



866-892-1LSB • LakesideBank.com

Board of Trade

141 W. Jackson Blvd. • Chicago, IL 60604

Bridgeport

3855 S. Halsted St. • Chicago, IL 60609

Chinatown/Pilsen

2200 S. Archer Ave. • Chicago, IL 60616

Elmhurst

165 S. York St. • Elmhurst, IL 60126

Lakeview/Lincoln Park

2800 N. Ashland Ave. • Chicago, IL 60657

North Loop

55 W. Wacker Dr. • Chicago, IL 60601

Oakbrook Terrace

18W076 22nd St. • Oakbrook Terrace, IL 60181

Park Ridge

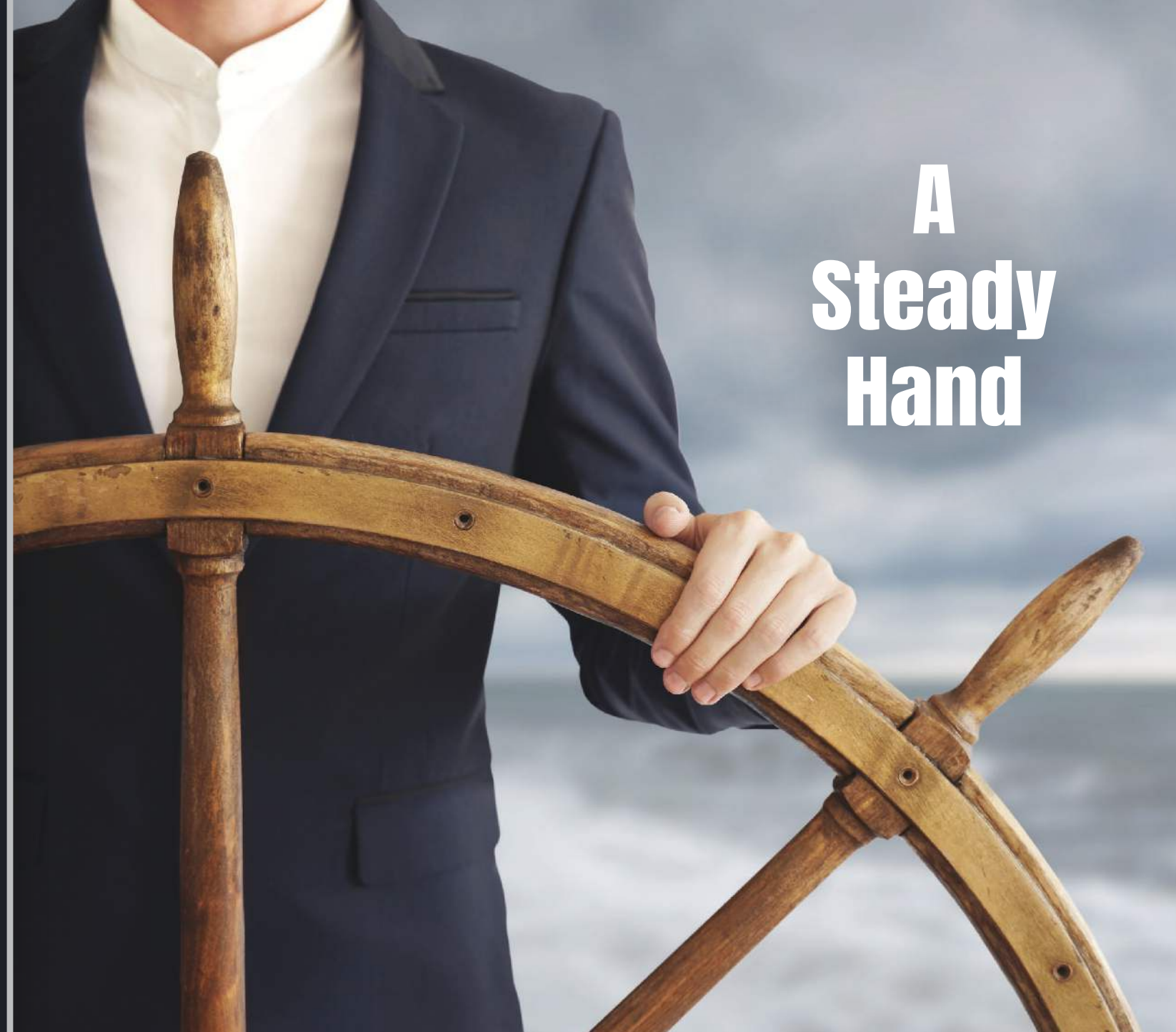
425 Devon Ave. • Park Ridge, IL 60068

South Loop

1350 S. Michigan Ave. • Chicago, IL 60605

Lakeside Bank Operations Center

2001 York Rd. • Suite 150 • Oak Brook, IL 60523



**A
Steady
Hand**



**Lakeside
Bank**

2023 Financial Summary

Message From The Chairman

Lakeside: A Steady Hand at the Helm

Despite a volatile year, or perhaps because of it, Lakeside Bank had an excellent 2023. We provided a safe haven, attracting deposits from competition to bolster liquidity. We closed our 57th year at \$2.64 billion in assets, up +17% vs. 2022. Lakeside is in the top 9.5% of banks in the entire country, the 385th largest of the 4,049 banks. We're well positioned to accelerate our growth in 2024 and beyond.

The Macro Environment

2023 was yet another year of significant challenges which contributed to economic uncertainty, including higher energy and food prices, inflation, and volatile markets. While the banking sector has stabilized, many banks are now confronted with the aftermath of surging interest rates including compressed margins, AOCI losses (Accumulated Other Comprehensive Income), and rising default rates. Interest expenses also increased due to the need to maintain and compete for deposits.

Fortunately, in spite of the capricious economic landscape, the 2023 economy was fueled by large amounts of government stimulus, a healthy labor market, and consumer spending. The other side of the stimulus coin is the growth of the national deficit, now in excess of \$34 trillion. This is obviously a near and long-term concern. Quantitative tightening is draining more than \$900 billion in liquidity from the system annually – we have never experienced the full impact of tightening on this scale. These unprecedented forces cause us to remain cautious.

Five banks failed last year, which caused significant industry turmoil. They failed for a confluence of poor management reasons, mainly:

- A high percentage of earnings assets in long maturity securities. When rates rose, they were vulnerable.
- An unacceptably high concentration of uninsured depositors.
- Lean capital, compounding the dangerous outflow of deposits.

A banker friend once said to me, *“lean capital is problematic, but lack of liquidity can be terminal!”* Or, as Warren Buffet graphically put it, *“It’s only when the tide goes out that you learn who’s been swimming naked.”* While the issues were institution specific, the impact drove up the cost of deposits at all banks across the country ... and caused significant damage to business and consumer perception of the entire industry. Bank stocks suffered.

Lakeside Financials: Key Indicators for 2023

Lakeside's balance sheet is strong, flexible, and compares favorably to the marketplace: Deposits were up 20% and our loan portfolio increased 12% for the year. Earning assets are short in duration, leverage capital is well in excess of “well capitalized” at 10.7% (more than twice the level needed for that highest category), and our asset generation machine allowed us to offset rising interest expense.

Additional priority information:

- As noted, at year-end 2023, total assets were \$2.64 billion. Total loans stood at \$2.03 billion (81% of our earning assets) and securities at \$296 million (12% of earning assets), and other investments at \$178 million (7% of earning assets), manifesting total earning assets over \$2.5 billion.
- Return on Equity and Return on Assets were more than 17% and 1.65% respectively, both well above our national peer group average.
- Our positive asset quality and a well-funded ACL reserve (Allowance for Credit Losses) at 1.30% provides for future risk exposure.
- Our non-performing loans remain historically low, with the Bank in the top 17th percentile in asset quality, again among our national peer group.
- Our loan and investment portfolio maturities are at 20 and 46 months, respectively, giving us the opportunity to reprice asset yields higher in the near short term. These portfolio durations will serve us well and allow us to offset interest rate costs.
- Importantly, while many banks are hampered by commercial real estate loan issues and pulling back, Lakeside is healthy, open for business, and actively making loans. We will aggressively pursue this competitive opportunity in 2024.

New Branch Performance

Lakeside Bank's three newest branches are exceeding all expectations: Oakbrook Terrace is at \$56 million, Bridgeport \$77 million and Park Ridge \$53 million in deposits. These neighborhoods will provide us with stable, core deposits to nourish asset generation. I'm also pleased to report new locations are now in the planning stages. We expect additional branches to open in 2025, including Naperville.

Treasury Management

The department had a highly successful year, adding a record number of new clients. We also celebrated the largest “Positive Pay” service enrollments, fortifying clients from the ever-present threat of check and ACH fraud. Treasury Management is adding real-time payment technology, which will revolutionize how our clients conduct transactions, enhancing liquidity and efficiency in an increasingly competitive landscape. Lakeside Treasury Management continues to innovate, finding ways to help clients work more efficiently and save money. It is an increasingly important division of the Bank.

Additional 2023 News

In late May we closed on the sale of our Roosevelt Road operations center, moving those functions to Oak Brook. This provided multiple benefits: capital accretion of \$5.38 million, cost savings of over \$500,000 annually and a centralized branch network for efficiency and recruitment advantages.

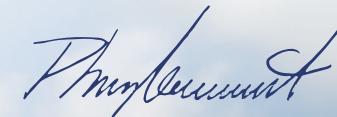
We also converted our core processing capabilities to Fiserv, a leading financial institution data processing company, and added Zelle, improving real-time P2P payments for our retail clients.

Lakeside Meaningful Points-of-Difference

As always, it's important to look, “beyond the numbers.” Lakeside is a different kind of bank. True service has always defined us. We're **Responsive**, willing & able to **Customize**, finding solutions for our clients (not the other way around) and we **Execute** quickly and correctly. And we're a unique size. Large enough to get done whatever our clients need done. And right sized to be incredibly nimble. I proudly refer to this as our “*Goldilocks*” position. We're just right! These are the reasons why Lakeside clients remain Lakeside clients. **There is no bank like Lakeside in the Chicago region ... or the country.** Our new account openings surged by 174.5% in 2023. *Our brand is strong, our vision for the future is clear, and Lakeside is ubiquitous!*

We do face a confluence of macroeconomic headwinds in 2024, including the national deficit, lingering inflation, credit card debt, and potentially sustained high interest rates. A presidential election year also brings unknowns. Whatever comes, Lakeside will always stand ready. We are that steady hand at the helm. And together, we will prosper. As Teddy Roosevelt said, *“Make preparations in advance. You will never have trouble if you are prepared for it.”* My thanks and appreciation to our entire Lakeside team, who always make sure we are prepared ... and ready to creatively serve our clients.

Sincerely,



Philip D. Cacciatore
Chairman & Chief Executive Officer



Financial Highlights

	2021	2022	2023
Net Operating Income	\$42,716,000	\$50,247,000	\$42,359,000
<i>Balances at year end:</i>			
Assets	\$2,340,469,000	\$2,267,919,000	\$2,642,306,000
Loans, Net	\$1,631,002,00	\$1,783,656,000	\$2,001,194,000
Deposits	\$1,980,394,000	\$1,790,394,000	\$2,149,008,000
Stockholders' Equity	\$234,094,000	\$239,798,000	\$253,726,000

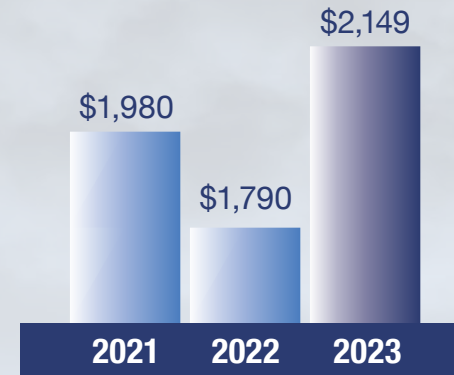
NET OPERATING INCOME
(in millions)



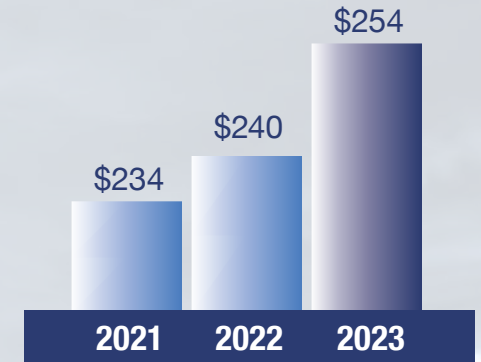
TOTAL LOANS
(in millions)



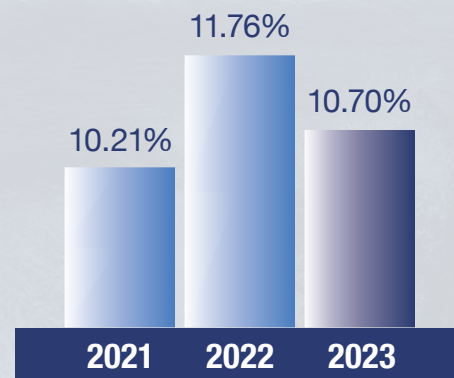
TOTAL DEPOSITS
(in millions)



TOTAL STOCKHOLDER'S EQUITY
(in millions)



TIER 1 LEVERAGE CAPITAL RATIO



Financial Highlights *(Continued)*

STATEMENT OF EARNINGS

(audited in thousands)

	2021	2022	2023
<i>Interest Income on:</i>			
Loans	\$80,619	\$89,205	\$118,428
Securities	\$2,086	\$7,489	\$15,276
Other investments	\$472	\$805	\$1,349
Total Interest Income	\$83,177	\$97,499	\$135,053
<i>Interest Expense on:</i>			
Deposits	6,999	8,377	49,630
Other borrowings	1,870	1,917	6,913
Total Interest Expense	\$8,869	\$10,294	\$56,543
Net Interest Income	\$74,308	\$87,205	\$78,510
<i>(Benefit) provision for credit losses</i>	(3,200)	(3,320)	350
Net Interest Income	\$77,508	\$90,525	\$78,160
<i>After benefit/provision for credit losses</i>			
Other Income	\$8,029	\$8,049	\$10,790
Other Expenses	\$42,325	\$47,678	\$46,711
Income Taxes	\$496	\$649	(\$120)
Net Operating Income	\$42,716	\$50,247	\$42,359

STATEMENT OF CONDITION

(audited in thousands)

	2021	2022	2023
ASSETS			
Cash and due from banks	\$359,770	\$83,616	\$226,796
Investment securities	\$243,445	\$288,933	\$296,077
Loans, net of unearned discount	\$1,659,322	\$1,808,996	\$2,027,584
Less allowance for credit losses	\$28,320	\$25,340	\$26,390
Net Loans	\$1,631,002	\$1,783,656	\$2,001,194
Other assets	\$106,252	\$111,714	\$118,239
Total Assets	\$2,340,469	\$2,267,919	\$2,642,306
LIABILITIES & STOCKHOLDERS' EQUITY			
Deposits			
Non interest-bearing	\$658,824	\$608,905	\$500,284
Interest-bearing	\$1,321,570	\$1,181,489	\$1,648,724
Total Deposits	\$1,980,394	\$1,790,394	\$2,149,008
Other borrowings	\$80,429	\$191,000	\$184,000
Other liabilities	\$45,552	\$46,727	\$55,572
Total Liabilities	\$2,106,375	\$2,028,121	\$2,388,580
Stockholders' Equity	\$234,094	\$239,798	\$253,726
Total Liabilities & Stockholders' Equity	\$2,340,469	\$2,267,919	\$2,642,306