted in very strong earning asset growth during 2022 and a larger share of bank wide earnings were contributed by this business unit during 2022 as a result of this decision.

Specialty Banking – a nationwide marketing strategy whose strategic focus is the generation of very low-cost core deposits, and fee generation from lower risk payment processing activities with deposit products and services that complement traditional bank offerings. This business line generates both fee income and low cost deposits that are used to fund commercial bank loan growth.

Mortgage Banking – an established, nationwide operation primarily wholesale focused. This business line has historically been a key part of the Bank's business strategy and the major contributor of Bank earnings; however, this business line along with the broader mortgage market has struggled during the higher rate environment of 2022 and the first half of 2023.

Warehouse Lending – a nationwide marketing strategy, and a natural complement to mortgage banking with cross-over customer relationships, and product comparability. Warehouse is a spread banking generator, which takes advantage of the Bank's cost of funds to generate earnings with a lower risk profile than typical community bank commercial lending.

The following table presents comparative financial highlights for the Company for the years ended December 31, 2022, and 2021.

Florida Capital Group, Inc.
Operating Trends and Key Metrics
December 31, 2022 and 2021
(000s)

	31-Dec-22	31-Dec-21	Change	% Change
Operating Results:				
Net Income	$ 2,296	$ 4,776	$ (2,480)	-51.9%
Adjusted Net Income (Pre-Tax, Pre-Credit)	$ 2,869	$ 6,081	$ (3,212)	-52.8%
Return On Assets	0.48%	1.02%	-0.54%	-52.9%
Return On Equity	3.63%	7.87%	-4.24%	-53.9%
Net Interest Margin	3.35%	2.71%	0.64%	23.6%
Mortgage Margin (Including Fees)	1.00%	1.46%	-0.46%	-31.6%
Tangible Book Value of Common Stock (Parent)	$ 60,997	$ 59,829	$ 1,168	2.0%
Tangible Book Value per Common Share (Parent)	$ 0.0989	$ 0.0970	$ 0.0019	2.0%

In Charles Dickens' historical novel "A Tale of Two Cities," the opening sentence begins "It was the best of times, it was the worst of times …" The line refers to the protagonist's views of the cities of London and Paris; however, it also appropriately describes the relationship between the mortgage market of 2020 and the mortgage market of 2022, which has continued into the first quarter of 2023. For the Bank, it also compares and contrasts the relative earnings contributions of the mortgage and commercial banks. Historically weak origination levels, industry-wide excess capacity, and compressed margins resulted in the first overall mortgage banking industry-wide loss since the Mortgage Bankers Association began keeping records fourteen years ago. The "once in a generation" 2020 mortgage market officially and abruptly concluded at the end of March 2022. The cause of this turnabout was the commencement by the Federal Reserve of the sharpest and steepest series of short-term, interest rate increases in history in an effort to combat the seemingly sudden onset of inflation.

As a result of less accommodative monetary policy, mortgage line of business profitability turned down sharply as the year progressed and eventually turned negative. The twin culprits of lower origination levels and severe margin compression resulted in lower revenues industry-wide and at the Bank. Although many competitors have exited the market, the interest rate shock that resulted from the 425 basis points increase in the targeted federal funds rate (and the prime rate) devastated the "refinance" market and overwhelmed the "purchase" market. The previously red hot residential "seller's" market suddenly had slack, and the resulting decline in demand hampered mortgage origination. In addition, the steepness of the rate increases raised the specter that borrowers at certain income levels – notably first-time homebuyers – might no longer underwrite.

All these factors combined to reduce overall demand for mortgages and the industry still has not recovered as of the current date. The impact on the Bank's mortgage origination levels was dramatic. Originations declined approximately 60% from their second quarter 2022 peak of $321 million to the $135 million levels experienced in the third and fourth quarters. At the same time, the margin contracted sharply falling from an adequate 1.34% to a low of 31 basis points in the fourth quarter. The combination of these unfavorable volume and margin variances resulted in a decline in mortgage banking revenue from $19 million in 2021 to $9 million in 2022.

These mortgage market metrics resulted in additional rounds of mortgage staff reductions during the second and third quarters of 2022. Since the second quarter of 2021, when the 2020 refinance boom ended, management has reduced bank wide expenses cumulatively by approximately $5 million.

The board of directors' decision to reinvest 2019 – 2021 mortgage bank earnings into the commercial bank paid dividends in 2022 and largely mitigated the earnings impact of the weaker mortgage market. The allocation of internal capital and other resources to the commercial bank began late in 2021. Very near year-end 2021, management acquired a residential mortgage loan portfolio – approximately $25 million in balances. During the second quarter of 2022 another residential mortgage loan portfolio was acquired – approximately $36 million in balances. These acquisitions were made to deploy excess cash that had accumulated as mortgage held-for-sale balances and warehouse lending opportunities declined. Also, about $45 million of additional residential mortgages were added to the balance sheet during 2022 from the Bank's origination pipeline. At the same time, commercial loan production reached approximately $50 million in the first half of 2022. The combination of these efforts resulted in an approximate $100 million increase in loans held for investment, excluding warehouse balances. The higher balances along with the higher level of interest rates resulted in an increase in interest income from loans of approximately $3 million in 2022.

Credit quality remains strong both from an industry and Bank perspective. Classified loans as a percentage of capital and surplus declined from 6% at the end of 2021 to 3% at the end of 2022. Other credit metrics show equally favorable trends – gross non-accrual loans declined from $2.7 million to $1.2 million ($200 thousand net of SBA guaranties), levels of substandard accruing and special mention loans were very modest, and the Bank had no foreclosed real estate or foreclosures in process at year's end. Although no provision expense was recorded during 2022, the allowance for loan losses remained at approximately $4.3 million as loan recoveries largely offset charge-offs. At year's end, the allowance represented 1.4% of gross loans (excluding loans held-for-sale and warehouse balances) compared to 2.0% at the end of 2021. This relative decline is the result of the significant growth of loans held-for-investment during 2022. Management anticipates that asset quality may be under stress during 2023 as the economy weakens in the face of historic interest rate hikes.

For 2022, balance sheet assets were relatively unchanged at approximately $440 million; however, the mix of assets was markedly different in 2022. As noted above, excess cash balances were redeployed into traditional community bank lending opportunities – primarily residential loans and commercial real estate. This was the initial step in the board's strategy to allocate more resources to the commercial bank. In addition to this reallocation of capital, resources were expended to attract experienced commercial lending talent to the Bank. In October, the Bank hired a five-person team of three lenders and two loan operations specialists to prospect in the Jacksonville headquarters market. These additions complement the existing Orlando lending staff, and management remains vigilant for a similar opportunity in the Tampa market.

Taking advantage of the business opportunities afforded by the Bank's new strategic direction requires access to funding sources at reasonable rates, particularly since wholesale funding rates are presently very steep due to the inverted yield curve. Core deposit growth is expected to be the primary choice for funding future commercial bank loan growth. The Bank's Specialty Banking unit will play a dominant role in this funding strategy and management expects this business line to continue its historical growth trends during 2023 (see the section titled Specialty Banking). The Bank's cost of funds has come under pressure as the Fed raised short-term rates. During 2022, the Bank experienced deposit disintermediation among the Bank's four banking offices (see section titled Community Bank). The deposit outflows primarily represented rate sensitive depositors who sought higher rates available from certain specialty lending banks. Management elected not to compete with irrational deposit rate strategies from these competitors and others.

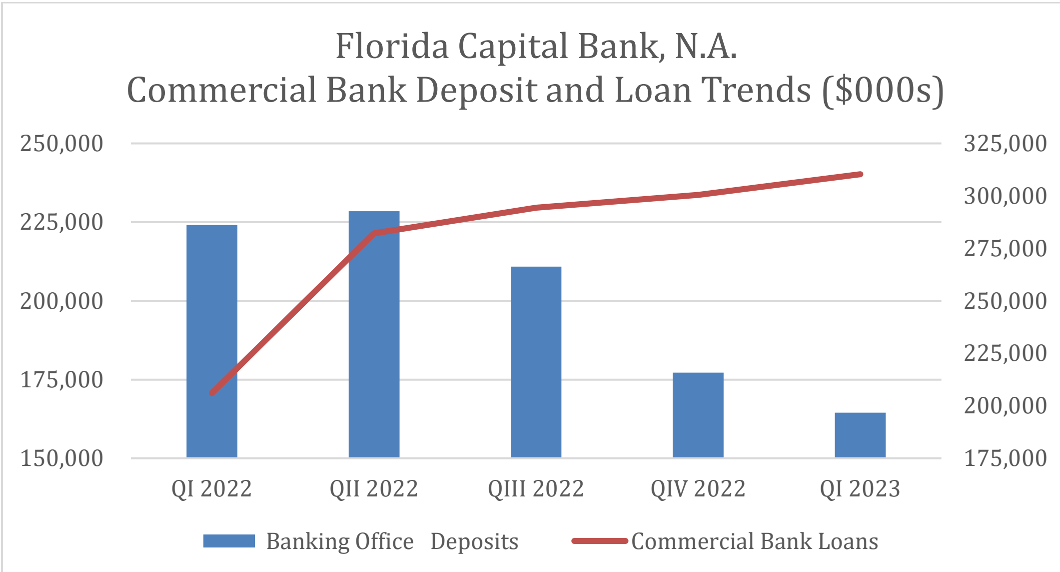
The board of directors and management continue their work on behalf of all stakeholders – shareholders, customers, employees, and third parties. As a result, the Company's book value allocable to the common shares increased during 2022. Book value of the common shares increased from $59.8 million on December 31, 2021, to $61.0 million at the end of 2022. On a per share basis, book value increased from $0.0970 to $0.0989. The increase in book value was muted somewhat by the accounting requirement to mark-to-market available for sale securities through adjustments to shareholders' equity. On December 31, 2022, this accounting requirement reduced shareholders' equity by approximately $1.3 million. Management has the ability and the intent to hold these securities to maturity and does not expect to recognize any of these unrealized losses. Since the end of 2018, the Company has increased book value through earnings retention by approximately $28 million.

Our shareholders provide the capital, our employees perform the services and sell the products, and our customers offer us profitable opportunities to meet their continuing business needs, while third parties provide the key systems and processes that allow the Bank to operate efficiently. Our goals remain to provide a return to our shareholders, to attract, retain and engage our employees, to satisfy and nurture our customer relationships, and to establish mutually profitable relationships with third parties.

Commercial Bank

During 2022, the rapid rise in interest rates that started at the end of the first quarter exerted upward pressure on deposit rates as certain specialty banks bid up the cost of deposits. As noted above, management elected not to engage in the emerging deposit pricing war and allowed certain rate sensitive depositors to disintermediate to competitors. Instead, management elected to selectively reprice relationship-based depositors and to monitor overall deposit rates. Management has recently increased its deposit rates (see Section titled First Quarter 2023) and believes deposits stabilized during the first quarter of 2023 and are poised for growth in 2023.

The impact of the revised board strategy to concentrate more resources (capital, human and technological) in the commercial bank can be observed in the following chart.



Management's initial efforts to implement the revised strategy focused on redeploying cash balances into higher-yielding assets, primarily loans. As discussed above, two, third-party originated residential loan portfolio purchases were subsequently executed. This first transaction occurred at the very end of 2021 and the second acquisition closed in the second quarter of 2022. In addition, substantial commercial loan growth (primarily CRE) occurred beginning in the first half of the year and has continued through the first quarter of 2023. The earnings impact of this growth can be seen in interest income from loans, which on a full year basis increased by approximately $2.5 million during 2022. On a comparative basis, interest income on loans for the month of December 2022 was higher by almost $500 thousand or $6 million per year than the amount reported in December 2021.

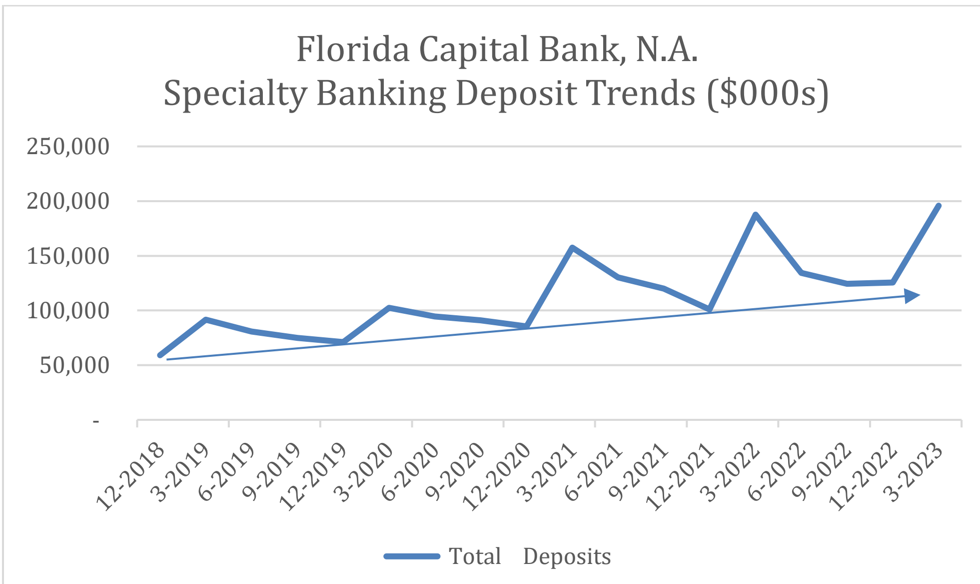
The Bank's commercial lending – primarily real estate focused, and deposit relationship-based – is active in all of the Bank's target markets. As referenced above, a talented, five-person lending group was hired late in 2022 to prospect in the Jacksonville market. By the end of the first quarter of 2023, this group had originated and closed approximately $15M of primarily commercial real estate credit. In order to continue to profitably fund this level of loan origination, management has elected to increase deposit rates in the four retail banking offices and believes that at current loan pricing levels an adequate margin will be earned.

The board and management anticipate that the lead time to create enhanced and sustainable commercial bank earnings and to fully implement the board's revised strategic plan may be two to three years. The Bank presently has adequate regulatory capital to support additional balance sheet growth, access to on-balance sheet and contingent liquidity sources for funding, and a robust, enterprise-wide risk management process to manage the higher risk profile associated with loan growth.

Specialty Banking

The Specialty Banking line of business entered its seventh year of existence during 2022 as a core funding and fee-based strategy. This business continues to exceed expectations and management is very optimistic about its future growth prospects. There exists substantial seasonality to the flows of Specialty Banking deposits due to the prepaid card product line. Deposit inflows typically occur early in the year, peak during the middle of the first quarter and decline throughout the remainder of the year. As a result, the Bank's cost of funds is typically very low in the first quarter since deposits generated by Specialty Banking at a very low cost. A portion of these deposits is generally retained as core liquidity and held at the Fed due to their short-term nature. For the first time, these cash balances earned a positive carry due to the inverted yield curve, which substantially bolstered first quarter 2023 earnings (see the section titled First Quarter 2023). Generally, this pattern of deposit flows means that the Bank's marginal cost of funds will increase throughout the year as lower cost Specialty Banking deposits ebb and other higher cost deposits flow into the Bank. The effect is the Bank's marginal cost of funds increases throughout the year and then resets at the beginning of the following year. Management determines asset pricing throughout the year using the expected marginal cost of funds for the year.

The following chart depicts the ebbs and flows of funding for this business line and its historical growth of permanent funding, which in the chart below indicates a 21% growth rate over the prior four years.



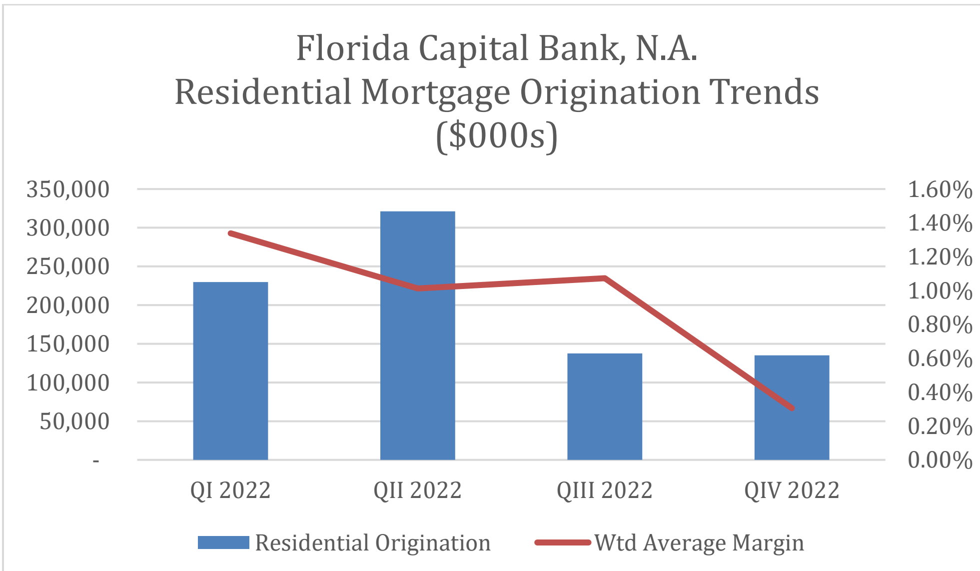
The seasonal volatility of this business line is apparent from the chart's trends; however, management is focused on the relationship between the trough points on the charts. These troughs demonstrate that irrespective of volatility, the business line continues to generate substantial deposit growth.

Specialty Banking as a strategic business line is comprised of fee-based ACH third party payment processing (36% of business line deposits at year-end 2022), a deposit generating, corporate prepaid card program (57% of deposits), and health savings account relationships (7% of deposits). During 2022, the Bank exited the Florida-based hemp market, and these deposits were nominal at year's end. During the first quarter of 2023, the Bank's HSA card client was acquired by a competitor Bank and accordingly terminated its relationship.

The strategic objective is to raise very low cost, stable deposits. Management of this business continuously explores attractive opportunities to raise core deposits. This business line remains a strategic source of very low cost funding for the Bank and is expected to grow as new markets are entered and new customer relationships are established.

Residential Mortgage Origination

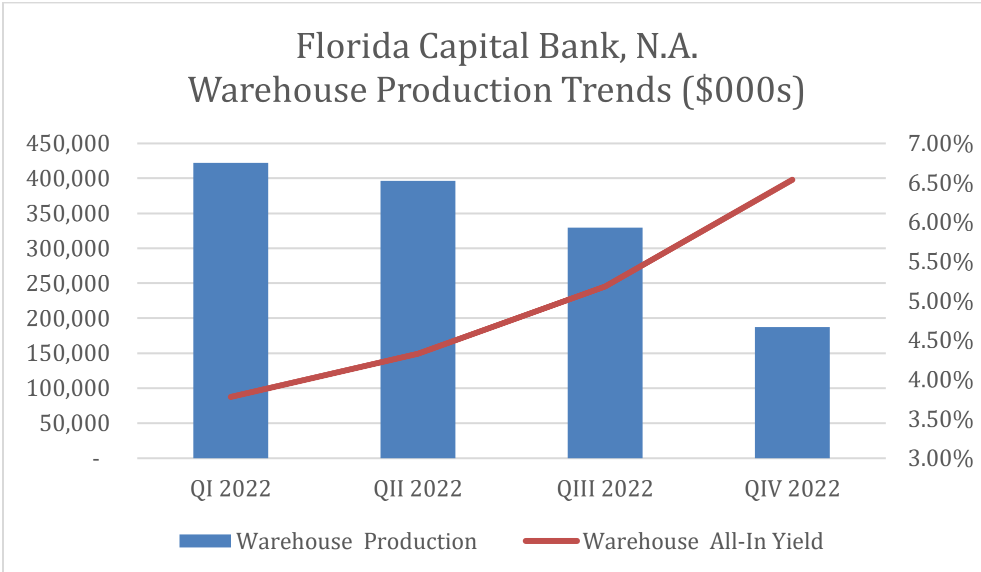
The Bank reported residential mortgage production of $824 million during 2022 compared to $1.1 billion for 2021 and relative to 2022 budgeted originations of $763 million. Activity for the first quarter of 2022 was robust at $230 million and second quarter production was significantly stronger at $321 million; however, by the conclusion of the second quarter contractionary monetary policy had cast a long shadow over the remainder of the year (see the chart immediately following). The third and fourth quarters were roughly equivalent production quarters at about $135 million each and down 60% from the second quarter level. First quarter 2023 origination failed to cross through $100 million (see the section titled First Quarter 2023). The story of mortgage bank profitability for 2022 is a tale of steeply increasing interest rates, marginal refinance activity, very modest purchase activity, and excess capacity leading inevitably to lower industry margins.



The combination of lower volume and compressed margins resulted in a steep deceleration of both industry and Bank revenues. For 2022, the Bank reported mortgage-banking income of $9 million compared to $19 million in 2021. For this same period, the mortgage margin contracted from its quarter one level of 1.34% to a meager 31 basis points in the fourth quarter of 2022. Management closely watches trends in the Bank's price-committed pipeline ("locks") of residential mortgages. At year-end 2022, locks were $42 million and had declined from their peak 2022 level of $193 million on March 31. Locks are a leading indicator of future production and held-for-sale balances. As such, this level of locks portended weaker first 2023 origination, which proved to be true. Current lock levels point toward continued headwinds for the Bank. As origination levels and revenues fluctuate, management constantly strives to adjust resources consistent with anticipated mortgage market conditions.

Warehouse Lending

Warehouse lending production for 2022 declined to $1.3 billion from the $2.7 billion production level reported for 2021; however, the higher rate environment significantly mitigated the decline in earnings from this business line for 2022. As monetary policy became less accommodative, the yield on the Bank's warehouse portfolio increased from approximately 3.75% in the first quarter to about 6.5% for the fourth quarter.



The decline in production and balances was expected as part of the overall downturn in the residential mortgage lending market for 2022. From a balance sheet perspective, total outstanding warehouse balances were $19 million at year-end 2022 compared to a budgeted level of $45 million and a balance of $55 million on December 31, 2021. Total year-to-date 2022 interest income from warehouse lending was $1.6 million, which was identical to the budgeted 2022 amount, but compared unfavorably to actual interest income of $3.0 million in 2021. This achievement was primarily the result of a very favorable rate variance resulting from higher interest rates than originally budgeted. During 2022, the staffing levels in warehouse were reduced to acknowledge the decline in production that occurred during the year and to adjust the expense based for likely 2023 production. Warehouse lending continues to make an important contribution to earnings, and management continuously seeks growth opportunities for this line of business.

The Bank has historically funded this business line with wholesale sources at market rates - primarily brokered or institutional certificates of deposit with short-term maturities. This funding approach allows the Bank to match maturities and reduce interest rate risk exposure since warehouse balances have very short turn times. In the current rate environment, this funding approach is very expensive due to the inverted yield curve. Although the margin on these warehouse balances is positive it is currently less than historically generated. Management expects that warehouse margins will return to normal at some point as the Fed begins to reduce the level of short-term interest rates in expectation of a weaker economy.

Balance Sheet

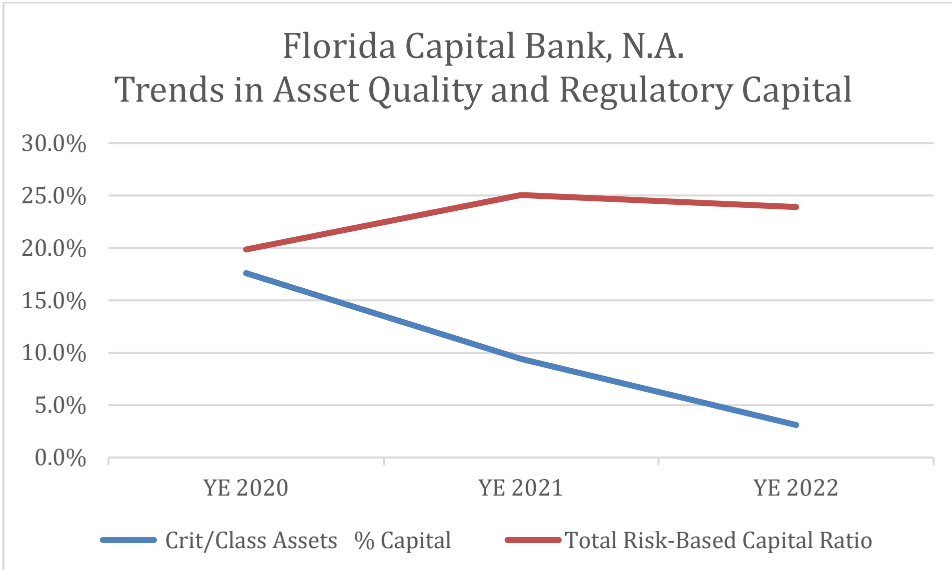
Total assets of $444 million on December 31, 2022, were $3 million or 1% greater than the $441 million reported on December 31, 2021. For the same period, mortgage-related balances (held-for-sale and warehouse) totaled $42 million for a decline of $54 million or 56% consistent with the significantly weaker 2022 mortgage market. On December 31, 2022, the Bank's held-for-investment loan portfolio, excluding warehouse balances totaled $300 million. This metric reflects the board's revised resource allocation strategy and represents growth of $96 million or 47%. The excess liquidity that had accumulated during the peak of the pandemic was reinvested in the commercial bank's loan portfolio; however, on-balance sheet liquidity was adequate at 12% with available liquidity (access to a variety of on and off-balance sheet funding sources) at 54%. Regulatory capital ratios remained very strong and higher than peer levels at year-end 2022. The tier 1 leverage ratio was 15% and identical to its year-end 2021 level while the total risk-based capital ratio declined slightly from 25% to 24% as additional loans were added during the year.

Significantly higher interest rates negatively impacted the carrying value of the Bank's available-for-sale investments portfolio. This portfolio is required to be marked-to-market at each reporting date through an adjustment to a shareholders' equity account titled Accumulated Other Comprehensive Income (AOCI). As long as management determines that the Bank has the intent and ability to hold AFS securities to maturity, unrealized losses are not required to be charged to earnings until they are recognized either through sale or management's determination that an "other than temporary" impairment has occurred. At year-end 2022, the AOCI adjustment was $1.3 million or approximately 9% of total AFS securities and less than 2% of total shareholders' equity. Management does not anticipate recognizing any losses in this portfolio and it remains a source of on-balance sheet liquidity from a pledging perspective.

Total deposits at year-end 2022 were unchanged at $375 million from their 2021 balances; however, the composition of deposits was significantly different. Specialty Banking unit deposits were $174 million at the end of the year compared to $131 million at the end of 2021, reflecting a 33% growth rate and reinforcing the unit's contribution of zero cost funding to the Bank (see the Section titled First Quarter 2023 for a discussion of continued growth of this business line during 2023). As noted above, the higher rate environment caused an across the board repricing of interest sensitive deposit balances – primarily by certain specialty banks - in which management elected not to participate. As a result, deposit disintermediation occurred primarily in the third and fourth quarters and retail banking office deposits declined from $218 million at the end of 2021 to $176 million on December 31, 2022.

At both year-end 2021 and 2022, the Bank had no outstanding FHLB advances, but retained $26 million of brokered deposits due to the 40 basis point rate on these funds. Wholesale borrowings represented approximately 6% of total assets for years ended 2021 and 2022.

Asset quality measures remain very strong at year-end 2022. The pandemic-based anxiety surrounding anticipated weaker credit metrics never materialized; however, the current path of interest rates is expected to result in much weaker economic growth and may represent credit challenges in the event the economy falls into recession. The chart below shows the ratio of criticized and classified assets as a percentage of regulatory capital for the three years ended 2022 juxtaposed with the change in the Bank's total risk-based capital ratios for the same period.



The Bank recorded no provision expense during 2022. The reserves built during the early days of the pandemic in 2020 were sustained through the following two years. At year-end 2022, the allowance stood at $4.3 million and was unchanged from the prior year. This level represents 1.4% of total loans excluding loans held-for-sale and warehouse balances. See the Section titled First Quarter 2023 for a discussion of the financial impact of the Bank's transition to the Current Expected Credit Losses model of accounting for credit losses.

Income Statement

For 2022, net interest income was $15.6 million, which was a $3.3 million or 27% improvement compared to the 2021 reported amount of $12.3 million. This significant improvement resulted from: 1) the implementation of the board's revised strategy to reinvest in traditional community bank loans; 2) the generally higher level of interest rates; 3) growth of Specialty Banking deposits; and 4) management of the Bank's cost of funds. Year-to-date 2022 total interest income of $17.4 million was $3.3 million or 23% greater than the $14.1 million reported for 2021, which reflected the almost $100 million increase in traditional community bank lending balances during 2022. From a rate perspective, the four hundred twenty-five basis point increase in the targeted fed funds and prime rates also drove interest income higher. For the same period, interest expense was $1.8 million, which was unchanged from the amount reported in 2021; however, the relative mix of interest expense reflected lower interest on deposits by about $250 thousand and higher wholesale interest expenses. This trend follows closely the level of Specialty Banking deposits throughout the year and the resulting wholesale funding required. In addition, the normal lag that occurs in deposit pricing when market rates increase was more exaggerated in 2022 as most Bank's sought to maintain deposit rates throughout most of the year. Non-interest income was $12.1 million for the year ended December 31, 2022, compared to $23.5 million for 2021 representing a significant $11.4 million or 49% decline. The majority of this decline occurred in mortgage banking income, which fell $9.2 million and the impact of recording $2.1 million of non-recurring income (CARES Act Employee Retention Credit) in 2021. Mortgage banking income fell due to the combination of reduced originations and compressed margins. For the same period, non-interest expenses were $24.8 million compared to $29.7 million primarily reflecting staff and associated expense reductions throughout the Bank.

First Quarter 2023

The Company reported net income of $923 thousand for the quarter ended March 31, 2023, compared to budgeted net income of $927 thousand for the same period. As expected, the mortgage market remained weak during the first quarter and total Bank originations fell slightly short of $100 million for the quarter. Loan growth continued its 2022 trend as total loans held-for-investment (including warehouse balances) increased $31 million or 10% during the quarter, and loans held-for-sale increased $6 million or 27%. For the quarter, total deposits were relatively unchanged and were slightly lower at $369 million versus $376 million at year-end 2022. However, this mix reflected a marked change. Total non-interest bearing demand deposits increased about $11M, which was the result of continued growth of Specialty Banking deposits, while other deposit captions declined $18 million during the quarter.

The first quarter likely represents the high water mark of earnings for the year. The mortgage market remains fragile with significant uncertainty surrounding the future direction of interest rates and Fed monetary policy generally. In addition, deposit rates in the industry increased significantly during the first quarter and are expected to continue to increase. Management has already implemented deposit rate increases in the first quarter and more increases are expected as the year unfolds. The Bank's net interest margin also peaked in the first quarter as accumulated Specialty Banking deposits generated positive carry as Fed account deposits. Loan growth for the balance of the year is expected to support stable earning asset yields; however, the Bank's cost of funds will inevitably increase as both higher deposit rates and the seasonal decline in zero cost Specialty Banking deposits occur.

As the quarter continued, the commercial banking industry was shocked by the failure of three high profile, commercial banks in mid-March. These banks were generally regarded as specialty banks with unique business models and non-customary balance sheets. The failures were the result of classic deposit runs, which quickly exhausted each bank's sources of contingent liquidity. The media has widely reported that depreciated asset prices (particularly investment portfolios due to higher interest rates) were largely responsible for the failures; however, informed bankers contend that those banks' risk management practices were likely the culprit. The central debate at the present time surrounds the issue of uninsured bank deposits, which appear to have played a prominent role in each bank's failure. Political and regulatory reactions have been swift and all management teams are closely analyzing their banks uninsured deposit exposure. At the Bank, management acknowledges uninsured deposit concentrations exist in its Specialty Banking unit due to the nature of its customer base, markets and business strategy. The commercial bank also has uninsured deposit exposure that is typical of its peer group. Management has established and maintains very robust contingent liquidity plans that are tested regularly to mitigate the potential liquidity risk associated with outflows of uninsured deposits.

The Bank's investments portfolio represents a small portion of total balance sheet assets - about 3%, and while higher rates have negatively impacted the value of this portfolio the overall impact on the Bank's financial condition and prospects is minimal. At March 31, 2023, depreciation on the Bank's investments portfolio net of deferred taxes represented less than 2% of the balance of the Bank's capital and surplus.

In addition to ongoing concerns about the banking industry, geopolitical events and economic uncertainty continue to plague the economy generally and the business and banking environment specifically. Inflation (and perhaps inflationary expectations), the withdrawal of monetary accommodation and potentially higher interest rates, resilient employment along with stubborn levels of consumer spending all indicate that rate relief may not come for a while. Management is poised to wait out the current mortgage market in anticipation of lower future rates and higher production levels. In the interim, the commercial bank is expected to continue its growth pattern and provide earnings support for the balance of 2023.

The outlook for credit remains uncertain and management has retained the pandemic-level of the allowance for loan losses. All credit metrics remain favorable subject to future economic events. The Bank adopted ASC 326-20 the Current Expected Credit Losses (CECL) model for accounting for credit losses effective at the end of the first quarter of 2023. For the quarter, management recorded an adoption adjustment of $452 thousand and established an Allowance for Credit Losses for Off-Balance Sheet Exposures (unfunded loan commitments) in the amount of $75 thousand (combined impact to retained earnings was $398 thousand, net of deferred taxes). The Bank also recorded first quarter provision expense of $159 thousand. The current allowance for credit losses now slightly exceeds $5 million and management believes this level is adequate based upon current and expected credit losses.

New Director

The boards of directors of the Company welcomed a new director in April 2023 as John S. "Stew" Baker, III was appointed a director. Mr. Baker had been a member of executive management for many years and recently had developed and managed the Bank's Specialty Banking unit since inception. Mr. Baker had previously been a commercial banker in the Jacksonville market prior to joining the Bank. His knowledge and experience, creative vision and tireless efforts have shaped this business line from its infancy into the major low cost funding source that exists today. We thank Mr. Baker for his past management efforts and look forward to his wisdom and guidance as a director.

In Memoriam

With a heavy heart we note once again the passing of a director of the Company and Bank – Glenn W. "Buck" Jones. Mr. Jones had served on the board since 2017, chaired the Audit Committee and was a member of the Board Credit Committee. Mr. Jones brought substantial banking knowledge and experience to the board having been an investment banker at a large Southeast U.S. investment bank and the CFO of a private company. He also served as a director for numerous charitable entities. He made many significant contributions to the success of the Company during his tenure, particularly his contributions in the form of governance as Audit Committee chair and his general knowledge of and experience in the banking community. His contributions as a director and his camaraderie will be missed.

W. Andrew Krusen, Jr.
Chairman of the Board

Mark. F. Johnson
President & Chief Executive Officer

Florida Capital Group, Inc.
Operating Trends and Key Metrics
December 31, 2022 and 2021
(000s)

	31-Dec-22	31-Dec-21	Change	% Change
Operating Results:				
Net Income	$ 2,296	$ 4,776	$ (2,480)	-51.9%
Adjusted Net Income (Pre-Tax, Pre-Credit)	$ 2,869	$ 6,081	$ (3,212)	-52.8%
Return On Assets	0.48%	1.02%	-0.54%	-52.9%
Return On Equity	3.63%	7.87%	-4.24%	-53.9%
Net Interest Margin	3.35%	2.71%	0.64%	23.6%
Mortgage Margin (Including Fees)	1.00%	1.46%	-0.46%	-31.6%
Tangible Book Value of Common Stock (Parent)	$ 60,997	$ 59,829	$ 1,168	2.0%
Tangible Book Value per Common Share (Parent)	$ 0.0989	$ 0.0970	$ 0.0019	2.0%
Balance Sheet and Production Trends:				
Assets (Average)	$ 481,635	$ 468,349	$ 13,286	2.8%
Loans - Mortgage Banking (Average)	$ 90,812	$ 155,214	$ (64,402)	-41.5%
Loans - Held For Investment (Average)	$ 261,611	$ 175,252	$ 86,359	49.3%
Core Deposits (Average)	$ 363,411	$ 348,414	$ 14,997	4.3%
Loans HFI to Core Deposits (Average)	72%	50%	22%	43.1%
Residential Mortgage Production	$ 823,615	$ 1,123,277	$ (299,662)	-26.7%
Warehouse Production	$ 1,335,782	$ 2,671,266	$ (1,335,484)	-50.0%
Credit Quality:				
Allowance for Loan Losses	$ 4,347	$ 4,352	$ (5)	-0.1%
Allowance to Loans (excl. HFS and Warehouse)	1.39%	2.02%	-0.63%	-31.2%
Classified Loans as a % of Capital and Surplus	3%	6%	-3%	-50.0%
Regulatory Capital:				
Tier 1 Leverage Ratio	15.25%	15.17%	0.08%	0.5%
Total Risk-Based Capital Ratio	23.90%	25.05%	-1.15%	-4.6%
Liquidity:				
On-Balance Sheet Liquidity	12.4%	27.8%	-15.4%	-55.4%
Available Liquidity	53.7%	61.2%	-7.5%	-12.3%

Florida Capital Group, Inc. and Subsidiary
Consolidated Statements of Financial Condition
(Unaudited March 31, 2023 - Audited December 31, 2022 and 2021)

	Unaudited March 31, 2023	Audited December 31, 2022	Audited December 31, 2021
Assets:			
Cash and due from banks	$ 7,454,498	$ 6,289,160	$ 7,945,375
Interest-bearing deposits in banks	37,439,033	60,931,265	98,823,065
Cash and cash equivalents	44,893,531	67,220,425	106,768,440
Securities available for sale	14,459,279	14,754,688	16,535,446
Restricted equity securities, at cost	2,993,850	2,136,900	2,093,450
Loans receivable, net of allowance for loan losses of $5,049,084 in 2023, $4,346,919 in 2022 and $4,351,843 in 2021	345,750,967	314,579,561	254,427,021
Loans held for sale	29,973,974	23,629,835	41,785,567
Accrued interest receivable	1,044,972	1,134,920	677,797
Foreclosed real estate	-	-	96,920
Premises and equipment, net	2,221,482	2,247,034	738,232
Cash surrender value of life insurance	10,834,048	10,777,198	10,547,088
Loan servicing rights, net	154,120	165,636	261,818
Deferred tax asset	2,232,029	2,174,595	1,813,037
Other assets	3,097,984	5,269,115	5,624,578
Total Assets	$ 457,656,236	$ 444,089,907	$ 441,369,394
Liabilities:			
Noninterest-bearing demand deposits	$ 234,323,778	$ 223,557,746	$ 163,456,623
Interest-bearing demand deposits	40,339,455	39,257,242	60,813,349
Money market and savings deposits	54,359,969	69,036,500	95,654,850
Time deposits	39,735,502	43,956,114	55,329,514
Total Deposits	368,758,704	375,807,602	375,254,336
Other borrowings	403,334	429,652	534,224
Federal Home Loan Bank advances	20,000,000	-	-
Notes payable	150,000	150,000	150,000
Accrued interest payable	78,515	195,461	66,811
Accrued expense and other liabilities	3,668,329	3,656,043	2,482,335
Total Liabilities	393,058,882	380,238,758	378,487,706
Commitments and contingencies	-	-	-
Stockholders' Equity:			
Preferred stock Series A, 1,000,000 shares authorized; liquidation preference of $20 per share; 139,553 shares issued	2,791,060	2,791,060	2,791,060
Common stock, $.01 par value; 617,113,408 shares authorized, and 617,030,226 issued in 2023, 2022 and 2021	6,170,303	6,170,303	6,170,303
Additional paid-in capital	170,053,745	170,053,745	170,053,745
Accumulated deficit	(113,306,398)	(113,831,628)	(116,122,124)
Treasury stock, 442,721 shares at cost in 2023, 2022 and 2021	(3,770)	(3,770)	(3,770)
Accumulated other comprehensive loss	(1,107,585)	(1,328,561)	(7,526)
Total Stockholders' Equity	64,597,354	63,851,149	62,881,688
Total Liabilities and Stockholders' Equity	$ 457,656,236	$ 444,089,907	$ 441,369,394

In the opinion of management, the March 31, 2023 unaudited condensed financial statements have been prepared on the same basis as the audited financial statements for the years ended December 31, 2022 and December 31, 2021, and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position at March 31, 2023, and statement of operations for the three months ended March 31, 2023.

Florida Capital Group, Inc. and Subsidiary
Consolidated Statements of Income
(Unaudited March 31, 2023 - Audited December 31, 2022 and 2021)

	Unaudited For Period Ended March 31, 2023	Audited For Year Ended December 31, 2022	Audited For Year Ended December 31, 2021
INTEREST INCOME:			
Loans receivable and fees on loans	$ 4,226,589	$ 16,045,777	$ 13,541,003
Investment securities	96,703	315,480	286,196
Interest-bearing deposits in banks	1,143,924	1,040,372	245,877
Total interest income	5,467,216	17,401,629	14,073,076
INTEREST EXPENSE:			
Deposits	301,973	1,223,204	1,474,338
Other	6,943	566,060	326,919
Total interest expense	308,916	1,789,264	1,801,257
NET INTEREST INCOME	5,158,300	15,612,365	12,271,819
PROVISION FOR LOAN LOSSES	159,000	0	430,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,999,300	15,612,365	11,841,819
NONINTEREST INCOME:			
Service charges on deposit accounts	162,088	705,179	762,473
Mortgage banking income	1,161,450	9,487,307	18,736,377
Other income	261,596	1,885,451	4,013,141
Total noninterest income	1,585,134	12,077,937	23,511,991
NONINTEREST EXPENSE:			
Salaries and employee benefits	3,665,937	16,675,971	20,767,469
Occupancy and equipment expense	294,059	1,217,898	1,317,967
Data processing, communications and telephone	534,361	2,364,667	2,214,215
Mortgage banking related expense	166,842	1,595,534	2,202,744
Professional fees	245,965	854,445	891,833
Marketing expense	85,759	655,375	919,625
Other expenses	355,516	1,456,722	1,388,978
Total noninterest expense	5,348,439	24,820,612	29,702,831
Income Before Income Taxes	1,235,995	2,869,690	5,650,979
Income Tax Expense	312,987	573,342	874,910
Net Income	$ 923,008	$ 2,296,348	$ 4,776,069

In the opinion of management, the March 31, 2023 unaudited condensed financial statements have been prepared on the same basis as the audited financial statements for the years ended December 31, 2022 and December 31, 2021, and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position at March 31, 2023, and statement of operations for the three months ended March 31, 2023.