



# FORTRESS BANK

*What's Your Vision?*

2022 Annual Report

# VISION IN REVIEW

# BOLD NEW BRANDING

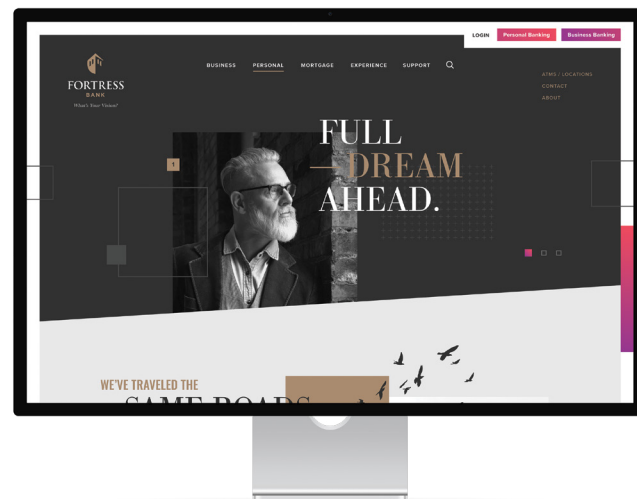
## BRINGS FOCUS TO OUR VISION

For several years, we've built a solid reputation as a bank that understands visionaries and those with an entrepreneurial spirit. After all, many of our team members are business owners and side hustlers. But, to achieve our business goals, we knew it was time for a rebrand that more clearly communicated our strengths and vision to our customers and potential customers.

To help infuse our brand with a dynamic personality that would stand out, we connected with Flying Hippo, a highly successful branding agency based in Des Moines, Iowa. Our challenge was to bring our unique story to life with a vibrant brand refresh that is as visionary as our team members and clients. The new Fortress brand differentiates itself from typical banks by connecting to fellow visionaries. The brand persona is anything but ordinary – highly engaging, attractive, and full of personality. We wrapped everything around the rallying cry, “What’s your vision?”

The entrepreneurial spirit is what truly makes us unique as a financial institution. And the road of a visionary is one of unexpected twists and turns. Knowing that there is no “one size fits all” approach as a business owner is the foundation of our organization. This brand is not something that was created, but creatively defined from a long history of establishing genuine relationships and providing unique solutions.

We couldn't be happier with the new Fortress Bank brand results that are certain to break down the conventional walls of bank marketing.



## MISSION

*Our Mission is to support bold vision with strong action. Building relationships that unite inspiration with solutions. Relationships so powerful they can change the future – thinking differently with our customers, employees and communities – our fellow visionaries.*

## VISION

*To become a billion dollar bank by empowering fellow visionaries to fulfill their dreams and change the world.*





# WHAT'S YOUR VISION?

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# LETTER TO INVESTORS

## Dear Fellow Investors,

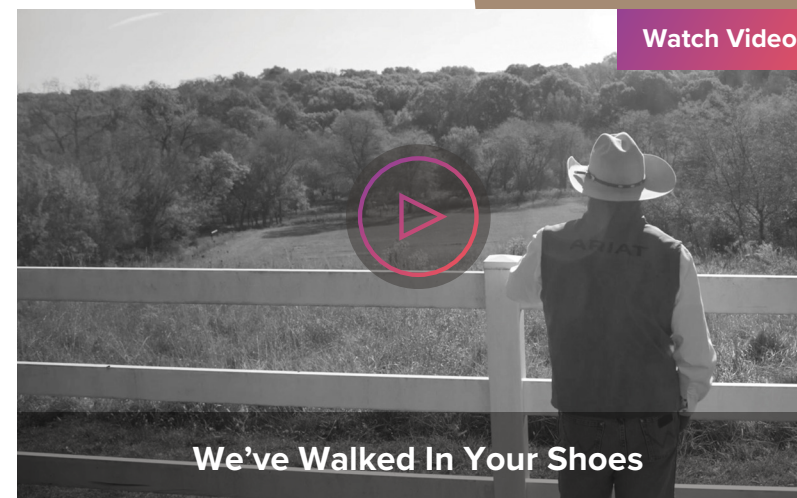
We are pleased to report that 2022 was another good year for First State Bancorporation, Inc. and our subsidiary, Fortress Bank. It was not a record profit year like the year prior, but it was full of many accomplishments and milestones that we are very proud of. Most notably we crossed the \$600 million mark and finished the year with total assets of \$620 million. In this year's annual report you will read about many of the strategic initiatives we implemented, the status on our re-branding efforts and the effect market interest rates had on our subsidiary bank.

On a consolidated basis we generated \$1.94 per share in earnings. This is a decline of \$.77 from the record we set in 2021 but more in line with the growth rate from prior years. The reason for the decline was the significant drop in revenue from residential mortgages generated during the year. As you all know, the combination of the dramatic increase in interest rates, an uncertain economy and construction supply chain shortages all but stopped mortgage refinance activity and significantly reduced new home purchases and construction. Fortunately, we are beginning to see increased activity within our mortgage division. Lisa Lewis, Senior Vice President – Mortgage Division, provides further detail about our mortgage strategy and activities in her report.



### Lee H Garlach

Chairman of the Board,  
President of First State Bancorporation, Inc.



Watch Video

We've Walked In Your Shoes

*The more we talked to customers and people in the community, we realized we are pretty unique, and that's pretty cool.*

In addition to eroding our mortgage origination revenue, rapidly rising interest rates also contributed to a decline in the value of our securities portfolio and held the book value of our common stock at \$18.94 per share. The decline, which totaled \$4.6 million as of December 31, 2022, essentially offset our earnings for the year and held the book value of our capital at \$34.1 million. We remained disciplined in our securities purchases during the year and continued to invest in only short and mid-term securities. This reduced the impact of rising rates on the market value of our securities portfolio. Regardless, it has and will continue to be our intent to hold these securities until maturity which will allow us to receive the full proceeds of the securities without realizing any of the unrealized losses reported in our securities portfolio at year end.

As I mentioned earlier, we continued to grow our customer base in all markets and are experiencing excellent growth in both our loans and deposits. We believe this is due to a culmination of a number of activities at the bank including the rebranding initiative that Elyce Billany, Director of Marketing, will review later in this report, growth in our commercial banking team that Jeff Schieferle Uhlenbrock,

Senior Vice President – Commercial Banking, will report and developments in our Des Moines, Iowa expansion market that Scott Jarvis, Senior Vice President – Des Moines Market, will report on as well.

Again, the year 2022 was a good year for our banking organization particularly in light of the economic headwinds we navigated through. We are determined to continue to achieve strong growth in our customer base and overall size of the bank while remaining conservative and disciplined in our underwriting and investment practices. None of this would be possible without the overwhelming support we have received from you, our investors, since we began this journey back in 2008. Thank you for your support yet again this past year, and please stay healthy and safe.

Sincerely,

**Lee H. Garlach**  
Chairman & C.E.O.



# CUSTOMER VISION HIGHLIGHTS



*They have the same  
vision for their business  
as I do for mine.*



**Watch Video**

See What our Customers Have to Say



**ABBHEY GILROY**

Executive Director  
Neighborhood Development Corp



**PERNELL CEZAR JR.**

Co-Founder & CEO  
BLK + Bold Speciality Beverages

**ROD JOHNSON**

Co-Founder  
BLK + Bold Speciality Beverages

# LETTER FROM DEAN HEINZMANN

## Dear Fellow Investors & Friends,

As we entered 2022, we expected a return to some level of normalcy following two years of pandemic-impacted activities and results. That was not the case in 2022 – perhaps the unexpected is now the new normal. During the year, we experienced one of the most rapidly rising interest rate environments in history. Rising rates had an impact on the Bank's performance in 2022, impacts that were both positive and challenging. We continue to learn and adapt. I am proud of our leadership and staff as they have embraced change and continue to strengthen Fortress Bank in ways that will allow us to better serve our customers and communities. Fortress Bank is a fundamentally sound and conservative bank with operating principles that will serve shareholders well.

The following are high-level highlights of our 2022 results:

### Growth Milestones

- Total assets exceeded \$600 million for the first time. Assets grew by 11.5% to \$618 million at year-end.
- Deposit growth continues with customer deposits growing by \$58 million (+13%). Customer checking accounts continue to grow led by the efforts of our Commercial and Ag Divisions. While time deposits declined, many of those dollars shifted to the Bank's popular Preferred Asset Money Market Account. The Preferred Asset Account gained popularity as interest rates increased dramatically during the year.

- The loan portfolio also grew by \$61 million during 2022, a growth rate of 14.5%. The Commercial Division experienced \$33 million in loan growth (+12.8%) while Residential Real Estate loans grew by \$20 million due to stronger demand for adjustable rate mortgages. Ag loans grew by 9.3%.
- The Residential Mortgage Division had a difficult year. Increased interest rates and an uncertain economy slowed down the housing market. While the Bank closed \$83 million in loans during the year, that production level was substantially less than budget and only 41% of 2021 closings.

### Profitability Metrics

The Bank's 2022 profitability was a tale of two stories. The core bank produced results that met budget expectations. However, challenges in the mortgage industry caused our Mortgage Division's results to significantly miss its target. Net Income in 2022 at the Fortress Bank subsidiary was \$4.6 million, 22% below 2021 results.

- Net Interest Income (interest income minus interest expense) of \$18.2 million met budget expectations, showing growth of 4% over 2021.
- We reduced the annual contribution to our Allowance for Loan Losses by \$433,000. Net loan charge-offs decreased to a very manageable \$119,000 as the Bank's credit quality remains strong.

Dean Heinzmann  
President, Fortress Bank



- The biggest challenge faced by the Bank in 2022 was the reduced residential mortgage activity. This caused a significant reduction in the Bank's Non-Interest Income which decreased by \$2.8 million from 2021. This was the cause of the year-over-year decline in Net Income.
- We were able to reduce Non-Interest Expenses by 4.3% in 2022 led by a material reduction in mortgage commissions earned due to the weak mortgage market.

Our commitment to our shareholders and investors is that we will remain laser-focused on achieving our Vision of reaching \$1 Billion in assets with profitability that exceeds our peers. To achieve that Vision, in 2023 we will:

- Continue our focus on improvement in our Net Interest Margin through relationship pricing and management of our funding costs.
- Resolve the lack of profitability in our Mortgage Division.
- Improve our operating efficiencies by leveraging our existing quality staff through the achievement of our 2023 growth goals.

On behalf of our Board of Directors and staff, I want to thank you for your continued support. We value you as customers of Fortress Bank and as shareholders and investors. Thank you for your continued confidence!

Warm Regards,

A handwritten signature in dark ink, appearing to read 'Dean Heinzmann', written in a cursive style.

Dean A. Heinzmann  
President



# THE FORT

## EMBRACING OUR CULTURE

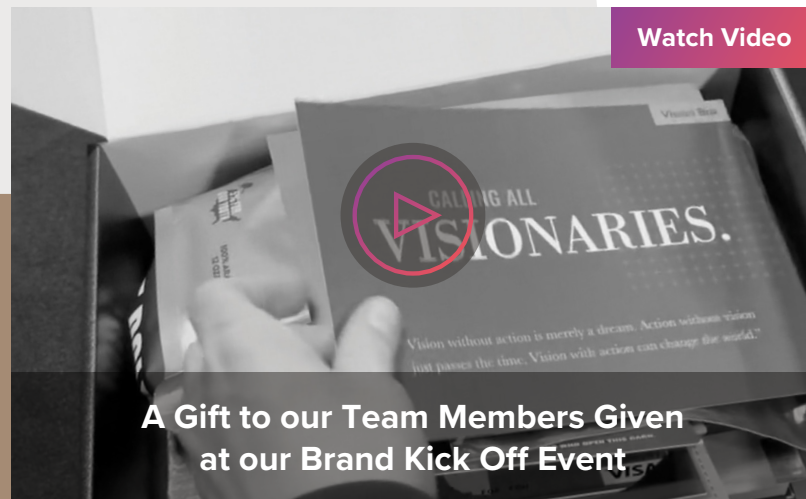


**Keith Worner**  
Executive Vice President

“*By supporting the visions of our team members, we will collectively support the vision of the Bank.*”

This is the motto that will continue our focus on embracing and promoting our internal culture. A motto and vision that is based on full support of our team members – professionally and personally. The definition of a “Fort” is a strong or fortified place. We want our team members to know that they are a part of a culture that will bring them strength. Their visions mean as much to us as those of our customers. A team aligned behind a vision will move mountains, but more importantly, a team that feels strongly supported will move those mountains quicker and more successfully than one that does not.

[Watch Video](#)



**A Gift to our Team Members Given  
at our Brand Kick Off Event**

**AND NOW WE  
ASK OURSELVES...**

# WHAT'S THE VISION OF EACH DIVISION?

## AND HOW IS IT GOING?

[Watch Video](#)



**What's Your Vision?**

# RETAIL DIVISION

**Troy McCrery**  
Senior Vice President, Retail Banking Division



## What were your division's two biggest accomplishments in 2022?

- Addition and creation of key positions
  - Retail operations specialist
  - Business banking specialist
  - Residential construction/bridge specialist
- Achievement of all of our financial growth goals, development and establishment of our retail division positions and reporting

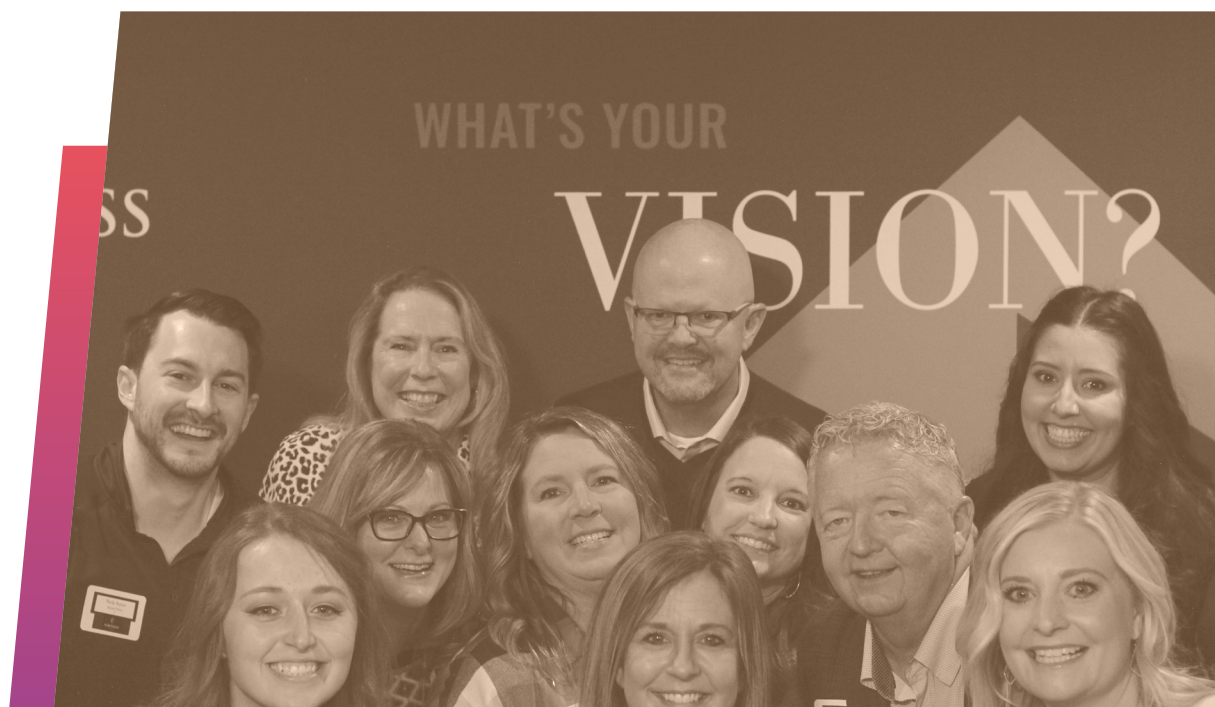
## How did your division help the bank grow in 2022?

- Retail exceeded its loan, deposit, and fee income goals. This was accomplished, even with the market uncertainties, rapidly rising rate environment and ongoing inflation concerns. This was also accomplished by the rollout of our residential construction/bridge lending program headed up by Elizabeth Reitman.

- Deposit growth was achieved by retail team members embracing our proactive approach to client interactions. This is now handled through our employee onboarding processes and the initial training all occurring under the direction of Jamie Peel. Brooklyn Beagles led all retail team members with deposit growth for her branch in excess of \$14MM in deposits.

## What is your "vision" for your division in 2023?

- To create an all-inclusive environment, in which all team members understand the company's vision as well as the company understanding the team members vision and how they blend for the continued success of Fortress.
- To have an ongoing training program, that ensures each team member learns our culture, our process, our products, how to share our vision and how to have quality client interactions.



# IT DIVISION

**Brian Kardell**  
Senior Vice President, Information Systems and Operations



## How did IT help the bank grow in 2022?

The launch of our new website and digital banking system provides new and improved tools to help Marketing and other departments better engage both existing and potential customers.

Information Systems also worked closely with other divisions to evaluate and implement new deposit and loan products, and tools, that they believe will drive growth.

Finally, we successfully negotiated the renewal of a contract with our core system provider.

## What is your "vision" for your IT in 2023?

Our vision for Information Systems in 2023 is to enable bank growth, protect data, empower customers, and improve daily:

### Enable bank growth

- New and enhanced tools including mobile wallet, digital banking upgrades and enhancements, and an enhanced online account opening tool

### Protect data

- A new edge detection and response (EDR system), enhanced chip security in instant issue debit cards, annual audits and exams, disaster recovery exercises and regular phishing training and testing, an upgraded ATM and card management system with enhanced fraud management tools, regular review of critical systems reports and mitigation of identified issues

## Empower customers

- Maintain and enhance existing:
  - External customer-facing systems including our website, digital and business banking, eSignatures, and merchant deposit capture
  - Internal customer systems including our core banking suite and related systems
- Provide excellent customer support with exceptional customer service

## Improve Daily

- Collaborate regularly with other divisions to identify systems and process improvement opportunities and solutions, and review and improve IT compliance reporting and documentation processes





# AGRICULTURAL DIVISION

**Andy Bastert**  
Regional President, Western Illinois



## How did the Ag Division help the bank grow in 2022?

We were pleased to see moderate loan growth during 2022 and ended the year with ag loans at an all-time record high. This, despite record profits across the agriculture sector (which generally leads to net pay-downs), is testament to the outstanding work our ag lending team puts in building market-share. We also grew our crop insurance business, hosted a well-attended Ag Strategies dinner meeting, and continued to add subscribers to our weekly ag e-newsletter “Cornbelt Update” throughout 2022.

## What is your vision for Ag in 2023?

Our outlook for the coming year could best be described as cautiously optimistic. Current economic conditions point towards another profitable year, albeit not as robust as 2022, but still above the long-term trend line. Input prices are high and interest rates have risen but commodity prices remain strong. However, we are also reminded of the old-timer’s saying about commodities that “nothing cures high prices like high prices” and recognize that we may be just one bumper crop away from putting that adage to the test.

Either way, the ag lending team is looking forward to continued growth in 2023. We are committed to agriculture in good times and the not-so-good. We have capacity for growth and a superior product. In the coming year we will be putting a stronger emphasis on getting out of the office more and reaching out to farm and farm business customers and prospective customers, sharing our vision and learning about theirs.



# COMMERCIAL DIVISION

**Jeff Schieferle Uhlenbrock**  
Senior Vice President, Head Of Commercial Banking



## How did Commercial help the bank grow in 2022?

To grow effectively, we needed to do some structural changes within the organizational chart of the commercial division. One of the biggest ways we help the bank grow is certainly in loans and deposits, but of equal importance in 2022 was the re-organization and additions allowed for planning, training, and growth opportunities within our division.

The Credit Analyst and Loan Administration teams, now led by April Parker, will all have additional intention to ensure they provide not only great service within the bank, but also act as training grounds for future development of talent. The changes also provide direct lending-team support in the creation of a new Commercial Credit Officer role, taken on by Nick Esser.

We started the transition of Gabe Secrist, into a Commercial Banking Officer, as well as brought on two new Officers – Gabe Wells and Devon Knobloch. Kristina Anthony was also promoted to Senior Credit Analyst.

## What are you most excited about for Fortress Bank in 2023?

One of the biggest areas of excitement for me is utilizing our new branding and messaging. The market has taken notice and we are seeing the impact of what great marketing can do when it is accompanied with great processes and execution. The message of asking “what’s your vision?” opens dialog and introduces us to areas where we, as a bank, can be of assistance. A simple question – provoking thought and discussion instantaneously. What’s better than that?





# MORTGAGE DIVISION

**Lisa Lewis**  
Senior Vice President, Mortgage Banking



## What happened to the mortgage industry in 2022?

After years of very low mortgage interest rates and record mortgage origination volume in 2020 and 2021, residential mortgage originations for new homes dropped to an 8-year low and mortgage refinance loans dropped to the lowest this century following the rapid increase in interest rates in 2022. Most banks and credit unions reduced the size of their mortgage operations throughout the year and some exited the business altogether.

## How did Fortress Bank respond to the industry change in 2022?

We made the strategic decision to stay in the residential mortgage business and maintain our staffing levels, experience and expertise. This decision was expensive as our operating costs exceeded revenue for the mortgage

division. However, the decision to maintain our staff levels while mortgage volume declined has allowed us to maintain our service standards and establish a platform on which we can support the increase in mortgage volume we anticipate in 2023/2024.

## What is your vision for Mortgage in 2023?

We believe the downturn in the mortgage industry is temporary and will slowly recover throughout 2023 and 2024. Our vision is to grow mortgage division revenue and gain market share while others retreat. We were able to recruit and successfully hire seasoned mortgage originators who were displaced by competitors in 2022 and believe we can generate the revenue necessary to return the mortgage division to profitability in 2023.



# DES MOINES REGION

**Scott Jarvis**  
Senior Vice President, Des Moines Division Manager



## How did Des Moines help the bank grow in 2022?

Fortress Bank's Loan Production Office in Des Moines completed its third full year in 2022. Des Moines market closed the year with an \$85 million commercial loan portfolio after a net loan growth of \$37 million (43% growth). We expanded our commercial team with the addition of a new Commercial Lender (Nick Swift) in January of 2022 which provided a nice complement to our team. We also added a Treasury Management Specialist (Prohos Buttery) in March of 2022 to assist our Des Moines commercial customers and provide additional support to our other markets.

After months of due diligence, we closed on the purchase of a site in February 2023 for our new Des Moines Regional Office. The location is near a heavy traffic area and provides ample exposure. We expect our new banking center to be open sometime in summer/fall of 2024.

## What is your vision for Des Moines in 2023?

Despite the challenges of maneuvering through a different interest rate landscape we're optimistic for 2023. We've begun to see some interest rate pressure as competition tries to balance between customer expectations and maintain some sort of margin. We've experienced an increase of aggressive loan pricing on commercial loans; however, we've been able to lean on our strong relationships/partnerships to combat against competition. We look to expand on our previous year's success with momentum from an expanded mortgage and commercial team and the construction of our new Regional Office.





# MARKETING DIVISION

**Elyce Billany**  
Director of Marketing



## How did Marketing help the bank grow in 2022?

To say 2022 was a busy year for branding and marketing would be a sizable understatement. In 2022 we began a strategy to emphasize and embrace that Fortress Bank is different. We are indeed the bank for business owners, visionaries, and those with an entrepreneurial spirit. Sprouting from that foundation we accomplished a great deal, including, but not limited to the following items:

- Developed a new partnership with branding company Flying Hippo.
- Created an authentic brand direction with a tagline meant to become the bank's "rallying cry" – **What's Your Vision?**
- Redesigned all brand language, brand expression, mission, promise, brand videos, updated logo, and more.
- Introduced a brand-new external website in 2022 and an internal intranet site at the beginning of 2023.

- Put together a successful bank-wide brand kickoff event in November. This was the first in-person, "all employee" meeting that the bank has had in nearly a decade.
- Continued the Fortify Your Finances podcast, focused on business ownership and visionaries.
- Created a branded gifting structure.
- Developed in 2022 and implemented the beginning of 2023 our first "signature" public event – The Bank Tank (a Shark Tank style pitch contest)

## What are you most excited about for Fortress Bank in 2023?

Sharing our new brand and vision with our communities in a truly authentic way, and developing an internal culture where our team feels supported in their own visions and excited about the overall Fortress vision.



# FORTRESS INVESTMENT CENTER


**Terry Finnegan** Vice President, LPL Financial Advisor



As we look back on the volatility in the markets in 2022, it only reinforces the need to enhance relationships with our current clients, while building new relationships with others. During this process we communicate and reassure them that they are not in this alone. While we are unable to control the numerous variables that affect our investments, it emphasizes the need to continue our approach. Assess your needs and finances, prepare your plan, and implement and monitor your strategy.

2023 will bring continued challenges, but hopefully the rewards will be greater.

Fortress Investment Center can build investment models that addresses specific needs, including access to a wide range of financial products:



- ✓ Stocks & Bonds
- ✓ Mutual Funds
- ✓ Annuity Products
- ✓ Traditional and Roth IRA's
- ✓ Educational Accounts
- ✓ 401(k), IRA and Retirement Plan
- ✓ Rollover Assistance
- ✓ Asset Allocation Models
- ✓ Retirement Planning

*We encourage you to consider Fortress Investment Center for your investment needs in 2023.*

Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. Fortress Bank and Fortress Investment Center are not registered as a broker-dealer or investment advisor. Registered representatives of LPL offer products and services using Fortress Investment Center, and may also be employees of Fortress Bank. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, Fortress Bank or Fortress Investment Center.

Securities and insurance offered through LPL or its affiliates are: Not Insured by FDIC or Any Other Government Agency | Not Bank Guaranteed | Not Bank Deposits or Obligations | May Lose Value





### Bank Tank

Fortress Bank continues to recognize the importance of small business owners in our communities and the positive impact they have on our local economies. Our mission is to empower fellow visionaries and small business owners to fulfill their dreams. Fortress Bank Tank Contest is our version of Shark Tank, where any current business or upstart can pitch their business vision for a chance to win \$10,000.

Our vision is to continue to grow the prize money. In addition to raising our own budget, we hope to accomplish this by curating a select panel of judges each year that are interested in “sponsoring” our entrepreneurs. With Shark Tank as the inspiration it would make a great story to have our judges involved in the support of our small businesses. The community response from our 2022 Bank Tank event has been overwhelmingly positive, so we have a feeling this signature event is going to stick around.

### 2022 Event Recap

- The first annual Bank Tank event took place on 2/28 at The Figge Art Museum in Davenport.
- The event was hosted by Elyce Billany, Fortress Marketing Director, whose side-hustle business was featured on ABC’s Shark Tank.
- The finalists included
  - John and Caroline LaHood, ColorForge
  - Dr. Kit Evans-Ford, Autistic & Loved
  - Pierre Paul and Bethanie Couri, We Hear You
  - Samm Hutchison, Bears Bites
- The winners were John and Caroline LaHood of ColorForge. ColorForge’s patented technology is ushering in a new age of color cosmetics. Agile. Sustainable. And fully scalable. Through additive manufacturing and digital design, ColorForge customizes the user experience and offers a legitimate solution for scale personalization and inclusion by enabling beauty brands to formulate products with unlimited color variation and pattern in any dimensional design.



## WAYS TO ENGAGE WITH FORTRESS



Follow Us on Facebook



Share the Bank Tank with Entrepreneurs



Follow Our Podcast



Share the Annual Report



# DIRECTORS



## LEE H. GARLACH

Chairman of the Board  
President, First State  
Bancorporation, Inc.



## ANDREW J. BASTERT

Fortress Bank Regional President



## DEAN A. HEINZMANN

President, Fortress Bank



## JAY MORRISON

Corn & Soybean Farmer



## DR. NAMRATA MALLIK, MD

Internist, Genesis Health Systems



## GEORGE MORRISON

Grain & Cattle Farmer



## P. JOSEPH O'NEILL

Chief Executive Officer,  
G & D Integrated



## MAX RODEFFER, DMD

Owner, Rodeffer Max A DMD



## CHARLES WEAVER

Partner, Development &  
Construction Company



## ROBERT LARSEN

CFO, Von Maur

# SENIOR MANAGEMENT



## LEE H. GARLACH

Chairman of the Board  
President, First State  
Bancorporation, Inc.



## DEAN A. HEINZMANN

President, Fortress Bank



## KEITH WORNER

Executive Vice President



## ANDREW J. BASTERT

Fortress Bank Regional President,  
Ag Banking Division



## MICHAEL T. BAVERY

Senior Vice President, Chief Credit  
Officer and Risk Management



## TROY MCCREERY

Senior Vice President,  
Retail Banking Division



## LISA LEWIS

Senior Vice President,  
Mortgage Banking



## BRIAN KARDELL

Senior Vice President, Information  
Systems and Operations



## KEN MAUSER

Senior Vice President,  
Funding & Investment Officer



## SEAN MCGUIRE

Senior Vice President,  
Financial Officer



## JEFF SCHIEFERLE UHLNBROCK

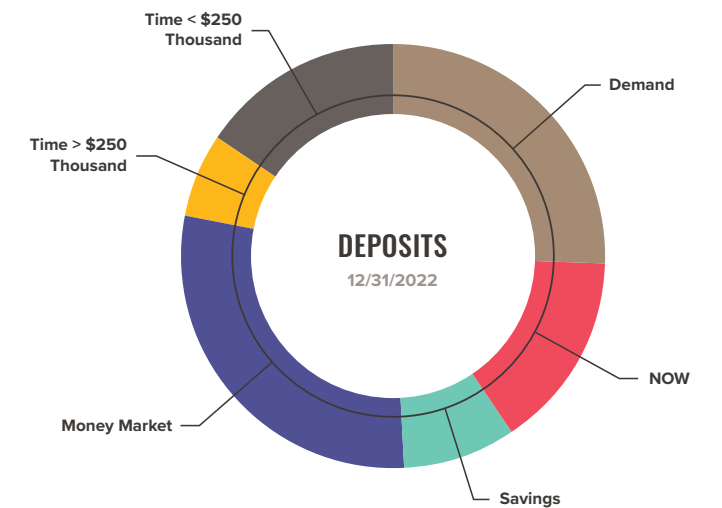
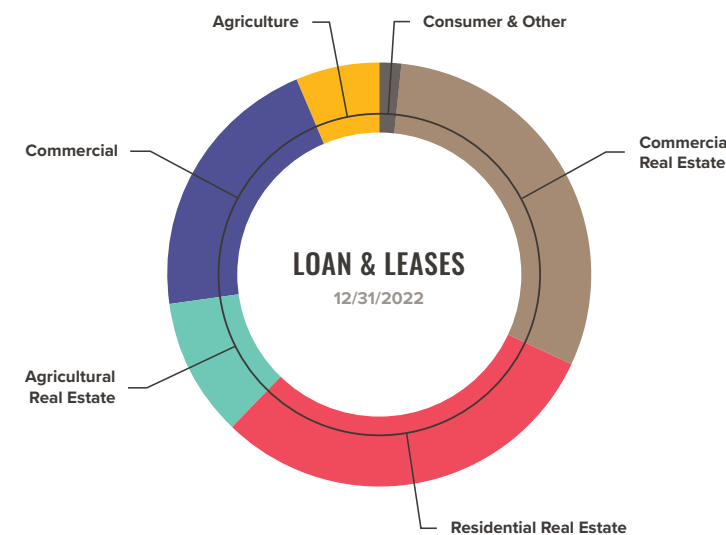
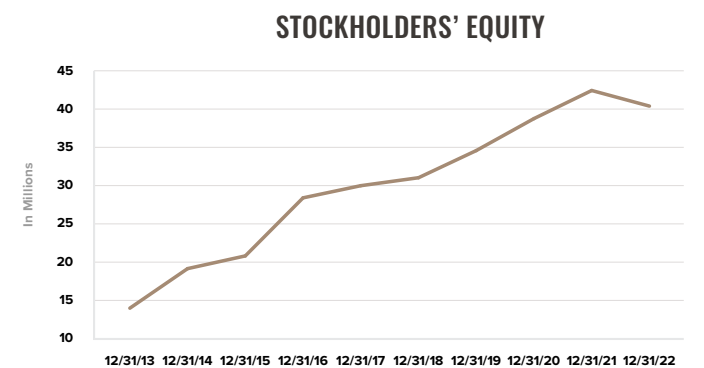
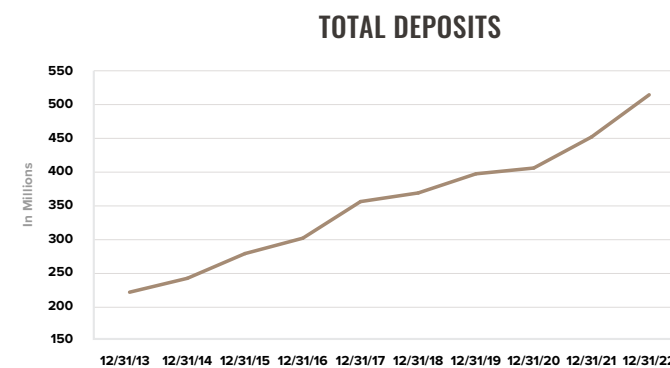
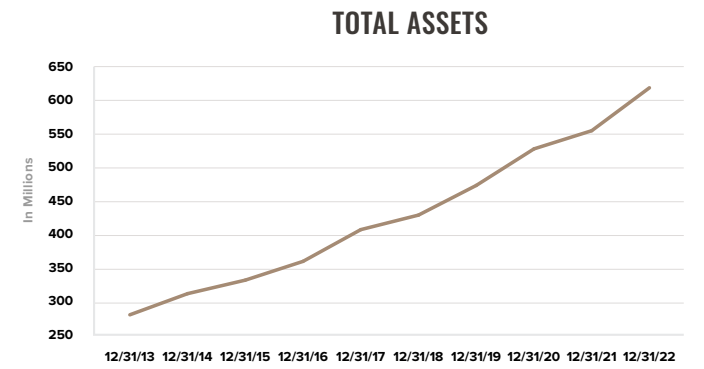
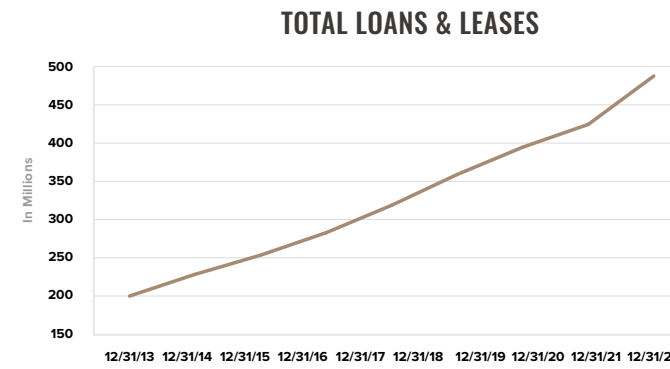
Senior Vice President,  
Commercial Banking Division

# FORTRESS

# FINANCIAL HIGHLIGHTS

“  
A company’s vision needs  
numbers as much as words.”

## CHARTS





# STATEMENT OF CONDITION (UNAUDITED)

(Dollar amounts in thousands - 000's omitted)

	December 31, 2022	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
Cash and Due From Banks	\$33,610	\$36,436	\$23,122
<b>Investment Securities</b>			
US Government Agencies	27,731	27,748	23,805
US Govt. Ag. - Mtg. Backed Sec.	12,773	13,263	13,384
State & Municipal	26,193	26,796	26,147
Other Securities	8,750	8,750	5,750
AFS Unrealized Gain (Loss)	(5,780)	(5,957)	682
<b>Total Investments</b>	<b>69,667</b>	<b>70,600</b>	<b>69,768</b>
Federal Funds Sold	-	120	490
Loans Held for Sale	1,561	548	6,656
<b>Loans and Leases</b>			
Commercial Real Estate	146,160	159,529	135,495
Residential Real Estate	145,786	112,724	112,282
Agriculture Real Estate	50,779	44,701	45,618
Commercial	100,499	86,282	96,395
Agriculture	30,594	25,535	28,130
Consumer & Other	9,242	8,779	7,206
<b>Gross Loans</b>	<b>483,060</b>	<b>437,550</b>	<b>425,126</b>
Allowance for Loan Losses	(6,151)	(6,022)	(5,777)
<b>Net Loans</b>	<b>476,909</b>	<b>431,528</b>	<b>419,349</b>
Trading Assets	-	-	-
Premises & Equipment - Net	9,762	9,843	9,912
Other Real Estate Owned	-	-	-
Goodwill & Other Intangible Assets	14,170	14,400	13,940
Other Assets	14,163	13,258	12,546
<b>Total Assets</b>	<b>\$619,842</b>	<b>\$576,733</b>	<b>\$555,783</b>

# STATEMENT OF CONDITION (CONTINUED)

(Dollar amounts in thousands - 000's omitted)

	December 31, 2022	September 30, 2022	December 31, 2021
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Deposits</b>			
Demand	\$ 130,875	\$112,155	\$134,201
NOW	76,277	81,888	56,117
Savings	44,122	48,846	44,569
Money Market	146,863	120,076	89,139
Time: \$250,000 and Over	32,787	30,625	43,023
Under \$250,000	78,313	102,226	81,454
<b>Total Deposits</b>	<b>509,237</b>	<b>495,816</b>	<b>448,503</b>
Federal Funds Purchased	3,715	-	-
Securities Sold Under Repurch. Ag.	1,116	1,225	954
Other/FHLB Borrowings	45,000	23,000	46,155
Notes Payable - Term Loan	-	-	-
Notes Payable - Revolving Loan	2,000	-	-
Subordinated Notes	-	-	-
Subordinated Debentures	15,000	15,000	15,000
Other Liabilities	3,585	2,352	2,943
<b>Total Liabilities</b>	<b>579,653</b>	<b>537,393</b>	<b>513,555</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Common Stock	17,995	17,995	17,995
Paid in Capital	610	588	503
Retained Earnings	20,051	19,364	17,091
AFS Unrealized Gain (Loss)	(4,567)	(4,707)	539
<b>Total Holding Company Equity</b>	<b>34,089</b>	<b>33,240</b>	<b>36,128</b>
Noncontrolling Interest in Subsidiary	6,100	6,100	6,100
<b>Total Shareholders Equity</b>	<b>40,189</b>	<b>39,340</b>	<b>42,228</b>
<b>Total Liabilities and Equity</b>	<b>\$619,842</b>	<b>\$576,733</b>	<b>\$555,783</b>

# INCOME STATEMENT (UNAUDITED)

(Dollar amounts in thousands - 000's omitted)

	For the Twelve Months Ended		For the Three Months Ended	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
<b>INTEREST INCOME:</b>				
<b>Interest &amp; Fees on Loans</b>				
Commercial Real Estate	\$9,621	\$8,021	\$2,769	\$2,146
Real Estate & HELOC	4,071	3,396	1,234	841
Commercial	4,671	5,139	1,549	2,000
Agriculture, Tax Exempt & Other	1,053	848	355	224
Consumer & PLOC	437	419	120	92
<b>Total Interest &amp; Fees on Loans</b>	<b>19,853</b>	<b>17,823</b>	<b>6,027</b>	<b>5,303</b>
<b>Interest on Leases</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>Interest on Investments:</b>				
US Government Agencies	262	214	70	52
US Govt. Ag. - Mtg. Backed Sec.	287	277	76	61
State, Municipal & Other Securities	881	721	249	206
<b>Total Interest on Investments</b>	<b>1,430</b>	<b>1,212</b>	<b>395</b>	<b>319</b>
<b>Interest on Federal Funds Sold</b>	<b>9</b>	<b>1</b>	<b>7</b>	<b>-</b>
<b>Other</b>	<b>368</b>	<b>111</b>	<b>147</b>	<b>26</b>
<b>Total Interest Income</b>	<b>21,663</b>	<b>19,150</b>	<b>6,577</b>	<b>5,649</b>
<b>INTEREST EXPENSE</b>				
<b>Interest on Deposits</b>				
NOW	504	87	278	22
Savings & Money Market	1,570	170	991	43
Time Under \$250m	746	878	307	166
Time Over \$250m	382	348	177	85
<b>Total Interest on Deposits</b>	<b>3,202</b>	<b>1,483</b>	<b>1,753</b>	<b>316</b>
<b>Interest on Federal Funds Purchased</b>	<b>15</b>	<b>2</b>	<b>7</b>	<b>1</b>
<b>Interest on Other Borrowed Funds</b>	<b>1,117</b>	<b>1,016</b>	<b>349</b>	<b>238</b>
<b>Total Interest Expense</b>	<b>4,334</b>	<b>2,501</b>	<b>2,109</b>	<b>555</b>
<b>Net Interest Income</b>	<b>17,329</b>	<b>16,649</b>	<b>4,468</b>	<b>5,094</b>
<b>Provision for Loan Losses</b>	<b>494</b>	<b>927</b>	<b>126</b>	<b>300</b>

# INCOME STATEMENT (CONTINUED)

(Dollar amounts in thousands - 000's omitted)

	For the Twelve Months Ended		For the Three Months Ended	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
<b>OTHER INCOME</b>				
Service Charges on Dep. Accts.	392	319	99	91
Net Servicing Fees	1,533	1,532	89	92
Net Gains on Sales of Loans	1,253	4,171	136	701
Other	1,203	1,193	320	368
<b>Total Other Income</b>	<b>4,381</b>	<b>7,215</b>	<b>644</b>	<b>1,252</b>
<b>Gains/(Losses) on the sale of securities</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>OTHER EXPENSES</b>				
Salaries & Benefits	9,946	10,753	2,419	2,726
Occupancy & Equipment	1,607	1,585	389	363
Amortization of Intangible Assets	64	104	16	26
Other	4,325	4,150	1,106	1,132
<b>Total Other Expenses</b>	<b>15,942</b>	<b>16,592</b>	<b>3,930</b>	<b>4,247</b>
<b>Income/(Loss) Before Income Taxes</b>	<b>5,274</b>	<b>6,346</b>	<b>1,056</b>	<b>1,799</b>
<b>Income Taxes Expense/(Benefit)</b>	<b>1,364</b>	<b>1,043</b>	<b>267</b>	<b>(128)</b>
<b>Net Income Attributable to Holding Company &amp; Noncontrolling Interest in Subsidiary</b>	<b>3,910</b>	<b>5,303</b>	<b>789</b>	<b>1,927</b>
<b>Net Income Attributable to Noncontrolling Interest in Subsidiary</b>	<b>(411)</b>	<b>(420)</b>	<b>(103)</b>	<b>(104)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$3,499</b>	<b>\$4,883</b>	<b>\$686</b>	<b>\$1,823</b>



# STATEMENT OF CONDITION (UNAUDITED)

(Dollar amounts in thousands - 000's omitted)

	December 31, 2022	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
Cash	\$243	\$70	\$260
Interest-bearing Deposits	10	10	10
Investment in subsidiary bank:			
Fortress Bank	50,623	47,869	50,609
Income Tax Receivable	40	111	53
Other Assets	174	180	196
<b>Total Assets</b>	<b>\$51,090</b>	<b>\$48,240</b>	<b>\$51,128</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Notes Payable - Term Loan	-	-	-
Notes Payable - Revolving Loan	2,000	-	-
Subordinated Notes	-	-	-
Subordinated Debentures	15,000	15,000	15,000
Accrued Interest Payable	1	-	-
Income Tax Payable	-	-	-
Other Liabilities	-	-	-
<b>Total Liabilities</b>	<b>17,001</b>	<b>15,000</b>	<b>15,000</b>
<b>Stockholders' Equity</b>			
Common Stock	17,995	17,995	17,995
Paid in Capital	610	588	503
Retained Earnings	20,051	19,364	17,091
AFS Unrealized Gain (Loss)	(4,567)	(4,707)	539
<b>Total Stockholders' equity</b>	<b>34,089</b>	<b>33,240</b>	<b>36,128</b>
<b>Total liabilities and Equity</b>	<b>\$51,090</b>	<b>\$48,240</b>	<b>\$51,128</b>
<b>Book Value Per Share</b>	<b>\$18.94</b>	<b>\$18.47</b>	<b>\$20.08</b>

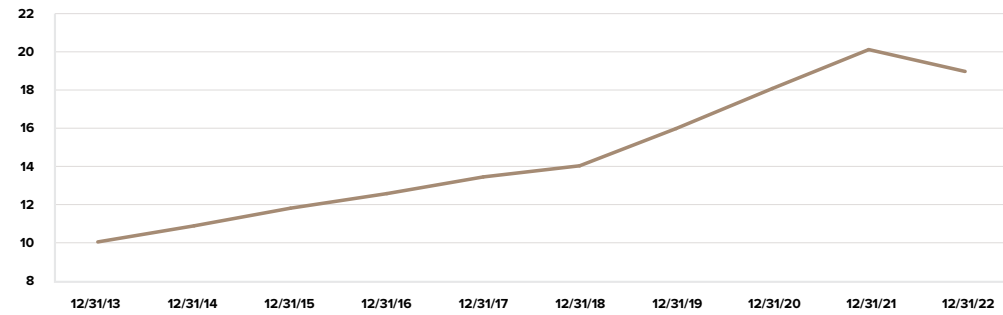
# INCOME STATEMENT (UNAUDITED)

(Dollar amounts in thousands - 000's omitted)

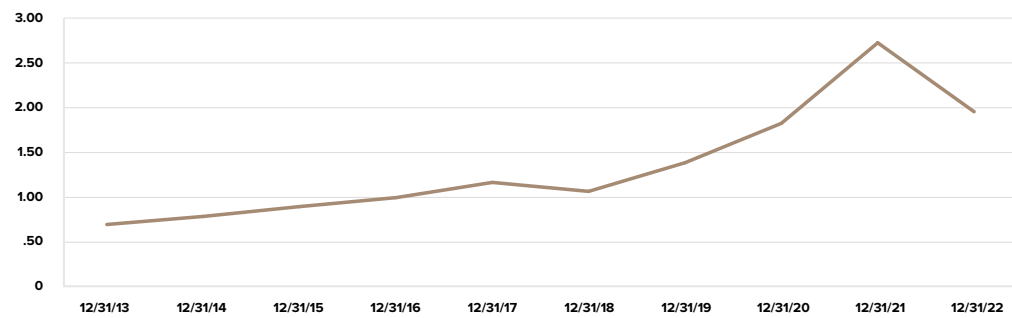
	For the Twelve Months Ended		For the Three Months Ended	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
<b>Income from bank subsidiaries</b>				
Dividends	\$850	\$500	\$ -	\$350
Interest on Cash on Deposit	-	-	-	-
Other Income	-	-	-	-
<b>Total Operating Income</b>	<b>850</b>	<b>500</b>	<b>-</b>	<b>350</b>
<b>Interest expense</b>	<b>826</b>	<b>829</b>	<b>207</b>	<b>206</b>
<b>Legal &amp; Accounting expense</b>	<b>4</b>	<b>5</b>	<b>-</b>	<b>-</b>
<b>Other expenses</b>	<b>145</b>	<b>63</b>	<b>32</b>	<b>16</b>
<b>Total Operating Expense</b>	<b>975</b>	<b>897</b>	<b>239</b>	<b>22</b>
Income (loss) before income taxes and before undistributed income of subsidiary banks	(125)	(397)	(239)	128
<b>Income Tax Benefit (Expense)</b>	<b>255</b>	<b>234</b>	<b>63</b>	<b>58</b>
Income (loss) before undistributed income of subsidiary banks	130	(163)	(176)	186
<b>Equity in undistributed income (loss) of subsidiary banks</b>	<b>3,369</b>	<b>5,046</b>	<b>862</b>	<b>1,637</b>
<b>Net income (loss)</b>	<b>\$3,499</b>	<b>\$4,883</b>	<b>\$686</b>	<b>\$1,823</b>
<b>Earnings Per Common Share:</b>				
Basic Earnings Per Share	\$1.94	\$2.71	\$0.38	\$1.01

# CHARTS

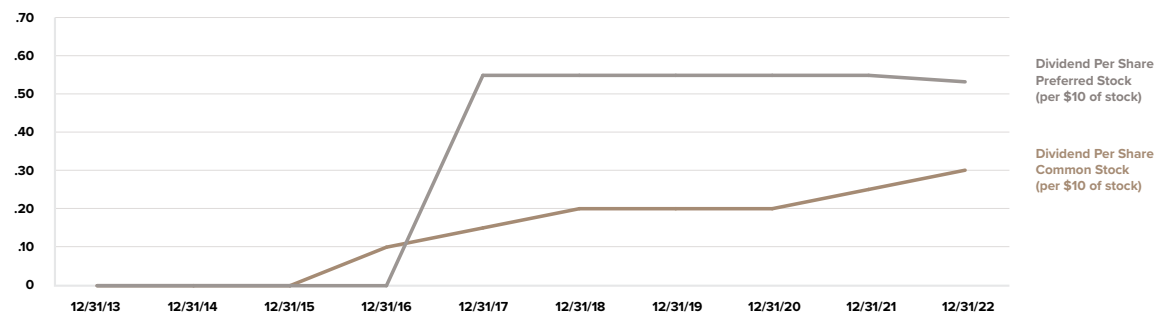
**BOOK VALUE PER SHARE**



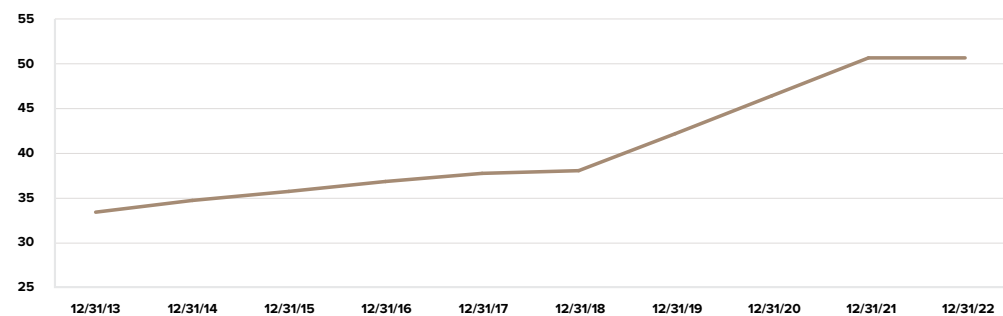
**EARNINGS PER SHARE**



**DIVIDENDS PER SHARE**



**INVESTMENT IN SUBSIDIARY BANK**



# LOCATIONS

- Blandinsville Drive-Up**  
135 S. Main St.  
217-659-7776
- Carthage Banking Center**  
433 Main St.  
217-357-3112
- Carthage Drive-Up**  
407 Buchanan  
217-357-3112
- Colusa Drive-Up**  
2544 N. County Rd 1750  
217-357-3112
- Davenport Banking Center**  
3260 E. 53rd St.  
563-362-0453
- Fortress Investment Center**  
2127 Court St., Pekin  
309-966-4842
- Hamilton Banking Center**  
1035 Broadway  
217-847-6675
- LaHarpe Banking Center**  
128 E. Main St.  
217-659-7776
- Macomb Banking Center**  
500 E. Jackson St.  
309-837-3935
- Monmouth Banking Center**  
122 W. Boston Ave.  
309-734-9446
- Pekin Loan Office**  
2127 Court St.  
309-966-4856
- Peoria Banking Center**  
9000 N. Knoxville Ave.  
309-966-4850
- West Des Moines Loan Office**  
5000 Westown Pkwy Suite 420  
515-706-4210





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