Integrity Bank
FOR BUSINESS

2023 Annual Report

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October 8, 2023

INTEGRITY BANK FOR BUSINESS

2023 ANNUAL REPORT

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This 2023 Annual Report (the "**Report**") and the other written reports and oral statements made from time to time by Integrity Bank for Business, a Virginia banking corporation (the "**Bank**" or the "**Company**"), its officers, directors, and authorized representatives may contain "forward-looking statements" regarding future events and future results of the Company. Forward-looking statements can be identified by words such as "anticipates," "estimates," "intends," "plans," "goal," "seek," "believes," "projects," "will," "expects," "strategy," "future," "likely," "may," "should," and similar references to future periods.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on the Company's current beliefs, expectations, and assumptions regarding the future of its business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Company's control. Statements based on currently available information are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. The Company's actual results and financial condition may differ materially from those results indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

Any forward-looking statement made by the Company in this Report or any other written or oral information or reports is based only on information currently available to the Company and speaks only as of the date on which it is made. The Company undertakes no obligation to update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

NOT AN OFFERING OF SECURITIES; NOT LEGAL OR TAX ADVICE

This Report does not constitute an offer of a security to any person. In addition, this Report does not constitute legal or tax advice, and the recipient must not construe the contents of this Report, or any prior or subsequent communications from the Company or any of its directors, officers, employees, or representatives, as legal or tax advice.

PRESIDENT'S REPORT TO THE SHAREHOLDERS

Over the past year, I have referenced in my shareholder letters the ancient Latin question of "Quo Vadis?" or Where are you going? This is the paramount question for any new business, particularly for a new bank. There is always a gap between expectations before you open and the realities after you open.

When we were organizing Integrity, banks had been operating in an ultra-low interest rate environment for many years. For our new Bank, we had to have a business plan not only to succeed in that environment but also to preserve our ability to succeed in other environments.

With that in mind, we presented the following business plan to give our investors appropriate risk-adjusted returns over time compared to possible returns from more aggressive, higher risk new banks:

1. Linear growth focused on local business and commercial real estate loans and core deposits;
2. Low operating expenses with a limited number of branches, no consumer lending, and limited personnel; and
3. Low loan losses in recessionary environments from excellent asset quality.

Less than a year after opening the banking environment changed dramatically. In early 2022, the Federal Open Market Committee (the "FOMC") began to quickly and repeatedly raise the Fed Funds Rate to deal with the rapidly rising core inflation rate. The Prime Rate increased in lock-step with increases in the Fed Funds Rate. Increases in prevailing loan and deposit rates followed the increases in the Prime Rate and the Fed Funds Rate.

Where was our Bank at that time? We had not succumbed to the classic community bank disease of loan growth above everything else. We had not invested in long-term, low-yield securities for marginal returns above the rates on short-term securities. Instead, in accordance with our plan, we had obtained ample liquidity from local core deposits and had a strong tangible capital ratio. Unlike many banks, we had no reason to fear the FOMC swiftly raising the Fed Funds Rate and keeping the Fed Funds Rate "higher for longer" as the FOMC was discussing.

Later, in March of this year, Silicon Valley Bank and Signature Bank both failed as a result of liquidity pressures and tangible capital issues stemming from much higher interest rates. These failures did not occur from underlying asset quality issues. Suddenly, bank liquidity and tangible capital levels were in the forefront for bank regulators, investors, depositors, and the public at large. Looming asset quality issues for banks from their commercial real estate loan portfolios were no longer the primary topic of bank conversations.

With this overnight change in the banking environment, banks, large and small, were caught off guard on liquidity and scrambled to find immediate answers. Reliance on (1) high-yield money market accounts and certificates of deposits, (2) brokered deposits, (3) reciprocal deposits, and (4) sweep accounts, immediately became commonplace for banks struggling to obtain more liquidity.

How did this affect Integrity? In one of my shareholder letters, I reported that Integrity had a "fortress balance sheet." Candidly, we did not anticipate the failures of Silicon Valley Bank and Signature Bank and the resulting bank liquidity crisis. The purpose of a "fortress balance sheet" is to expect the unexpected and to be in a position to respond immediately and effectively to any "crisis" without stress on the bank's balance sheet. This is exactly what happened at Integrity.

Our liquidity and tangible capital ratios at June 30, 2023 were:

1. Cash and Securities to Uninsured Deposits:	99.7%
2. Loans to Core Deposits:	55.1%
3. Tangible Capital to Total Assets:	20.5%

As we enter our next fiscal year, these statistics show that we still have a "fortress balance sheet" capable of withstanding stress from the usual range of banking issues.

Given the liquidity issues currently facing other banks and the expected asset quality issues for banks from commercial real estate loans, there may well be a banking crisis unfolding. However, these banking clouds may have a silver lining for us. As Albert Einstein purportedly said, "In the midst of every crisis lies great opportunity."

Our "fortress balance sheet" allows us to look beyond these issues and embrace the "great opportunity" that Mr. Einstein saw in a crisis. We plan to keep our focus on continuing our growth without distraction. We are actively looking for new core deposit clients and loan clients with associated meaningful core deposits. Similarly, we are looking to add several experienced lending and deposit bankers to our team to accelerate our growth.

We are maintaining our tight focus on safety, soundness and service. We strongly believe that is the formula for a successful bank in all environments.

Stay tuned. Our next fiscal year could be very exciting for our Bank.

Michael S. Ives
President & CEO
Integrity Bank for Business
September 1, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Integrity Bank for Business

Opinion

We have audited the accompanying financial statements of Integrity Bank for Business (a Virginia corporation), which comprise the balance sheet as of June 30, 2023, and the related statements of operations, comprehensive income(loss), shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Integrity Bank for Business as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Integrity Bank for Business and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Integrity Bank for Business for the year ended June 30, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements dated September 9, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Integrity Bank for Business's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

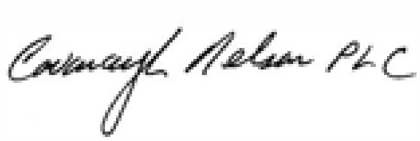
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Integrity Bank for Business's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Integrity Bank for Business's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the President's Report to the Shareholders but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



September 27, 2023

	At June 30, 2023	At June 30, 2022
	(in thousands except share data)	
ASSETS		
Cash and due from banks	$ 512	$ 530
Interest-bearing deposits in other banks	39,587	13,102
Total cash and cash equivalents	40,099	13,632
Securities available for sale, at fair value	13,881	24,932
Securities held to maturity, at amortized cost	6,000	6,000
Loans, held for investment, net of allowance for loan losses of $218 and $179 at June 30, 2023 and June 30, 2022, respectively	38,951	35,494
Accrued interest receivable	194	157
Restricted securities, at cost	1,037	671
Premises and equipment, net	426	537
Other assets	1,247	405
Total assets	$ 101,835	$ 81,828
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 30,954	$ 24,860
Interest-bearing	40,131	35,089
Total deposits	71,085	59,949
Borrowings from Federal Home Loan Bank of Atlanta ("FHLB")	9,000	-
Other liabilities	648	703
Total liabilities	80,733	60,652
Commitments and contingencies		
Shareholders' equity		
Common stock, $1 par value - 10,000,000 shares authorized; 2,460,179 and 2,446,950 shares issued and outstanding at June 30, 2023 and June 30, 2022, respectively	2,460	2,447
Additional paid-in capital	22,332	22,088
Accumulated deficit	(3,639)	(3,306)
Accumulated other comprehensive loss, net	(51)	(53)
Total shareholders' equity	21,102	21,176
Total liabilities and shareholders' equity	$ 101,835	$ 81,828

See accompanying notes to financial statements.

INTEGRITY BANK FOR BUSINESS
STATEMENT OF OPERATIONS

	For the Years Ended June 30, 2023	2022
	(in thousands except share data)	
Interest income		
Interest income and fees on loans	$ 1,706	$ 655
Interest on taxable investment securities	900	151
Other interest and dividend income	916	114
Total interest income	3,522	920
Interest expense		
Deposits	649	49
Borrowings	173	-
Total interest expense	822	49
Net interest income	2,700	871
Provision for loan losses	39	179
Net interest income after provision for loan losses	2,661	692
Noninterest income		
Service charges on deposit accounts	27	7
Other	15	7
Total noninterest income	42	14
Noninterest expense		
Compensation	1,781	1,577
Data processing	232	130
Occupancy	136	136
Furniture and equipment	257	188
Taxes and licenses	206	262
Professional fees	150	98
Loss on sale of investment securities	872	-
Other	284	238
Total noninterest expense	3,918	2,629
Net loss before benefit from income taxes	(1,215)	(1,923)
Benefit from income taxes	(882)	-
Net loss attributed to common stockholders	$ (333)	$ (1,923)
Loss per common share		
Basic	$ (0.13)	$ (0.78)
Diluted	$ (0.13)	$ (0.78)
Dividends per share	$ -	$ -
Weighted average shares outstanding - basic	2,490,915	2,455,522
Effect of dilutive equity awards	-	-
Weighted average shares outstanding - diluted	2,490,915	2,455,522

See accompanying notes to financial statements.

INTEGRITY BANK FOR BUSINESS
STATEMENT OF COMPREHENSIVE INCOME(LOSS)

	For the Years Ended June 30,	
	2023	2022
	(in thousands)	
Net loss	$ (333)	$ (1,923)
Other comprehensive income(loss):		
Change in net unrealized holding loss on securities available for sale	(884)	(53)
Change in tax effect on net unrealized holding loss	186	11
Realized loss on sale of available for sale securities	872	-
Tax effect on realized gain	(183)	-
Valuation allowance for changes in tax effect on unrealized loss	11	(11)
Total other comprehensive income(loss)	2	(53)
Total comprehensive loss	$ (331)	$ (1,976)

See accompanying notes to financial statements.

INTEGRITY BANK FOR BUSINESS
STATEMENT OF SHAREHOLDERS' EQUITY
For the Years Ended June 30, 2023 and June 30, 2022

	Common Stock		Additional	Accumulated	Accumulated Other	
	Shares	Amount	Paid-in Capital	Deficit	Comprehensive Income(Loss)	Total
			(in thousands except share data)			
Balance, July 1, 2021	2,300,000	$ 2,300	$ 20,610	$ (1,383)	$ -	$ 21,527
Net loss				(1,923)	-	(1,923)
Other comprehensive loss				-	(53)	(53)
Total comprehensive loss				(1,923)	(53)	(1,976)
Issuance of common stock at $10.00 per share, net	146,950	147	1,318	-	-	1,465
Equity-based compensation expense	-	-	160	-	-	160
Balance, June 30, 2022	2,446,950	$ 2,447	$ 22,088	$ (3,306)	$ (53)	$ 21,176
Net loss				(333)	-	(333)
Other comprehensive loss				-	2	2
Total comprehensive loss				(333)	2	(331)
Issuance of common stock at $10.00 per share, net	15,000	15	(15)	-	-	-
Common stock shares withheld for taxes	(1,771)	(2)	(15)	-	-	(17)
Equity-based compensation expense	-	-	274	-	-	274
Balance, June 30, 2023	2,460,179	$ 2,460	$ 22,332	$ (3,639)	$ (51)	$ 21,102

See accompanying notes to financial statements.

INTEGRITY BANK FOR BUSINESS
STATEMENT OF CASH FLOWS

	For the Years Ended June 30,			
	2023		**2022**	
	(in thousands)			
Cash flows from operating activities:				
Net loss	$	(333)	$	(1,923)
Adjustments to reconcile net loss to net cash used for operating activities:				
Provision for loan loss		39		179
Amortization of deferred fees and costs, net		(87)		(154)
Depreciation, amortization and accretion, net		(9)		95
Stock based compensation		274		160
Change in unrealized (gain)loss on available for sale securities		13		-
Net deferred tax impact on operating activities		(895)		-
Net (gains)losses on sale of securities		872		-
Changes in assets/liabilities, net				
Interest receivable and other assets		17		(98)
Interest payable and other liabilities		(55)		59
Net cash used for operating activities		(164)		(1,682)
Cash flows from investing activities:				
Proceeds from maturities and principal repayments of securities available for sale		2,196		258
Proceeds from sales of securities available for sale		24,001		-
Purchases of securities available for sale		(15,895)		(25,221)
Purchases of securities held to maturity		-		(6,000)
Net increase in loans held for investment		(3,410)		(35,519)
Net increase in holdings of restricted securities		(366)		(99)
Purchases of premises and equipment		(14)		(74)
Net cash provided by(used for) investing activities		6,512		(66,655)
Cash flows from financing activities:				
Net increase in deposits		11,136		56,537
Net increase in Federal Home Loan Bank advances		9,000		-
Proceeds from issuance of common stock, net of costs		-		1,465
Common stock shares withheld for taxes		(17)		-
Net cash provided by financing activities		20,119		58,002
Change in cash and cash equivalents		26,467		(10,335)
Cash and cash equivalents, beginning of period		13,632		23,967
Cash and cash equivalents, end of period	$	40,099	$	13,632
Supplemental disclosure:				
Interest paid	$	821	$	49

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Integrity Bank for Business (the "Bank") is a Virginia state-chartered banking corporation engaged in the general commercial and retail banking business. The Bank was incorporated on July 28, 2020, and opened for business on May 3, 2021. The Bank has one full-service branch conducting general commercial banking business with its customers who are located primarily in the cities of Virginia Beach, Norfolk, and Chesapeake in the Hampton Roads area of Virginia.

Use of Estimates

The accounting and reporting policies of the Bank conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") within the banking industry. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period presented. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The Bank invests in a variety of securities, principally obligations of the United States, U.S. government sponsored enterprises, and mortgage-backed securities. Note 2 presents information regarding the Bank's investment activities. Substantially all of the Bank's lending activities are with customers located in southeastern Virginia. Note 3 presents information regarding the Bank's lending activities. Bank management does not believe the Bank has any significant concentrations of loans by industry or customer.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks. There are no restrictions on cash balances at June 30, 2023 or June 30, 2022.

Investment Securities

Investment securities are classified in three categories and accounted for as follows:

- Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost.

- Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

- Debt securities not classified as either held-to-maturity or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported as other comprehensive income(loss), a separate component of shareholders' equity.

Gains and losses on sales of securities are computed based on specific identification of the adjusted cost of each security, are recognized on trade date, and are included in other income. Amortization of premiums and accretion of discounts are computed by the effective yield method and recognized in interest income.

Declines in the fair value of individual held-to-maturity and available-for-sale securities that are other than temporary, if any, are included in earnings as realized losses. Other than temporarily impaired ("OTTI") guidance for investments states that an impairment is OTTI if any of the following conditions exist:

s(1) the entity intends to sell the security; (2) it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis; or (3) the entity does not expect to recover the security's entire amortized cost basis even if the entity does not intend to sell. If a decline in market value of a security is related solely to changes in interest rates, that decline in market value may not need to be considered as OTTI.

Loans

The Bank grants commercial, commercial real estate, and mortgage loans for business purposes to business clients in its principal lending area of the cities of Virginia Beach, Norfolk, and Chesapeake in the state of Virginia. Loans are reported at their principal outstanding balance, net of charge-offs, deferred loan fees and costs on originated loans, unearned income, and unamortized premiums or discounts, if any, on purchased loans. Interest income is generally recognized when income is earned using the interest method. Loan origination fees and certain direct loan origination costs are deferred and the net amounts are amortized as an adjustment to yield on the respective loans.

Allowance For Loan Losses

The Bank maintains an allowance for loan losses at a level which, in management's judgment, is adequate to absorb probable and estimable credit losses on existing loans. The amount of the allowance is affected by: (1) loan charge-offs, which decrease the allowance, (2) recoveries on loans previously charged-off, which increase the allowance, and (3) the provision for loan losses charged to income, which increases the allowance.

The Bank analyzes its loan portfolio through ongoing credit review processes and constructs a comprehensive allowance analysis for its loan portfolio at least quarterly. This analysis includes two basic elements: (1) specific allowances for individual loans, and (2) general allowances for loan portfolio segments, which factor in historical loan loss experience and delinquency rates for the Bank and the banking industry and numerous other qualitative factors. This analysis is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

In order to make these subjective analyses of the credit quality of its loan portfolio, the Bank is relying on the experience of its professional management team which combines a strict adherence to credit culture and a thorough knowledge of the client base.

The Bank evaluates various loans individually for impairment based on guidance for receivables. A loan is considered impaired when it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. An evaluation is based upon either discounted cash flows or collateral evaluations. If the evaluation shows that a particular loan is impaired, then a specific reserve is established, or a charge-off is recorded, for the amount of any such impairment.

For loans not deemed to be impaired, the Bank makes estimates of losses for groups of loans as provided by guidance for contingencies. As part of the loan loss reserve methodology, loans are placed into one of two major categories or segments of loans: (1) commercial and industrial loans, and (2) commercial real estate loans.

The allowance consists of specific, general and unallocated components. The specific component relates to loans classified as impaired, as discussed previously. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors including current economic conditions, concentrations in commercial real estate, changes in volume of past due, impaired and charge-off loans, changes in staffing and the experience of the lending team, growth or change in the loan portfolio, and changes in the interest rate environment. An unallocated component may be maintained to cover uncertainties that could affect management's estimate of probable losses.

Income Recognition on Nonaccrual Loans

Loans are generally classified as nonaccrual if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well-secured and in the process of collection. If a loan or a portion of a loan is classified as "doubtful", or is partially charged off, the loan is generally classified as nonaccrual. Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt.

Loans may be returned to accrual status when all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within an acceptable period of time and there is a sustained period of repayment performance by the borrower.

While a loan is classified as nonaccrual, and the future collectibility of the recorded loan balance is doubtful, collections of interest and principal are generally applied as a reduction to principal outstanding, existing unpaid accrued interest is reversed, and the accrual of interest is stopped. When the future collectibility of the recorded loan balance is expected, interest income may be recognized on a cash basis.

Restructured Loans

Loans are considered troubled debt restructurings if, for economic or legal reasons, a concession has been granted to the borrower related to the borrower's financial difficulties that the Bank would not have otherwise considered. The Bank restructures certain loans in instances where a determination is made that greater economic value will be realized under new terms rather than through foreclosure, liquidation or other disposition. The terms of the renegotiation generally involve some or all of the following characteristics: a reduction in the interest pay rate to reflect actual operating income, an extension of the loan maturity date to allow time for stabilization of operating income, and/or partial forgiveness of principal and interest.

The carrying value of a restructured loan is reduced by the fair value of assets or equity interest received from the borrower, if any. The Bank generally continues to classify restructured nonaccrual loans as nonaccrual until such time as the loans demonstrate performance. The accrual of interest resumes when such loans can demonstrate performance, generally evidenced by six months of pre- or post-restructuring payment performance in accordance with the restructured terms, or by the presence of other significant factors. In addition, at the time of restructuring, loans are classified as impaired.

Off Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank enters into commitments to extend credit and issue standby letters of credit. Such financial instruments are recorded when they are funded.

Premises and Equipment

Leasehold improvements and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 years to 7 years. The costs of major improvements are capitalized, while costs of ordinary maintenance and repairs are charged to expense as incurred.

Leases

Lease liabilities represent the Bank's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Bank's incremental borrowing rate in effect at the commencement of the lease. Right-of-use assets represent the Bank's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and, if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

The Bank's long-term lease agreements are classified as operating leases. These leases offer the options to extend the lease terms. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations. Note 5 provides additional information related to leases.

Restricted Securities

The Bank's holdings of restricted securities totaled $1,037,000 and $671,000 at June 30, 2023 and 2022, respectively, consisting of stock in the Federal Reserve Bank of Richmond (the "FRB") and stock in the Federal Home Loan Bank of Atlanta (the "FHLB"). The Bank is required to hold stock in the FRB and the FHLB as a condition of membership with each of these correspondent banks. The amount of stock required to be held by the Bank is periodically assessed by each bank, and the Bank may be subject to purchase or surrender of the stock held in these banks, as determined by their respective calculations. No ready market exists for these securities and they have no quoted market value. However, redemption of these securities has historically been at par value and can only be redeemed by the respective issuer. Restricted security holdings are recorded at cost.

Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to net operating losses, differences between the basis of investment securities, deferred loan fees, allowance for loan losses, premises and equipment and deferred compensation for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets are reduced if it is more likely than not that the Bank will not realize the benefits of these tax assets. Accounting Standards Codification Topic 740, *Income Taxes,* requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more-likely-than-not" standard. Management considers both positive and negative evidence and analyzes changes in near-term market conditions as well as other factors which may impact future operating results. In making such judgments, significant weight is given to evidence that can be objectively verified. The deferred tax assets are analyzed no less than annually for changes affecting realization.

The Bank analyzes tax positions taken or expected to be taken on its tax returns to determine if it has any liability related to uncertain tax positions in accordance with guidance on income taxes. Liabilities, if any, resulting from this evaluation are recorded in the current period. The years ended June 30, 2022 and June 30, 2021 remain subject to examination by federal and state tax authorities. The Bank recognizes interest and/or penalties related to income tax matters in other expense.

Stock Compensation Plans

At June 30, 2023, the Bank has one stock-based compensation plan, the Integrity Bank 2021 Equity Incentive Plan, approved by a majority of the Bank's shareholders effective November 9, 2021. The Bank has adopted accounting guidance related to share-based payments, which requires that the fair value of equity instruments, such as stock options, be recognized as an expense in the issuing entity's financial statements as services are performed. See Note 8 for additional information.

The Bank's Board of Directors granted, effective December 1, 2021, 247,990 stock options to certain executives under the 2021 Equity Incentive Plan. One third of the shares vest each year on their anniversary date beginning on December 1, 2022, and on each December 1 thereafter until fully vested. Upon the death or permanent disability of the executive or a change of control of the Bank, any remaining unvested shares will vest immediately.

In addition, on December 1, 2021 the Bank's Board of Directors granted, effective December 1, 2021, 45,000 shares of restricted stock to certain executives under the 2021 Equity Incentive Plan. One third of the shares vest each year on their anniversary date beginning on December 1, 2022, and on each December 1 thereafter until fully vested. Upon the death or permanent disability of the executive or a change of control of the Bank, any remaining unvested shares will vest immediately.

As defined in the 2021 Incentive Plan, as shares of the Bank are not traded on any public marketplace, fair value of the shares is determined in good faith by the Bank at grant date based on evaluation of available data. In addition, where applicable and to the extent the share-recipients are not entitled to dividends until the shares vest, the grant date fair value of the award is reduced by the present value of the dividends expected to be paid on the underlying shares during the service period, discounted at the appropriate risk-free interest rate.

Stock Warrants

The Organizers of the Bank invested significant time and effort to form the Bank, and they provided $1.4 million of initial at-risk capital to cover organizational expenses and contribute to the capitalization of the Bank prior to its opening. In recognition of the financial risk and efforts they undertook in organizing the Bank, each Organizer received, for no additional consideration, a warrant for one share of common stock for each $10.00 of capital he or she placed at risk. The warrants have an exercise price of $10.00 per share, the initial offering price. The warrants will be exercisable in whole or in part during the ten-year period following the date the Bank opened for business. If the Virginia Bureau of Financial Institutions (the "BFI"), FRB or Federal Deposit Insurance Corporation (the "FDIC") issues a capital directive or other order requiring the Bank to obtain additional capital, the warrants will be forfeited if not immediately exercised.

Loss Per Common Share

Basic loss per common share represents loss attributable to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted loss per common share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by the Bank relate to outstanding stock options, restricted stock, and warrants and are determined using the treasury stock method.

Comprehensive Income(Loss)

Accounting principles generally require that recognized revenue and expenses, and realized gains and losses, be included in net income(loss). Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income(loss), are components of comprehensive income(loss). These items are also reflected in the Statement of Comprehensive Income(Loss).

Business Segments

The Bank currently reports its activities as a single business segment. In determining appropriate segment definition and reporting, the Bank considers components of the business about which financial information relating to performance and resource allocation is available and regularly evaluated by management. Management determines components for which it will implement performance and resource measurement procedures based upon criteria of relative importance and materiality to the organization.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements:

During June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13 (the "ASU"), "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has issued multiple updates to ASU 2016-13 as codified in Topic 326, including ASU's 2019-04, 2019-05, 2019-10, 2019-11, 2020-02, and 2020-03. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Bank will be implementing the ASU effective in the first quarter of its fiscal year beginning July 1, 2023. Management of the Bank does not expect the adoption of the ASU will have a material impact on the Bank's financial statements.

In March 2022, the FASB (FASB) issued Accounting Standards Update (ASU) No. 2022-02, "Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 addresses areas identified by the FASB as part of its post-implementation review of the credit losses standard (ASU 2016-13) that introduced the CECL model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL model and enhance the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. The amendments in this ASU should be applied prospectively, except for the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. For entities that have adopted ASU 2016-13, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted ASU 2016-13, the effective dates for ASU 2022-02 are the same as the effective dates in ASU 2016-13. Early adoption is permitted if an entity has adopted ASU 2016-13. The Bank does not believe that ASU 2022-02 will have a material impact on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Bank's financial position, results of operations or cash flows.

NOTE 2 - SECURITIES

The tables below present amortized cost, unrealized gains and losses, and fair value of the Bank's investments in securities at June 30, 2023 and June 30, 2022.

	At June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities Available for Sale				
U.S Treasury securities	$ -	$ -	$ -	$ -
Mortgage-backed securities	13,945	4	68	13,881
Total securities available for sale	13,945	4	68	13,881
Securities Held to Maturity				
U.S. government sponsored enterprises	6,000	-	227	5,773
Total securities held to maturity	6,000	-	227	5,773
Total securities	$ 19,945	$ 4	$ 295	$ 19,654

	At June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities Available for Sale				
U.S Treasury securities	$ 9,027	$ -	$ 56	$ 8,971
Mortgage-backed securities	15,958	35	32	15,961
Total securities available for sale	24,985	35	88	24,932
Securities Held to Maturity				
U.S. government sponsored enterprises	6,000	-	51	5,949
Total securities held to maturity	6,000	-	51	5,949
Total securities	$ 30,985	$ 35	$ 139	$ 30,881

At June 30, 2023, investment securities having an amortized cost of $6,000,000 and an estimated fair value of $5,773,000 had been made available for pledging against borrowings at the FHLB and were held at the FHLB for safekeeping. At June 30, 2023, no securities were held for pledging against public funds. At June 30, 2022, investment securities having an amortized cost of $6,000,000 and estimated fair value of $5,949,000 had been made available for pledging against public funds and were held at The Bankers' Bank for safekeeping.

Current year unrealized losses on investment securities, if any, were a result of changes in interest rates during the periods and were considered by management to be temporary given the credit ratings on these investment securities and the short duration of any unrealized losses. The Bank intends to hold these investments in debt securities to maturity and it is more-likely-than-not that the Bank will not be required to sell these investments before a recovery of its investment. Additionally, the Bank's mortgage-backed securities were entirely issued by either U.S. government agencies or U.S. government-sponsored enterprises. Collectively, these entities provide a guarantee, which is either explicitly or implicitly supported by the full faith and credit of the U.S. government, that investors in such mortgage-backed securities will receive timely principal and interest payments. Of the Bank's available for sale securities portfolio, all of the securities carried an unrealized loss and each of these unrealized losses had a duration of less than twelve months at June 30, 2023. The Bank had one security in its held to maturity portfolio with an unrealized loss of a duration greater than twelve months at June 30, 2023.

The amortized cost and fair value of investment securities at June 30, 2023, by contractual maturity, are reflected below. Actual maturities will differ from contractual maturities because some securities may be called or prepaid prior to their contractual maturity.

	At June 30, 2023			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized	Fair Value
	(in thousands)		*(in thousands)*	
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	4,086	4,053	6,000	5,773
Due after five years through ten years	4,781	4,749	-	-
Due after ten years	5,078	5,079	-	-
Total	$ 13,945	$ 13,881	$ 6,000	$ 5,773

At June 30, 2023, the average life of available for sale securities was 1.22 years for those securities due after one year through five years, 3.59 years for those securities due after five years through ten years, and 4.58 years for those securities due after ten years.

Gross proceeds from sales of securities available for sale were $24,001,000 for the year ended June 30, 2023, incurring gross realized losses of $872,000 associated with these sales. Losses on the sale of investment securities are recorded as of the trade date using the specific identification method. There were no sales of securities available for sale during the year ended June 30, 2022. Consequently, there were no gross proceeds from sales of securities available for sale and no gross realized gains or gross realized losses associated with any securities sales during 2022.

NOTE 3 – LOANS HELD FOR INVESTMENT, NET

Loans at June 30, 2023 and June 30, 2022, consisted of the following:

	At June 30,	
	2023	2022
	(in thousands)	
Commercial	$ 8,190	$ 11,510
Commercial real estate	30,979	24,163
Total loans	39,169	35,673
Allowance for loan losses	(218)	(179)
Total loans, net	$ 38,951	$ 35,494

All loan amounts were presented net of unearned fees and costs at June 30, 2023 and June 30, 2022.

The Bank engages in a wide range of lending activities, which include the origination, primarily in our market area, of (1) commercial business loans, (2) commercial real estate loans, (3) and other business loans secured by residential mortgage loans.

The Bank's Loan Policy provides general guidance on underwriting of loans, risk management, credit approval, loan administration and problem asset management. The Loan Policy is designed to help ensure that loan growth is accompanied by acceptable asset quality with uniform and consistently applied approval, administration and documentation practices and standards. Substantially all of the Bank's loans have been granted to customers within the Bank's primary lending area.

Commercial Business Lending

The Bank actively solicits commercial business loans of all types. Commercial business loans include revolving lines of credit to provide working capital, term loans to finance the purchase of vehicles and equipment, letters of credit to guarantee payment and performance, and other loans to assist businesses in cash management or growth opportunities.

Revolving lines of credit are typically secured by various assets of the borrower, provide for the acceleration of repayment upon any event of default, are monitored monthly or quarterly to ensure compliance with loan covenants, when appropriate, and are re-underwritten annually before renewal. Interest rates on revolving lines of credit are generally variable. Term loans are generally advanced for the purchase of, and are secured by, vehicles and equipment and are normally fully amortized over a term of two to five years, on either a fixed or variable rate basis. In general, these credit facilities carry the unconditional guarantees of the owners and/or shareholders of the borrower.

Commercial Real Estate Lending

Commercial real estate loans are primarily secured by real property and the income arising from such property. The proceeds of commercial real estate loans are generally used by the borrower to finance or refinance the cost of acquiring and/or improving a commercial property. The properties that typically secure these loans are office and warehouse facilities, retail facilities and other commercial properties. In addition, the Bank makes loans secured by special purpose facilities such as hotels, mini-storage warehouses and manufacturing facilities. The Bank actively seeks to make commercial real estate loans to borrowers who will occupy or use the financed property in connection with their normal business operations. The Bank also makes commercial real estate loans for other purposes if the borrower is in strong financial condition and presents a substantial business opportunity for the Bank, taking into account (when circumstances warrant) the extent to which the property is leased or pre-leased.

Commercial real estate loans are usually amortized over a period of time ranging from 15 years to 25 years and usually have a term to maturity ranging from five years to 15 years. These loans normally include provisions for interest rate adjustments after the loan is three to five years old. We may extend longer interest rate adjustment periods to particularly credit-worthy borrowers. The Bank's maximum loan-to-value ratio for a commercial real estate loan is 85%; however, this maximum can be waived for particularly strong borrowers on an exception basis. Most commercial real estate loans are further secured by one or more unconditional personal guarantees.

Certain commercial real estate loans are structured as mini-permanent loans. The amortization period, term and interest rates for these loans vary based on borrower preferences and our assessment of the loan and the degree of risk involved. If the borrower prefers a fixed rate of interest, we usually offer a loan with a fixed rate of interest for a term of three to five years with an amortization period of up to 25 years and the remaining balance of the loan due and payable in a single balloon payment at the end of the initial term. If the borrower prefers a variable or floating rate of interest, we usually offer a loan with a variable interest rate tied to a readily recognizable index, such as the Wall Street Journal's prime rate, for a term of three to five years with an amortization period of up to 25 years and the remaining balance of the loan due and payable in a single balloon payment at the end of the initial term.

Loans secured by commercial real estate are generally larger and involve a greater degree of risk than residential mortgage loans. Because payments on loans secured by commercial real estate are usually dependent on successful operation or management of the properties securing such loans, repayment of such loans is subject to changes in both general and local economic conditions and the borrower's business and income. As a result, events beyond our control, such as a continued or worsening downturn in the local economy, could adversely affect the performance of our commercial real estate loan portfolio. We seek to minimize these risks by lending to established customers or experienced real estate developers and generally restricting our commercial real estate loans to our primary market area. Emphasis is placed on the income producing characteristics and repayment capacity of the collateral and the cash flow and liquidity of the borrower and each guarantor.

The Bank does make land acquisition loans for future use to borrowers with strong cash flow and liquidity. The Bank's maximum loan to value ratio for a land acquisition is 65%; however, this maximum can be waived for a particularly strong borrower on an exception basis.

Residential Mortgage Lending

The Bank does not provide consumer mortgage loans, but will provide business purpose loans secured by residential properties to current or prospective business clients. These loans are made on similar terms and conditions as commercial real estate loans.

Allowance for Loan Losses

A summary of the activity in the allowance for loan losses account for the periods indicated is as follows:

	For the Years Ended June 30,	
	2023	2022
	(in thousands)	
Balance, beginning of year	$ 179	$ -
Provision for loan losses	39	179
Loans charged-off		
Commercial	-	-
Commercial real estate	-	-
Total loans charged-off	-	-
Loans recovered		
Commercial	-	-
Commercial real estate	-	-
Total loans recovered	-	-
Net recoveries	-	-
Balance, end of year	$ 218	$ 179

All loans at June 30, 2023 and June 30, 2022 were current with no loans past due more than 30 days nor were there nonperforming assets at June 30, 2023 or June 30, 2022, respectively.

The Bank utilizes an internal credit classification system to manage the credit quality of its loan portfolio. Loans categorized as "special mention" show signs of potential weaknesses and/or negative trends that may, if not corrected, inadequately protect the Bank's credit position. These loans require a high level of supervision, but are not in such a deteriorated condition that problems cannot be readily corrected with immediate action. Loans categorized as "substandard" have well-defined credit weaknesses which, if not corrected, could constitute undue and unwarranted credit risk which could impact the Bank negatively. Loans categorized as "doubtful" have credit weaknesses which make collection in full highly questionable with a high possibility for loss. Any loan whose principal and interest repayment sources have deteriorated to such a degree that principal and interest payments in full are not reasonably expected, are deemed uncollectible and are to be charged-off within 30 days of the assignment of such designation.

All other loans are categorized as "not criticized or classified", having no material deficiencies and with primary sources of repayment that are adequate and well-defined.

The following table presents a summary of commercial and commercial real estate loans classified by this internal credit classification at June 30, 2023:

	Commercial	Commercial Real Estate	Total
		(in thousands)	
Category:			
Special mention	$ -	$ -	$ -
Substandard	-	-	-
Doubtful	-	-	-
Not criticized or classified	8,190	30,979	39,169
Total Loans	$ 8,190	$ 30,979	$ 39,169

The following table presents a summary of commercial and commercial real estate loans classified by this internal credit classification at June 30, 2022:

	Commercial	Commercial Real Estate	Total
		(in thousands)	
Category:			
Special mention	$ -	$ -	$ -
Substandard	-	-	-
Doubtful	-	-	-
Not criticized or classified	11,510	24,163	35,673
Total Loans	$ 11,510	$ 24,163	$ 35,673

The following tables present an allocation of the Bank's allowance for loan losses and the respective loans evaluated based on its allowance methodology at June 30, 2023:

	Commercial	Commercial Real Estate	Unallocated	Total
		(in thousands)		
Allowance for loan losses:				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for for impairment	33	124	61	218
Total Ending Balance	$ 33	$ 124	$ 61	$ 218

	Commercial	Commercial Real Estate	Total
		(in thousands)	
Total loans:			
Individually evaluated for impairment	$ -	$ -	$ -
Collectively evaluated for impairment	8,190	30,979	39,169
Total Ending Balance	$ 8,190	$ 30,979	$ 39,169

The following tables present an allocation of the Bank's allowance for loan losses and the respective loans evaluated based on its allowance methodology at June 30, 2022:

	Commercial	Commercial Real Estate	Unallocated	Total
		(in thousands)		
Allowance for loan losses:				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	46	97	36	179
Total Ending Balance	$ 46	$ 97	$ 36	$ 179

	Commercial	Commercial Real Estate	Total
		(in thousands)	
Total loans:			
Individually evaluated for impairment	$ -	$ -	$ -
Collectively evaluated for impairment	11,510	24,163	35,673
Total Ending Balance	$ 11,510	$ 24,163	$ 35,673

At the time of restructuring, loans that are considered troubled are evaluated for impairment allowances based on collateral value, expected cash flows and/or financial strength of the borrower. Any such loan deemed impaired may be assigned a specific allowance in the calculation of allowance for loan losses. If there are subsequent payment defaults on troubled debt restructured loans, additional evaluations are conducted to determine impairment levels. No impairment allowance was deemed necessary at June 30, 2023 or June 30, 2022. No loans were restructured during the years ended June 30, 2023 or 2022.

Loans are generally classified as nonaccrual if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well-secured and in the process of collection. If a loan or a portion of a loan is classified as "doubtful" or is partially charged off, the loan is generally classified as nonaccrual. Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt.

Loans may be returned to accrual status when all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within an acceptable period of time and there is a sustained period of repayment performance by the borrower.

While a loan is classified as nonaccrual, and the future collectibility of the recorded loan balance is doubtful, collections of interest and principal are generally applied as a reduction to principal outstanding, existing unpaid accrued interest is reversed, and the accrual of interest is stopped. When the future collectibility of the recorded loan balance is expected, interest income may be recognized on a cash basis. The Bank had no past due, restructured, nonperforming, or nonaccrual loans, and no residential real estate loans in the process of foreclosure at June 30, 2023 or June 30, 2022.

NOTE 4 – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

	At June 30, 2023	At June 30, 2022
	(in thousands)	
Leasehold improvements	$ 272	$ 272
Equipment, furniture and fixtures	251	251
Computer equipment and software	161	147
Premises and equipment, at cost	684	670
Less - accumulated depreciation	(258)	(133)
Total premises and equipment, net	$ 426	$ 537

Depreciation expense for the years ended June 30, 2023 and 2022 was $125,000 and $115,000, respectively. No assets were disposed or impaired during the years ended June 30, 2023 or 2022.

NOTE 5 – LEASES

The Bank leases approximately 5,000 square feet of office space for executive offices and a branch in Virginia Beach, VA. The initial term of this lease is five years, has no residual value guarantees or covenants, and is classified as an operating lease. Subsequent extensions of the initial lease term are not automatic and are not included in the calculation of lease liabilities as management was not reasonably certain to exercise such options at that time. The right-of-use asset and the lease liability are included in other assets and other liabilities, respectively, on the balance sheet.

The initial lease term for the Virginia Beach facility, which began in 2020, is for 69 months expiring in May 2026 with three renewal options of five years each. The Bank pays a minimum rent plus annual adjustments of 2.5% after the first 33 months. An operating cost adjustment covering operating costs, real estate taxes, and utilities, that exceed those incurred in the base year of calendar year 2021 will be assessed to each tenant based on leasable area. The Bank's pro-rata portion is 6.81% of those costs, if so charged. Rent expense for the Virginia Beach facility for each of the years ended June 30, 2023 and 2022 was $81,000. There were no operating cost adjustments in the years ended June 30, 2023 or 2022.

A summary of the lease liability and right-of-use asset is as follows:

	At June 30, 2023	At June 30, 2022
	(in thousands)	
Lease liability	$ 296	$ 379
Right-of-use asset	$ 221	$ 291
Remaining lease term in years	2.92	3.92
Discount rate (%)	3.25 %	3.25 %

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities at June 30, 2023 was as follows:

Year	Amount
	(in thousands)
2024	$ 104
2025	107
2026	100
Total lease payments	311
Less Interest	(15)
Present value of lease liabilities	$ 296

NOTE 6 – DEPOSITS

Interest-bearing deposits consisted of the following at June 30, 2023 and June 30, 2022:

	At June 30, 2023	At June 30, 2022
	(in thousands)	
Money market and NOW	$ 39,991	$ 34,904
Savings	135	184
Certificates of deposit $250,000 and over	-	-
Other time deposits	5	1
Total interest-bearing deposits	$ 40,131	$ 35,089

At June 30, 2023, the scheduled maturities of time deposits were as follows:

Year of Maturity	**Amount**
	(in thousands)
Past Maturity	$ -
2024	5
Total time deposits	$ 5

NOTE 7 – SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER BORROWINGS

Securities sold under agreements to repurchase are used to facilitate the needs of customers, are classified as secured borrowings, and generally mature within one day from the transaction date. The Bank had no agreements to repurchase securities during the years ended June 30, 2023 or 2022.

The Bank has arrangements with various banks which enables the Bank to borrow up to $10,000,000 in federal funds on an unsecured overnight basis at a variable rate. At least once during each fiscal year, the Bank tests its ability to borrow from these federal funds facilities up to the maximum amount for one day at that day's applicable interest rate. There were no outstanding federal funds purchased at June 30, 2023 or June 30, 2022.

Information concerning other borrowings is summarized as follows:

	As of and for the years ended June 30, 2023	As of and for the years ended June 30, 2022
	(in thousands)	
Balance at end of year	$ -	$ -
Average balance during the year	$ 82	$ -
Weighted average interest rate during the year	4.33 %	- %
Interest expense during the year	$ 4	$ -
Maximum month-end balance during the year	$ 5	$ -

In addition, the Bank is a member of the FHLB, which has established a credit availability for the Bank in an amount equal to 25% of the Bank's total assets. Borrowings are secured by a blanket collateral agreement on a pledged portion of the Bank's qualifying loan portfolio and certain available for sale investment securities. At June 30. 2023, the amortized cost and market value of these securities were $6,000,000 and $5,773,000, respectively. At June 30, 2023 the Bank had borrowings totaling $9,000,000 from the FHLB.

Information regarding borrowings from the FHLB is summarized as follows:

	As of and for the years ended June 30,	
	2023	2022
	(in thousands)	
Balance at end of year	$ 9,000	$ -
Average balance during the year	$ 3,668	$ -
Weighted average interest rate during the year	4.56 %	- %
Interest expense during the year	$ 170	$ -
Maximum month-end balance during the year	$ 10,000	$ -

NOTE 8 – EMPLOYEE AND DIRECTOR BENEFIT PLANS

2021 Equity Incentive Plan

Effective November 9, 2021, upon approval by a majority of the shareholders of the Bank at its Annual Meeting, the Bank adopted the 2021 Equity Incentive Plan and accounting guidance related to share-based payments, which requires that the fair value of equity instruments, such as stock options and restricted stock, be recognized as an expense in the issuing entity's financial statements as services are performed. The Bank had no existing equity incentive plans prior to this date.

Under the 2021 Equity Incentive Plan, the Board of Directors may grant up to 15% of the Bank's issued and outstanding common stock. This amount, representing 367,042 stock options, stock appreciation rights, restricted stock and certain other equity awards, in the aggregate, may be issued to officers and nonemployee directors of the Bank. The Board of Directors may approve the grant of nonstatutory stock options and options qualifying as incentive stock options. As the Bank's stock is not traded on any stock exchange, the option price of these stock options will be the Fair Market Value of the Bank's common stock on the date of grant as determined initially in good faith by the Bank taking into consideration all available information.

Employee Stock Option Awards

Stock options totaling 247,990 were granted under the 2021 Equity Incentive Plan on December 1, 2021. The fair value of each stock option award was estimated on the measurement date using a Black-Scholes valuation model that used assumptions described below. Expected volatility was based on management's review of the average volatility of a sample of lightly traded peer community bank stocks over the expected term of similar stock options. The expected term represented the period of time that stock options granted were expected to be outstanding and was estimated based on management's business plan and provisions of the grant including the contractual term and vesting schedule. The risk-free interest rate was the U.S. Treasury zero coupon yield curve in effect at the measurement date for the period corresponding to the expected life of the option.

The estimates of fair value derived from the Black-Scholes option pricing model are theoretical values for stock options, and changes in assumptions used in the model could result in materially different fair value estimates. The actual value of the stock options will depend on the market value of the Bank's common stock when the options are exercised. The fair value of options granted during 2021 were estimated with the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	20%
Risk-free interest rate	0.85%
Expected life of options	3 years
Fair value of options granted during period	$1.50

Stock option awards granted under the 2021 Equity Incentive Plan provide for accelerated vesting under certain circumstances as defined in the Plan, such as a change of control with respect to the Bank, the optionee's death or permanent disability and, if the optionee is an employee of the Bank, resignation for good reason or termination without cause, subject to any limitations under applicable law. Occurrence of these events may cause the requisite service period to be less than reflected in the schedule above and may accelerate unamortized stock-based compensation expense recognized at that time. No option may be exercised after ten (10) years from the date of grant.

The following tables present a summary of stock option activity during the years ended June 30, 2023 and 2022:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term(years)	Aggregate Intrinsic Value
				(in thousands)
Outstanding at June 30, 2022	247,990	$ 10.00		
Granted	-	-		
Exercised	-	-		
Forfeited/expired	-	-		
Outstanding at June 30, 2023	247,990	$ 10.00	8.43	$ -
Exercisable at June 30, 2023	82,663	$ 10.00	8.43	$ -

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Term(years)	Aggregate Intrinsic Value
				(in thousands)
Outstanding at June 30, 2021	-	$ -		
Granted	247,990	10.00		
Exercised	-	-		
Forfeited/expired	-	-		
Outstanding at June 30, 2022	247,990	$ 10.00	9.43	$ -
Exercisable at June 30, 2022	-	$ -	-	$ -

The Bank's stock is not publicly traded on any over-the-counter stock market. The determination of the exercise price at grant date was based on the subscription price of the initial stock offering that was concluded in August 2021.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Bank's closing stock price on the last trading day of the quarter and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2023. The amount changes based on the fair market value of the Bank's common stock, as reflected by stock market prices. The Bank's current policy is to issue new shares of common stock to satisfy option exercises. There were no shares that were in-the-money.

Restricted Stock Awards

The Bank's Board of Directors granted, effective December 1, 2021, 45,000 shares of restricted stock to certain executives and officers under the Integrity 2021 Equity Incentive Plan. As with stock options, the fair market value at grant date of the restricted stock was determined in good faith by the Bank taking into consideration all available information, and was based on the stock subscription price of the initial offering that concluded in August, 2021.

The following table presents a summary of restricted stock award activity for the period of July 1, 2022 to June 30, 2023.

	Shares	Fair Value at Grant Date
Outstanding at July 1, 2022	45,000	$ 10.00
Granted	-	-
Vested	(15,000)	10.00
Forfeited/expired	-	-
Outstanding at June 30, 2023	30,000	$ 10.00

The following table presents a summary of restricted stock award activity for the period of July 1, 2021 to June 30, 2022.

	Shares	Fair Value at Grant Date
Outstanding at July 1, 2021	-	-
Granted	45,000	$ 10.00
Vested	-	-
Forfeited/expired	-	-
Outstanding at June 30, 2022	45,000	$ 10.00

The amount charged against income, before income tax benefit of $41,000, in relation to stock-based payment arrangements was $274,000 for the year ended June 30, 2023. The amount charged against income, before income tax benefit of $24,000, in relation to stock-based payment arrangements was $160,000 for the year ended June 30, 2022. At June 30, 2023, unrecognized compensation expense, net of estimated forfeitures, related to unvested stock option and restricted stock grants was $388,000 and was expected to be recognized over a weighted average period of 1.4 years as follows:

	Stock-Based Compensation Expense
	(in thousands)
2024	$ 274
2025	114
Total	$ 388

Stock Warrants

The Organizers invested significant time and effort to form the Bank, and they provided $1.4 million of initial at-risk capital to cover organizational expenses and contribute to the capitalization of the Bank. In recognition of the financial risk and efforts they undertook in organizing the Bank, each Organizer received, for no additional consideration, a warrant to receive one share of common stock for each $10.00 of capital he or she placed at risk. The 140,000 warrants have an exercise price of $10.00 per share, the initial offering price. The warrants are exercisable in whole or in part during the ten-year period following the date the Bank opened for business. If the BFI, the FRB, or FDIC issues a capital directive or other order requiring the Bank to obtain additional capital, the warrants will be forfeited if not immediately exercised.

The fair value of the issued warrants was determined using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	20%
Risk-free interest rate	1.63%
Expected life of warrants	10 years
Fair value of warrants granted during period	$3.12

The warrants estimated fair value upon issuance was $436,800 and represent an offset to additional paid in capital.

401(k) Retirement Program

Effective October 1, 2021, the Board of Directors adopted a 401(k) Retirement Program (the "401(k) Plan"). Eligible employees who have completed the required months of service are eligible to participate and make contributions to the 401(k) Plan. The Bank makes employer matching contributions under the Safe Harbor Matching Plan and expensed $34,000 and $27,000 for 401(k) Plan matching contributions during the years ended June 30, 2023 and 2022, respectively.

NOTE 9 – EARNINGS PER SHARE RECONCILIATION

The Bank calculates its basic and diluted earnings(loss) per common share ("EPS") in accordance with generally accepted accounting principles related to earnings(loss) per share.

The components of the Bank's EPS calculations are as follows:

	For the Years Ended June 30,	
	2023	**2022**
	(in thousands, except share and per share data)	
Basic loss per share		
Net loss relevant to common stockholders	$ (333)	$ (1,923)
Weighted average common shares outstanding	2,490,915	2,455,522
Loss per common share - basic	$ (0.13)	$ (0.78)
Effect of dilutive securities		
Weighted average common shares outstanding during the period	2,490,915	2,455,522
Effect of dilutive equity awards	-	-
Weighted diluted average common shares outstanding during the period	2,490,915	2,455,522
Loss per common share - assuming dilution	$ (0.13)	$ (0.78)

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by applying the treasury stock method. Under the treasury stock method, the exercise of dilutive stock options is assumed. The sum of the assumed proceeds of (a) the stock option exercises and (b) the unamortized compensation expense on in-the-money options not yet recognized pursuant to generally accepted accounting principles for share-based payments (see "Note 8 – Employee and Director Benefit Plans") are assumed to be used to purchase common stock at the average market price during the period. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased), if any, are included in the denominator of the diluted loss per share calculation.

Any difference in the number of shares used for basic loss per common share and diluted loss per common share results solely from the dilutive effect of equity awards. Restricted stock shares on an average of 36,230 shares and 26,367 shares that were unvested and unissued and that have all voting and dividend rights as issued shares prior to vesting were participating securities and were included in computing basic and diluted loss per share for the years ended June 30, 2023 and 2022, respectively. Options on an average of 247,990 shares for the year ended June 30, 2023 and 110,080 shares during the year ended June 30, 2022, and 140,000 shares of unexercised warrants during the years ended June 30, 2023 and 2022, were not included in computing diluted loss per share, because the effects of the corresponding stock options were antidilutive. Tangible book value per issued and outstanding share was $8.58 and $8.65 at June 30, 2023 and June 30, 2022, respectively.

NOTE 10 – OTHER NONINTEREST INCOME AND EXPENSE

The components of other noninterest income for the periods indicated are as follows:

	For the Years Ended June 30,	
	2023	**2022**
	(in thousands)	
Noninterest income		
Debit card transaction fees	$ 10	$ 4
Other	5	3
Total noninterest income	$ 15	$ 7

The Bank records revenue based on ASU No.2016-20 "Revenue from Contracts with Customers" ("Topic 606"). Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. The Bank's services that fall within the scope of Topic 606 are presented within non-interest income and are recognized as revenue as the Bank satisfies its obligation to the customer. A description of the Bank's noninterest revenue streams is discussed below:

Service Charges on Deposit Accounts - The Bank earns fees from its deposit customers for overdraft, monthly service fees, and other deposit account related fees. Overdraft fees are recognized when the overdraft occurs. The Bank's performance obligation for monthly service fees is generally satisfied over the period in which the service is provided. Other deposit account related fees are largely transactional based and, therefore, the Bank's performance obligation is satisfied, and related revenue recognized within the same period that the services are rendered.

Interchange Income, Net - The Bank earns interchange fees from debit cardholder transactions conducted through various payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services.

Other Service Charges and Fees - The Bank earns fees from its customers for transaction-based services. Services include safe deposit box rentals, debit/ATM card income, cashier's check issuances, stop-payment and wire transfer fees. In each case, these fees and service charges are recognized in income at the time or within the same period that the services are rendered.

The components of other noninterest expense for the periods indicated are as follows:

	For the Years Ended June 30,	
	2023	**2022**
	(in thousands)	
Noninterest expense		
Insurance	$ 85	$ 82
Telephone	36	32
FDIC insurance	57	28
Shareholder expense	15	20
Other miscellaneous	91	76
Total noninterest expense	$ 284	$ 238

The Bank maintains a key man life insurance policy on its Chief Executive Officer in the amount of $2 million. The policy has no cash surrender value and the Bank is the sole beneficiary. The Bank had recorded an expense of $45,000 related to this policy within insurance expense during each of the years ended June 30, 2023 and 2022.

NOTE 11 – INCOME TAXES

The principal components of income tax expense(benefit) for the periods indicated are as follows:

	For the Years Ended June 30,	
	2023	2022
	(in thousands)	
Federal income tax benefit - current	$ -	$ -
Deferred federal income tax expense(benefit)	(226)	(384)
Valuation allowance	(656)	384
Income tax expense(benefit)	$ (882)	$ -

A reconciliation of income tax expense(benefit) calculated at the federal statutory rate and that shown in the Statement of Operations is summarized as follows for the periods indicated:

	For the Years Ended June 30,	
	2023	2022
	(in thousands)	
Federal income tax expense(benefit)	-	-
(at 21% statutory rate)	$ (255)	$ (404)
Effect of life insurance premiums	9	10
Effect of equity based compensation	17	10
Other	3	-
Valuation allowance	(656)	384
Income tax expense(benefit)	$ (882)	$ -

The cumulative net deferred tax asset was included in other assets on the balance sheet at June 30, 2023. The components of the asset are as follows:

	At June 30,	
	2023	2022
	(in thousands)	
Deferred Tax Assets		
Net operating loss	$ 712	$ 453
Allowance for loan losses	46	37
Non-qualifying options	33	24
Organizational expense	143	165
Net unrealized loss on available for sale securities	13	11
Other	5	16
Total deferred tax assets	952	706
Deferred Tax Liabilities		
Deferred loan costs, net	51	32
Depreciation on premises and equipment	6	7
Total deferred tax liabilities	57	39
Net Deferred Tax Assets	895	667
Less Valuation Allowance	-	(667)
Carrying value of deferred tax assets	$ 895	$ -

The net deferred tax asset is included in other assets on the balance sheet. Accounting Standards Codification Topic 740, *Income Taxes,* requires that a valuation allowance is to be provided to offset any portion of a deferred tax benefit that may not be realized in the future based on the consideration of all available evidence using a "more likely than not" standard. The deferred tax assets are analyzed no less than annually for changes affecting realization. Management concluded that it would recognize a valuation allowance for the entirety of the net deferred tax asset at June 30, 2022 in order to satisfy the "more likely than not" standard until sustained profitability was achieved. During the fourth operating quarter of the fiscal year ending June 30, 2023, management concluded during its annual review of the allowance that it was "more likely than not" that the bank will realize the deferred tax benefit with the basis for sustained profitability having been achieved. Accordingly, the allowance offsetting the entirety of deferred tax asset has been reversed and taken into income. The net operating losses available to offset future taxable income amounts to $3.4 million at June 30, 2023 and $2.2 million at June 30, 2022.

The Bank files tax returns in the United States federal jurisdiction. Management has analyzed the tax positions taken or expected to be taken in its tax returns and has concluded it has no liability related to uncertain tax positions in accordance with generally accepted accounting standards for income tax purposes. Tax returns for fiscal years ending in 2021 and 2022 and subsequent years are subject to examination by taxing authorities.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Bank has loan and deposit transactions with certain of its executive officers and directors, and with companies in which the officers and directors have a financial interest.

A summary of related party loan activity for the Bank during the period indicated is set forth in the following table:

	For the Years Ended June 30, 2023	2022
	(in thousands)	
Balance, July 1	$ 4,913	$ -
Originations	400	5,376
Repayments	(4,245)	(463)
Balance, June 30	$ 1,068	$ 4,913

In the opinion of management, such related party loans are made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the same time for comparable loans to unrelated persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Commitments to extend credit and letters of credit to such related parties amounted to $1,700,000 and $649,000 at June 30, 2023 and June 30, 2022, respectively.

Deposits from related parties held by the Bank amounted to $14,859,000 and $18,606,000 at June 30, 2023 and June 30, 2022, respectively.

NOTE 13 – COMMITMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK

The Bank is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit in the form of loans or loans approved but not yet funded, and standby letters of credit. These instruments involve, to varying degrees, elements of risk which have not been recognized in the Bank's balance sheet.

Loan commitments are agreements to extend credit to a customer so long as there are no violations of the applicable contract terms prior to the funding. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the customer. Because certain of the commitments are expected to be withdrawn or expire unused, the total commitment amount does not necessarily represent future cash requirements. Standby letters of credit are written unconditional commitments to guarantee the performance of a Bank customer to a third party.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Unless otherwise noted, the Bank requires collateral or other security to support financial instruments with credit risk. Contractual amounts for financial instruments whose contract amounts represent off-balance sheet credit risk at June 30, 2023 and June 30, 2022 are set forth in the following table:

	At June 30, 2023	2022
	(in thousands)	
Commitments to extend credit	$ 6,041	$ 3,160
Standby letters of credit	20	20
Total Commitments	$ 6,061	$ 3,180

Substantially all of the Bank's loan portfolio consists of commercial and commercial real estate loans to customers located primarily in the cities of Virginia Beach, Norfolk, and Chesapeake in the state of Virginia. Accordingly, the ultimate collectibility of a substantial portion of the Bank's portfolio may be susceptible to changes in local market conditions.

The Bank maintains a portion of its cash balances with several financial institutions, which at times may exceed federally insured limits. There were $10,000 and $430,000 in uninsured balances at June 30, 2023 and June 30, 2022, respectively.

NOTE 14 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements may result in certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components (such as interest rate risk), risk weighting and other factors.

In July 2013, the FDIC and other federal banking agencies approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (commonly known as Basel III).

On January 1, 2015, banks became subject to the Basel III Capital Rules which revises definitions of regulatory capital, the new minimum regulatory capital ratios, and various regulatory capital adjustments and deductions according to transition provision and timelines. The revised rules now require the Bank to maintain (i) a minimum ratio of Common Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer", (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0% plus the capital conservation buffer of 2.5%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0% plus the capital conservation buffer of 2.5%, and (iv) a minimum leverage ratio of 4.0%.

On September 17, 2019, the FDIC finalized a rule that introduced an optional simplified measure of capital adequacy for qualifying community banking organizations (i.e. the community bank leverage ratio ("CBLR") framework) as required by the Economic Growth, Regulatory Relief and Consumer Protection Act. The CBLR framework is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. In order to qualify for the CBLR framework, a community banking organization must have a tier 1 leverage ratio of at least 9 percent, less than $10 billion in total consolidated assets, and limited amounts of off-balance sheet exposures and trading assets and liabilities. A qualifying bank that opts into the CBLR framework and meets all requirements under the framework will be considered to have met the well-capitalized ratio requirements under Prompt Corrective Action regulations and is not required to report or calculate risk-based capital. The Bank had not opted into the CBLR framework at June 30, 2023.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum capital amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to average assets (as defined). Management believes that, as of June 30, 2023, the Bank met all capital adequacy requirements to which it is subject; further, the Bank was "well capitalized" under the applicable regulatory framework. To be categorized as well capitalized, the Bank must maintain the minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios set forth in the table below. At June 30, 2023, the Bank's total risk-based capital, Tier 1 risk-based capital, and Tier 1 capital (leverage) ratios were 46.61%, 46.13%, and 23.21% respectively, all in excess of the minimum requirements. At June 30, 2022, the Bank's total risk-based capital, Tier 1 risk-based capital, and Tier 1 capital (leverage) ratios were 51.05%, 50.62%, and 27.28% respectively, all in excess of the minimum requirements. There were no conditions or events that management believes have changed the Bank's categorization.

The capital amounts and ratios for the Bank at June 30, 2023 and June 30, 2022 are presented in the following table:

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
At June 30, 2023						
Total Capital to Risk-Weighted Assets	$ 21,370	46.61 %	$ 3,668	8.00 %	$ 4,585	10.00 %
Tier 1 Capital to Risk-Weighted Assets	$ 21,152	46.13 %	$ 2,751	6.00 %	$ 3,668	8.00 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	$ 21,152	46.13 %	$ 2,063	4.50 %	$ 2,980	6.50 %
Tier 1 Leverage Ratio to Average Assets	$ 21,152	23.21 %	$ 3,645	4.00 %	$ 4,557	5.00 %

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
At June 30, 2022						
Total Capital to Risk-Weighted Assets	$ 21,408	51.05 %	$ 3,355	8.00 %	$ 4,194	10.00 %
Tier 1 Capital to Risk-Weighted Assets	$ 21,229	50.62 %	$ 2,516	6.00 %	$ 3,355	8.00 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	$ 21,229	50.62 %	$ 1,887	4.50 %	$ 2,726	6.50 %
Tier 1 Leverage Ratio to Average Assets	$ 21,229	27.28 %	$ 3,113	4.00 %	$ 3,892	5.00 %

NOTE 15 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses fair value measurements to record certain assets and to determine fair value disclosures. The Bank does not have any liabilities that are measured at fair value. Securities available for sale are recorded at fair value on a recurring basis. The Bank had no assets measured at fair value on a nonrecurring basis in accordance with GAAP at June 30, 2023 and June 30, 2022.

The Bank refers to the "Fair Value Measurements and Disclosures" topic of the FASB Accounting Standards Codification ("ASC 820") to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. ASC 820 establishes guidance for a hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Fair Value Hierarchy

The guidance establishes three levels of the fair value hierarchy inputs as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Investment Securities Available for Sale

Investment securities available for sale are recorded at fair value on a recurring basis. Fair value is measured by quoted prices, if available (Level 1). If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 2 securities include Treasury notes and bills and mortgage-backed securities issued by government sponsored entities.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2023 and June 30, 2022, are summarized below:

At June 30, 2023	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
		(in thousands)		
Available for sale securities				
U.S. Treasury securities	$ -	$ -	$ -	$ -
Mortgage-backed securities	-	13,881	-	13,881
Total available for sale securities	$ -	$ 13,881	$ -	$ 13,881

At June 30, 2022	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
		(in thousands)		
Available for sale securities				
U.S. Treasury securities	$ -	$ 8,971	$ -	$ 8,971
Mortgage-backed securities	-	15,961	-	15,961
Total available for sale securities	$ -	$ 24,932	$ -	$ 24,932

NOTE 16 – SUBSEQUENT EVENTS

The Bank has evaluated subsequent events that have occurred after the balance sheet date, but before the financial statements have been issued. There are two types of subsequent events (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) nonrecognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose about that date.

Subsequent events have been considered through September 27, 2023, the date financial statements are available to be issued. Based on the evaluation, the Bank has not identified any recognized or nonrecognized subsequent events that would have required adjustment to or disclosure in the audited financial statements.

INTEGRITY BANK FOR BUSINESS
SHAREHOLDER INFORMATION

ANNUAL MEETING

Integrity Bank for Business intends to hold its 2023 Annual Meeting of Shareholders at 10:00 a.m. on Wednesday, November 8, 2023 at The Westin, Virginia Beach Town Center, 4535 Commerce Street, Virginia Beach, Virginia 23462.

EXECUTIVE OFFICE AND BRANCH

Integrity Bank for Business
2901 S. Lynnhaven Road, Suite 100
Virginia Beach, VA 23452

TRANSFER AGENT

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1 State Street 30th Floor
New York, NY 10004-1561
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INVESTOR RELATIONS

Investor Relations
Integrity Bank for Business
2901 S. Lynnhaven Road, Suite 100
Virginia Beach, VA 23452
email: investor.relations@integritybankva.com

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Board of Directors
(Pictured from left to right)

Matthew R. Nusbaum

L. Allan Parrott, Jr.

J. Van Rose, Jr.

Michael S. Ives

Peter M. Meredith, Jr.

David L. Kaufman

Donna L. Scassera

David A. Arias

Integrity Management Team

Michael Ives
President, Chief Executive Officer and Chief Credit Officer

Neal Crawford
Chief Development Officer

Melonie Whitehead
Chief Deposit Officer

Maureen Grover
Assistant Chief Deposit Officer

Peter Reeves
Deputy Chief Credit Officer

Leigh Keogh
Chief Administrative Officer and Chief Lending Officer

Eleanor Bolick
Loan Administration Manager

Anne Vanderberry
Chief Financial Officer

Duane Rupp
Controller

Strategic Advisory Council

Dwayne Furlough
Marlin Marine Electronics Inc.

Edward Hewitt
Viridian Homes LLC

Todd Jared
Lin-Con, LLC

Matthew Kantro
Noble Title & Escrow, Inc.

Edward Kaufman
Davenport & Company LLC

Sidney Kellam
Ware Insurance

Richard Meredith, Jr.
Meredith Management

Russell Payne
Ron Zoby Tours, Inc.

Integrity Bank
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