



Chain Bridge Bancorp, Inc.

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January 18, 2024

Subject: Chain Bridge Bancorp, Inc. – Fourth Quarter and Full-Year 2023 Results

Dear Fellow Stockholder:

This letter presents the financial results of Chain Bridge Bancorp, Inc. (“Chain Bridge” or the “Company”), the parent company of Chain Bridge Bank, N.A. (the “Bank”), for the fourth quarter (Q4) of 2023. It details the Company's financial performance for both the three-month period and the cumulative twelve-month period ending December 31, 2023.

Q4 2023 Financial Highlights

- Consolidated Net Income: \$3,313,744
- Earnings Per Share: \$123.32
- Return on Average Equity: 16.94%
- Return on Average Assets: 1.23%
- Return on Average Risk-Weighted Assets: 3.16%

Annual 2023 Financial Highlights

- Consolidated Net Income: \$8,831,187
- Earnings Per Share: \$328.64
- Return on Average Equity: 11.90%
- Return on Average Assets: 0.86%
- Return on Average Risk-Weighted Assets: 2.06%

Financial Performance

Chain Bridge Bancorp, Inc. reported a consolidated net income of \$3,313,744 for Q4 2023. This figure is in comparison to a net income of \$2,842,738 in the third quarter (Q3) of 2023, and \$2,584,659 in the fourth quarter (Q4) of 2022. The total earnings reported for the year 2023 were \$8,831,187, compared to \$8,281,180 in 2022.

The earnings per share (EPS) for Q4 2023 was \$123.32, compared to \$105.79 in Q3 2023 and \$96.18 in Q4 2022. The EPS for all of 2023 amounted to \$328.64, compared to \$324.26 reported for the prior year.

In Q4 2023, the Company's return on average equity (ROAE) was 16.94%, compared to 15.05% in Q3 2023 and 15.52% in Q4 2022. For all of 2023, ROAE was 11.90% versus

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12.79% in 2022. The return on average assets (ROAA) for Q4 2023 was 1.23% compared to 1.09% in Q3 2023 and 0.92% in Q4 2022. For the full year 2023, ROAA was 0.86% versus 0.65% in 2022. The return on average risk-weighted assets was 3.16% in Q4 2023, compared to 2.66% in Q3 2023 and 2.33% in Q4 2022. For all of 2023, the return on average risk-weighted assets was 2.06% versus 2.02% in 2022.

In Q4 2023, net interest income, after (recovery of) provision for credit losses, was \$7,847,326, compared to \$7,179,283 in Q3 2023, and \$6,942,974 in Q4 2022. For the full year 2023, the net interest income amounted to \$27,101,892. This total included a reversal of \$163,000 for loan credit provisions. Additionally, it reflected a loss from a bond issued by Signature Bank. In comparison, the net interest income for 2022 was \$25,279,395, which included an \$822,000 provision for loan losses. Non-interest income was \$1,339,990 in Q4 2023, against \$1,220,570 in Q3 2023 and \$954,591 in Q4 2022.

The yield on average earning assets, on a non-GAAP, fully tax equivalent basis, was 3.28% in Q4 2023, compared to 3.18% in Q3 2023 and 2.85% in Q4 2022. The cost of funds decreased to 0.38% in Q4 2023 from 0.40% in Q3 2023 but increased from 0.24% in Q4 2022. The Company's net interest margin was 2.93% in Q4 2023, compared to 2.81% in Q3 2023 and 2.62% in Q4 2022.

In the calendar year 2023, Chain Bridge Bancorp, Inc. recorded a federal income tax expense of \$2,075,078, an increase from \$1,882,038 in 2022. Additionally, for the same period, the Company recorded state bank franchise taxes amounting to \$739,476, an increase from the \$627,312 recorded in the prior year.

Balance Sheet Highlights

As of December 31, 2023, total assets were \$1.205 billion compared to \$1.151 billion at the end of Q3 2023 and \$1.031 billion at the end of Q4 2022. Total deposits as of December 31, 2023, were \$1.112 billion, compared to \$1.067 billion at the end of Q3 2023 and \$953.0 million at the end of Q4 2022. The increase in deposits in the fourth quarter contributed to a rise in the Bank's cash balances with the Federal Reserve. This increase positively impacted the Bank's quarterly earnings.

The Bank's entire bond portfolio, including both available-for-sale and held-to-maturity bonds, reported a mark-to-market unrealized loss, net of taxes, of \$27.3 million as of December 31, 2023, compared to \$40.5 million at the end of Q3 2023, and \$39.7 million at the end of Q4 2022.

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Gross loans stood at \$304.1 million as of December 31, 2023, down from \$310.5 million at September 30, 2023 and \$320.2 million at December 31, 2022. At the end of Q4 2023, reserves for credit losses remained unchanged from the prior quarter at \$4.7 million. The loan portfolio's allowance for credit losses was 1.42% of total loans as of December 31, 2023, unchanged from the prior quarter. Non-performing assets were 0.00% of total assets.

The book value per share was \$3,104.98 as of December 31, 2023, compared to \$2,796.69 at the end of Q3 2023 and \$2,559.65 at the end of Q4 2022.

Capital and Liquidity

As of December 31, 2023, the Bank reported a tier 1 risk-based capital ratio of 24.30%, compared to 23.02% at September 30, 2023, and 20.46% at the end of the previous year. The total risk-based capital ratio stood at 25.44% as of December 31, 2023, in contrast to 24.15% at September 30, 2023, and 21.47% at the end of the previous year. The Bank's tier 1 capital as of December 31, 2023, was \$99.9 million, relative to \$96.7 million as of September 30, 2023 and \$91.4 million as of December 31, 2022. Total regulatory capital was \$104.5 million as of December 31, 2023, compared to \$101.4 million as of September 30, 2023 and \$95.9 million as of December 31, 2022.

The loan-to-deposit ratio as of December 31, 2023, was 27.35%, compared to 29.15% at the end of Q3 2023 and 33.60% at the end of Q4 2022. The risk-weighted asset density was 34.09% as of December 31, 2023, compared to 36.49% at the end of Q3 2023 and 43.33% at the end of Q4 2022. The liquidity ratio was 78.75% as of December 31, 2023, against 76.28% at the end of Q3 2023 and 71.11% at the end of 2022.

Trust & Wealth Department

As of the end of the fourth quarter of 2023, the Trust & Wealth Department oversaw custody and managed assets totaling \$240,781,505, compared to \$185,827,226 at the end of Q3 2023 and \$141,823,608 at the end of Q4 2022. In 2023, the trust and wealth management revenue was \$564,786, compared to \$335,103 in 2022.

* * *

We value your continued investment in Chain Bridge. Our team remains committed to providing exceptional banking and trust services. We encourage you to consider Chain Bridge Bank, N.A., and its Trust & Wealth Department for all your banking, trust, and wealth management needs.

Very truly yours,



Peter G. Fitzgerald
Chairman of the Board
Chain Bridge Bancorp, Inc.

Attachments:

- Consolidated Financial Highlights
- Consolidated Balance Sheets
- Consolidated Statements of Income

CAUTION ABOUT FORWARD-LOOKING STATEMENTS:

This letter may contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements of goals, intentions, and expectations as to future trends, plans, events, potential options to finance potential future growth, or results of Chain Bridge’s operations and policies and regarding general economic conditions. Forward-looking statements are not historical facts or statements of current conditions, but instead represent only Chain Bridge’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Such statements may be identified by words such as “believe,” “may,” “would,” “could,” “expect,” “anticipate,” “intend,” “estimate” and “target” and similar expressions or the negative of such words. Because of the uncertainties and the assumptions on which this discussion and the forward-looking statements are based, actual future operations and results may differ materially from those indicated herein. Important factors that could have such a result include: market interest rates and inflation; disruptions in the financial markets; economic conditions; changes in laws, rules, and regulatory requirements, including capital and liquidity requirements affecting Chain Bridge’s businesses, and Chain Bridge’s ability to address those requirements; actions by government agencies, including those that impact money supply; Chain Bridge’s ability to maintain its reputation; Chain Bridge’s ability to access adequate sources of funding and liquidity; Chain Bridge’s ability to effectively defend itself against cyber-attacks and other attempts by unauthorized parties to access its or its customers’ information or to disrupt its systems; Chain Bridge’s ability to attract and retain key personnel; adverse judicial or regulatory proceedings; competitive pressures among depository and other financial institutions, including non-bank financial technology providers; changes in customer behavior; and changes in customers’, suppliers’ and other counterparties’ performance and creditworthiness. Readers are cautioned against placing undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date made. Chain Bridge does not assume any duty and does not undertake any obligation to update forward-looking statements. The Company’s and the Bank’s past results are not necessarily indicative of future performance.

Chain Bridge Bancorp, Inc.
Consolidated Financial Highlights

(unaudited)

	Quarter Ended			Twelve Months Ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Key Performance Indicators					
Consolidated net income	\$ 3,313,744	\$ 2,842,738	\$ 2,584,659	\$ 8,831,187	\$ 8,281,180
Return on average assets (ROAA)	1.23%	1.09%	0.92%	0.86%	0.65%
Return on average risk-weighted assets ¹	3.16%	2.66%	2.33%	2.06%	2.02%
Return on average equity (ROAE)	16.94%	15.05%	15.52%	11.90%	12.79%
Yield on average earning assets, fully tax equivalent (non-GAAP)	3.28%	3.18%	2.85%	3.13%	2.18%
Cost of funds	0.38%	0.40%	0.24%	0.42%	0.11%
Net interest margin, fully tax equivalent (non-GAAP)	2.93%	2.81%	2.62%	2.74%	2.08%
Balance Sheet and Other Highlights					
Total assets	\$1,205,202,475	\$1,151,112,602	\$1,030,683,857	\$1,205,202,475	\$1,030,683,857
Cash balances held at the Federal Reserve Bank	309,826,185	246,444,224	91,053,596	309,826,185	91,053,596
U.S. Treasury securities	195,363,904	191,922,570	200,078,020	195,363,904	200,078,020
Total investment grade securities ²	566,676,736	566,290,081	592,649,117	566,676,736	592,649,117
Total loans	304,144,296	310,514,386	320,192,778	304,144,296	320,192,778
Total deposits	1,112,025,669	1,066,768,830	952,953,867	1,112,025,669	952,953,867
Trust Department: Total custody and managed assets	240,781,505	185,827,226	141,823,608	240,781,505	141,823,608
Liquidity & Asset Quality Metrics					
Liquidity ratio ³	78.75%	76.28%	71.11%	78.75%	71.11%
Loan-to-deposit ratio	27.35%	29.15%	33.60%	27.35%	33.60%
Risk-weighted asset density ⁴	34.09%	36.49%	43.33%	34.09%	43.33%
Non-performing assets / assets	0.00%	0.00%	0.00%	0.00%	0.00%
Texas ratio ⁵	0.00%	0.00%	0.00%	0.00%	0.00%
Net charge offs (recoveries) / average loans	0.00%	0.00%	0.00%	0.00%	0.00%
Allowance for credit losses on loans / gross loans	1.42%	1.42%	1.40%	1.42%	1.40%
Allowance for credit losses on held to maturity securities / gross held to maturity securities ⁶	0.11%	0.11%	N/A	0.11%	N/A
Regulatory Capital Information (Chain Bridge Bank, N.A.)					
Tier 1 capital	\$ 99,855,821	\$ 96,666,154	\$ 91,374,209	\$ 99,855,821	\$ 91,374,209
Tier 1 risk-based capital ratio	24.30%	23.02%	20.46%	24.30%	20.46%
Total regulatory capital	\$ 104,523,073	\$ 101,414,406	\$ 95,856,209	\$ 104,523,073	\$ 95,856,209
Total regulatory capital ratio	25.44%	24.15%	21.47%	25.44%	21.47%
Regulatory Capital Information (Chain Bridge Bancorp, Inc.)					
Tier 1 risk-based capital	\$ 95,002,054	\$ 91,619,298	\$ 86,430,482	\$ 95,002,054	\$ 86,430,482
Tier 1 risk-based capital ratio	23.12%	21.81%	19.35%	23.12%	19.35%
Total regulatory capital	\$ 99,669,306	\$ 96,367,550	\$ 90,912,482	\$ 99,669,306	\$ 90,912,482
Total regulatory capital ratio	24.26%	22.95%	20.36%	24.26%	20.36%
Share Information (Chain Bridge Bancorp, Inc.)					
Number of shares outstanding	26,872	26,872	26,872	26,872	26,872
Book value per share	\$ 3,104.98	\$ 2,796.69	\$ 2,559.65	\$ 3,104.98	\$ 2,559.65
Book value per share, excluding unrealized gain/loss on available for sale securities (non-GAAP)	\$ 3,535.35	\$ 3,409.47	\$ 3,216.38	\$ 3,535.35	\$ 3,216.38
Earnings per share, basic and diluted	\$ 123.32	\$ 105.79	\$ 96.18	\$ 328.64	\$ 324.26

¹ Quarterly average is calculated using the last two quarter ends. Year to date average is calculated using the last five quarter ends.

² Available for sale securities are reported at fair value, and held to maturity securities are reported at carrying value.

³ Liquidity measures the Bank's ability to meet its obligations when they become due. It is calculated as the sum of cash and cash equivalents and unpledged investment grade securities, expressed as a percentage of total liabilities.

⁴ Risk-weighted asset density measures the riskiness of the Bank's assets. It is calculated as risk-weighted assets divided by total assets.

⁵ Texas ratio is defined as the sum of non-performing assets and delinquent loans, expressed as a percentage of tangible equity and the allowance for credit losses on loans.

⁶ On January 1, 2023, the Bank adopted ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which required the measurement of expected credit losses for financial assets within scope, including the held to maturity securities portfolio.

Chain Bridge Bancorp, Inc.
Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
	<i>(unaudited)</i>	*
Assets		
Cash and due from banks	\$ 6,035,091	\$ 6,773,145
Interest-bearing deposits in other banks	310,732,416	91,889,968
Total cash and cash equivalents	\$ 316,767,507	\$ 98,663,113
Securities available for sale, at fair value	258,113,809	279,596,208
Securities held to maturity, at carrying value, net of allowance for credit losses of \$348,242 and \$0, respectively	308,057,877	312,567,291
Equity securities, at fair value	505,050	485,618
Restricted securities, at cost	2,613,200	2,500,900
Loans, net of allowance for credit losses of \$4,319,000 and \$4,482,000, respectively	299,825,296	315,710,778
Premises and equipment, net of accumulated depreciation of \$6,790,603 and \$6,300,012, respectively	9,857,881	10,079,737
Accrued interest receivable	4,353,614	4,313,033
Other assets	5,108,241	6,767,179
Total assets	\$ 1,205,202,475	\$ 1,030,683,857
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 766,933,306	\$ 666,493,146
Savings, interest-bearing checking and money market	328,350,277	273,888,277
Time, \$250,000 and over	9,385,015	5,374,103
Other time	7,357,071	7,198,341
Total deposits	\$ 1,112,025,669	\$ 952,953,867
Short-term borrowings	5,000,000	5,000,000
Accrued interest payable	60,937	20,087
Accrued expenses and other liabilities	4,678,780	3,926,989
Total liabilities	\$ 1,121,765,386	\$ 961,900,943
Stockholders' Equity		
Preferred stock		
No par value, 100,000 shares authorized, no shares issued and outstanding	\$ --	\$ --
Common stock		
\$1 par value, 200,000 shares authorized, 26,872 shares issued and outstanding	26,872	26,872
Additional paid-in capital	38,283,095	38,283,095
Retained earnings	56,692,087	48,120,515
Accumulated other comprehensive loss	(11,564,965)	(17,647,568)
Total stockholders' equity	\$ 83,437,089	\$ 68,782,914
Total liabilities and stockholders' equity	\$ 1,205,202,475	\$ 1,030,683,857

* Derived from audited financial statements.

Chain Bridge Bancorp, Inc.
Consolidated Statements of Income
(unaudited)

	Quarter Ended			Twelve Months Ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Interest and Dividend Income					
Interest and fees on loans	\$ 3,277,453	\$ 3,417,461	\$ 3,287,052	\$ 13,401,710	\$ 11,311,115
Interest and dividends on securities, taxable	2,752,236	2,740,462	2,714,431	11,111,769	9,190,140
Interest on securities, tax-exempt	300,682	303,905	310,238	1,218,660	1,293,961
Interest on interest-bearing deposits in banks	2,376,192	1,681,062	1,571,000	6,056,632	5,589,092
Total interest and dividend income	<u>\$ 8,706,563</u>	<u>\$ 8,142,890</u>	<u>\$ 7,882,721</u>	<u>\$ 31,788,771</u>	<u>\$ 27,384,308</u>
Interest Expense					
Interest on deposits	\$ 842,163	\$ 860,559	\$ 566,135	\$ 3,663,910	\$ 1,081,831
Interest on short-term borrowings	98,074	96,048	75,612	381,693	201,082
Total interest expense	<u>\$ 940,237</u>	<u>\$ 956,607</u>	<u>\$ 641,747</u>	<u>\$ 4,045,603</u>	<u>\$ 1,282,913</u>
Net Interest Income	<u>\$ 7,766,326</u>	<u>\$ 7,186,283</u>	<u>\$ 7,240,974</u>	<u>\$ 27,743,168</u>	<u>\$ 26,101,395</u>
(Recovery of) Provision for Credit Losses					
(Recovery of) provision for loan credit losses	\$ (81,000)	\$ 1,000	\$ 298,000	\$ (163,000)	\$ 822,000
Provision for securities credit losses	--	6,000	--	804,276	--
Total (recovery of) provision for credit losses	<u>\$ (81,000)</u>	<u>\$ 7,000</u>	<u>\$ 298,000</u>	<u>\$ 641,276</u>	<u>\$ 822,000</u>
Net interest income after (recovery of) provision for credit losses	<u>\$ 7,847,326</u>	<u>\$ 7,179,283</u>	<u>\$ 6,942,974</u>	<u>\$ 27,101,892</u>	<u>\$ 25,279,395</u>
Noninterest Income					
Deposit placement services income	\$ 867,979	\$ 858,766	\$ 546,810	\$ 1,974,318	\$ 1,542,600
Service charges on accounts	266,572	226,724	288,745	918,030	1,153,618
Trust and wealth management income	158,211	148,942	83,027	564,786	335,103
Gain on sale of mortgage loans	12,021	--	--	12,021	17,785
Loss on sale of securities	(76,760)	(30,046)	--	(388,843)	--
Other income	111,967	16,184	36,009	200,991	60,641
Total noninterest income	<u>\$ 1,339,990</u>	<u>\$ 1,220,570</u>	<u>\$ 954,591</u>	<u>\$ 3,281,303</u>	<u>\$ 3,109,747</u>
Noninterest Expenses					
Salaries and employee benefits	\$ 3,122,035	\$ 3,115,645	\$ 2,914,808	\$ 12,359,052	\$ 11,172,906
Data processing and communication expenses	592,969	569,069	523,459	2,275,475	1,964,610
Occupancy and equipment expenses	240,573	232,289	220,803	935,671	932,399
Professional services	285,921	206,980	459,836	909,014	1,367,310
Virginia bank franchise tax	175,000	188,654	185,600	739,476	627,312
FDIC and regulatory assessments	141,154	159,004	75,607	584,500	847,511
Directors fees	81,153	99,520	88,050	367,050	370,850
Marketing and business development costs	68,757	48,132	37,358	239,047	188,603
Insurance expenses	59,648	54,006	33,095	225,285	126,521
Other operating expenses	267,894	207,851	161,774	842,360	627,902
Total noninterest expenses	<u>\$ 5,035,104</u>	<u>\$ 4,881,150</u>	<u>\$ 4,700,390</u>	<u>\$ 19,476,930</u>	<u>\$ 18,225,924</u>
Net income before taxes	<u>\$ 4,152,212</u>	<u>\$ 3,518,703</u>	<u>\$ 3,197,175</u>	<u>\$ 10,906,265</u>	<u>\$ 10,163,218</u>
Income Tax Expense	<u>838,468</u>	<u>675,965</u>	<u>612,516</u>	<u>2,075,078</u>	<u>1,882,038</u>
Net income	<u>\$ 3,313,744</u>	<u>\$ 2,842,738</u>	<u>\$ 2,584,659</u>	<u>\$ 8,831,187</u>	<u>\$ 8,281,180</u>
Earnings per common share, basic and diluted	<u>\$ 123.32</u>	<u>\$ 105.79</u>	<u>\$ 96.18</u>	<u>\$ 328.64</u>	<u>\$ 324.26</u>