



2022

ANNUAL REPORT

LEXICON
BANK

BEST[®]
of
LAS VEGAS
GOLD WINNER
LAS VEGAS REVIEW-JOURNAL 2022
BESTOFFLASVEGAS.COM



MESSAGE FROM THE CHAIRMAN OF THE BOARD

“It feels as if every year I am commenting on how we have overcome an unusually challenging year that just ended. In the three years Lexicon Bank has been open for business, we have had a rookie year, a once in a lifetime pandemic year, and a multi-generationally high inflationary year. Yet this year, just like previous years, we continue to overcome obstacles placed before us, and even thrive and grow despite the challenges that have often crippled other banks. It is not by accident or the result of mere luck; rather, it is a result of a phenomenal community, a fantastic management team, and the incredible loyalty of investors and clients. I am fortunate to be a part of Lexicon, and you should be as well.”

Russell Rosenblum

Chairman of the Board

- OUR MISSION -

Lexicon Bank empowers clients to achieve their financial goals by providing a concierge-like private banking experience where service goes above and beyond clients' expectations.

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LETTER TO SHAREHOLDERS



STACY WATKINS

President & CEO of Lexicon Bank

“Lexicon Bank enters a new exciting chapter exiting de novo status. We look forward to achieving new milestones together as we continue to build a stronger, more prosperous community in Southern Nevada.”

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EMAIL: swatkins@lexiconbank.com

DEAR SHAREHOLDERS AND COMMUNITY PARTNERS OF LEXICON BANK,

In 2019, Lexicon Bank embarked on a bold vision to be the bank for business, no matter the size. Today, we continue to deliver on that vision after another profitable year while successfully completing our de novo period - three years of stringent supervision by the Federal Deposit Insurance Corporation (FDIC) for newly established banks.

2022 was the year of endurance. Despite record inflation, a looming recession and recent bank failures, we experienced a renewed energy in Southern Nevada businesses. Our ability to navigate complex issues allowed us to thrive and drive shareholder value, even in the face of unprecedented change. We continued to grow profits, maintained a balanced portfolio, provided new and exciting products, supported local nonprofits, all while continuing to offer “Best of Las Vegas” service. In addition, we are pleased to report we exited our de novo period.

Passion for our community paired with industry-leading banking expertise enabled us to grow and diversify our portfolio. Given the current interest rate environment, the Bank’s strong balance sheet illustrates our success in managing our assets and liabilities while optimizing yield. While economic conditions caused loan production to slow mid-year, we were able to quickly pivot our strategy to focus on growing deposit accounts. As a response to recent events in the banking industry, the Bank experienced increased demand for fully insured FDIC deposits for amounts over \$250,000, providing peace of mind for clients with large balances by offering our IntraFi products. Our ability to address complex economic conditions, to streamline operations, to balance our risk, and to aggressively pursue new business drove profitability in 2022 and into 2023.

To further support our growth, we continue to invest in technology to maintain our concierge-like client experience. We received excellent reviews after launching Digital One™, a new online banking portal for our business clients. To grow and retain deposits, our operations team launched Analysis Checking to help clients offset fees with the balances in their accounts. We continued to enhance Treasury Management Services by offering Positive Pay to help clients prevent check fraud. We launched our Cybersecurity newsletter arming clients with important information about how to keep their accounts safe and minimize fraud.

Our community involvement was purposeful and driven by our strategic plan. We have given back to more than 30 nonprofit organizations in the valley because philanthropy is at the root of our culture. It was the vision of our Board of Directors to have a meaningful impact on Southern Nevada and community involvement is one of the top attributes we look for when hiring new talent.

Last year we also completed our de novo period – three years of stringent supervision by the Federal Deposit Insurance Corporation (FDIC) for newly established banks. Successfully exiting the de novo period while achieving profitability is a significant accomplishment, and further exemplifies our ability to navigate complex issues. Furthermore, our commitment to service was recognized by the Las Vegas Review-Journal's Best of Las Vegas 2022. Lexicon Bank was awarded Gold for Best Commercial Banking, Gold for Best Commercial Lending, and Bronze for Best Customer Service – spanning all industries in Southern Nevada.

Our team remained dedicated to driving value for our shareholders by constantly adjusting our product solutions to meet the unique needs of our market and improve our bottom line. Looking to 2023, we reaffirm our commitment to serve our shareholders and increase our market share in Southern Nevada. While we are cautiously optimistic; we recognize the potential challenges that lie ahead. Our proven track record of meeting the needs of businesses while navigating complex issues during challenging times places us in an excellent position.

We want to thank our shareholders for their continued investment in Lexicon Bank, and we are confident that the future holds great promise for us all. We look forward to achieving new milestones together as we continue to build a stronger, more prosperous community in Southern Nevada.

SINCERELY,



**STACY WATKINS
PRESIDENT & CEO**



PERFORMANCE HIGHLIGHTS

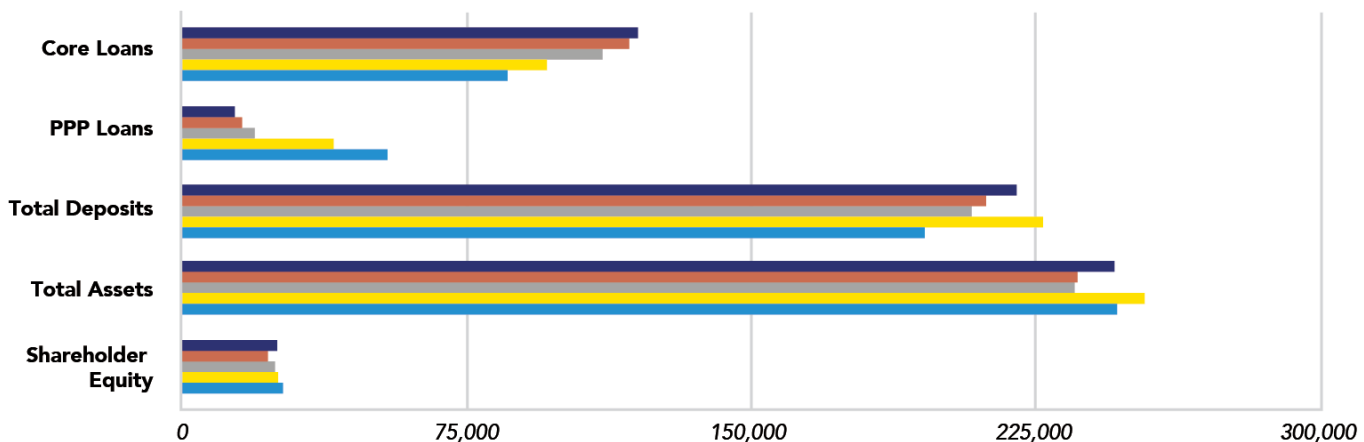
Core loans, net of fees, grew to \$120.4 million as of December 31, 2022. The total core loan production (including funded loans and unfunded lines of credit) for 2022 resulted in 67 new loans totaling \$55.5 million with a weighted average rate of 5.95%. In 2022, the overall core loan portfolio weighted average interest rate increased by 133 basis points to 5.69%. The Paycheck Protection Program (PPP) loans, net of fees, decreased by \$39.3 million in 2022 to \$14.3 million. The Bank closely monitors economic developments and adjusts lending strategies to address potential credit risk while optimizing loan yields.

Total Investment securities were \$36.2 million, which includes unrealized losses from available-for-sale securities (AFS). As of December 31, 2022, the Bank held \$27.2 million in AFS and \$9.1 million with a held-to-maturity (HTM) designation. HTM Securities have an unrealized loss of \$96K which is not reflected on the balance sheet.

Total deposits increased to \$219.7 million as of December 31, 2022, including 614 new accounts representing \$70.9 million. The increase in short term interest rates by the Federal Reserve placed upward pressure on interest rates, increasing the interest rate on total deposits by 82 basis points to 0.93% compared to the prior year-end. Non-interest-bearing account balances were 37% of total deposits as of December 31, 2022. Lexicon also held \$9.1 million in off-balance sheet deposits, which provided an opportunity for large depositors to insure their deposits while still contributing to the Bank's non-interest income. Total deposits under management were \$228.8 million.

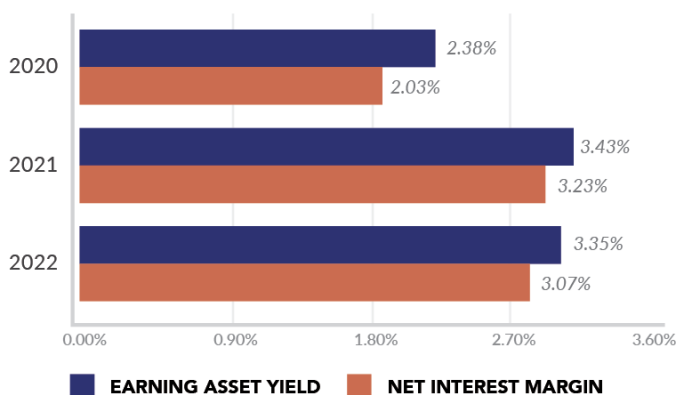
BALANCE SHEET —

(Dollar Amount In Thousands)



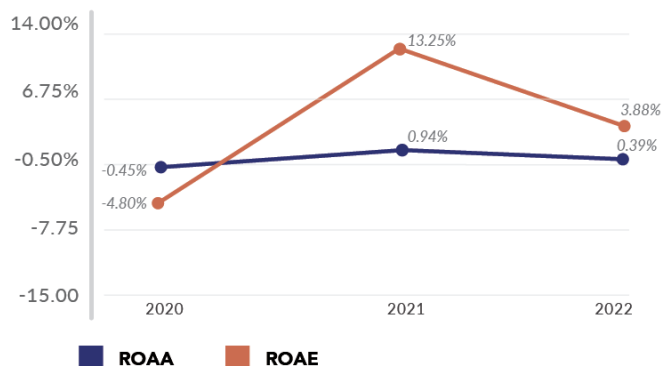
	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Core Loans	120,410	118,320	111,358	96,911	86,152
PPP Loans	14,267	15,650	18,687	39,479	53,549
Total Deposits	219,667	211,163	208,618	226,858	194,874
Total Assets	247,437	237,582	235,518	254,936	247,128
Shareholder Equity	24,418	22,906	23,577	24,633	26,026

NET INTEREST MARGIN* —



* Includes PPP related income and expenses

ROAA/ROAE* —

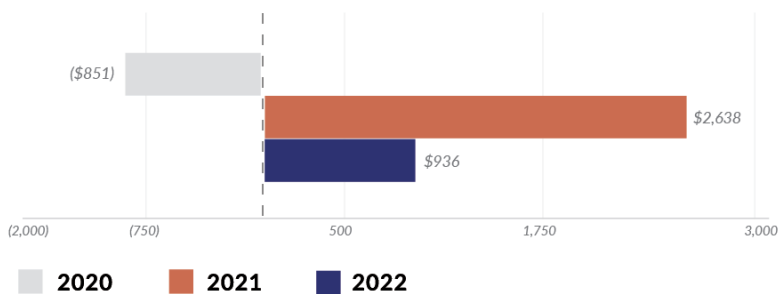


* Includes PPP related income and expenses

The Bank boasts strong liquidity with cash and cash equivalent balance of \$71.8 million at year-end, or 33% of total deposits. In addition, the Bank’s unused credit lines can be utilized as a contingent funding source, totaling over \$31 million, or an additional 14% of total deposits. The Bank’s total operating liquidity (cash plus available credit lines and unpledged securities) was \$123.4 million or 56% of total deposits. Our liquidity position reflects full repayment of the Paycheck Protection Program Liquidity Facility (PPPLF) which stood at \$25 million in balance at the end of 2021.

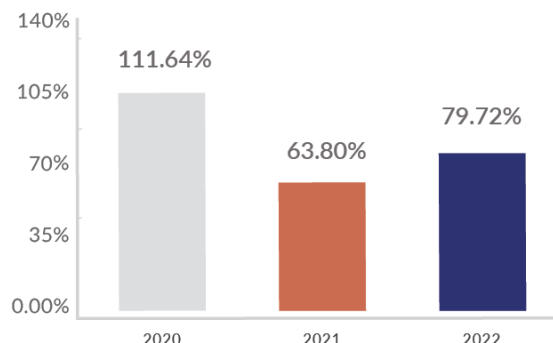
NET INCOME/(LOSS)* —

(Dollar Amount In Thousands)



* Includes PPP related income and expenses

EFFICIENCY RATIO* —



* Includes PPP related income and expenses

At year-end, Stockholders’ equity decreased \$1.6 million to \$24.4 million, due to a \$2.5 million increase in the net unrealized loss (net of tax benefit) on Available-for-Sale (AFS) securities, and an increase in retained earnings from net income of \$936,627. As of December 31, 2022, the Bank’s Tier 1 Capital was \$27.4 million, with a Community Bank Leverage Ratio (CBLR) of 11.17%. As a reference, 9% is the minimum requirement to be designated a “well-capitalized bank” by the FDIC.

For 2022, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 0.39% and 3.88% respectively, or -0.13% and -1.28% without PPP. Net interest margin without PPP increased by 58 basis points from 2.42% to 3.0% compared to prior year. The increase is attributed to the reduction of low interest rate PPP loans (Bank received fees to process these loans). Similarly, the Bank’s efficiency ratio improved from 144% in 2021 to 90% in 2022 without PPP.

FINANCIAL STATEMENT DATA

BALANCE SHEET DATA

As of Years' End, December 31, 2022 & 2021

(Unaudited, dollar amounts in thousands, except share and per share data)

ASSETS	December 31, 2022	December 31, 2021
Cash & Cash Equivalents	\$71,794	\$82,943
Investment Securities	36,263	22,854
Loans, net of fees, Held for Investment	120,410	86,152
PPP Loans, net of fees	14,267	53,549
Allowance for Loan Losses	(1,489)	(1,080)
Total Loans	\$133,188	\$138,621
Other Assets	6,192	2,710
Total Assets	\$247,437	\$247,128
LIABILITIES AND EQUITY		
Non-Interest-Bearing Demand	\$81,846	\$86,989
Interest-Bearing Demand	120,471	69,483
Time Deposits	17,350	38,402
Total Deposits	\$219,667	\$194,874
Borrowings - PPPLF & Others	0	24,996
Accrued Interest & Other Liabilities	3,352	1,232
Total Liabilities	\$223,019	\$221,102
Total Stockholders' Equity	24,418	26,026
Total Liabilities & Equity	\$247,437	\$247,128
BOOK VALUE PER SHARE	\$9.57	\$10.20
BASIC SHARES OUTSTANDING	2,552,231	2,552,231

STATEMENT OF INCOME DATA

As of Years' End, December 31, 2022 & 2021

(Unaudited, dollar amounts in thousands)

	December 31, 2022	December 31, 2021
Interest Income	\$7,003	\$3,990
PPP Interest Income	953	5,453
Interest Expense	683	550
Net Interest Income	\$7,273	\$8,893
Provision for Loan Losses	935	356
Net Interest Income After Provision for Loan Losses	\$6,338	\$8,537
Non-Interest Income	430	268
Non-Interest Expense		
Compensation & Benefits	3,414	3,014
Premises & Occupancy	623	591
Data Processing	778	976
Professional Fees	459	467
Marketing Expense	176	177
Other Expenses	690	620
Total Operating Expense	\$6,140	\$5,845
Income before Taxes	628	2,960
(Benefit) Provision for Income Taxes	(308)	322
Net Income	\$936	\$2,638
RETURN ON AVERAGE ASSETS	0.39%	0.94%
RETURN ON AVERAGE EQUITY	3.88%	13.25%



CLIENT SPOTLIGHT: **KALIFANO**

“Lexicon Bank understands what it takes to help small businesses grow. We will never forget how quickly our EVP and Chief Credit Officer, Leo Moschioni, and our Relationship Manager, April Wilson, moved to help us with our existing loans when the pandemic hit. The PPP loans that Lexicon helped us obtain allowed us to keep our 30 employees working and for us to proceed with our airport expansion. Having a true banking partner during these challenging times made all the difference for us. Today, we are blessed to have such a solid and trusted lending relationship that enables us to continue to grow our business. We are proud to carry on our family’s legacy, and, like Lexicon, we are committed to providing our clients with excellent quality products and unparalleled customer service.”

ASHRAF KHALAF, CEO
Kalifano LLC

KALIFANO is a sixth-generation family-owned business that has grown from selling linens and lingerie on Madison Avenue in 1912 to offering rare crystals, gemstones, fossils, and recycled metal art through our Las Vegas galleries, website, and retail partners worldwide.

CLIENT SPOTLIGHT: **COLLABORATION CENTER FOUNDATION**

“Lexicon Bank has been a strategic partner in helping Collaboration Center Foundation achieve its goals to create a life changing campus for individuals, family members and caregivers touched by Autism, Down syndrome, Cerebral Palsy, Dyslexia and others with special abilities. CCF appreciates all the support Lexicon gives back to making our community a better place!”

LYNDA TACHE, PRESIDENT & CEO
Collaboration Center Foundation

COLLABORATION CENTER FOUNDATION at Las Vegas Ranch is a 5-acre campus serving individuals and families touched by Autism and other Intellectual, Developmental and Physical Disabilities of ALL ages. Services on CCF's campus include speech therapy, occupational therapy, behavior therapy, physical therapy, education therapy and academic tutoring, life skill camps, recreation, healthcare transition and more.

COMMUNITY SPONSORSHIPS

**BOY SCOUTS OF AMERICA
LAS VEGAS AREA COUNCIL**

www.lvacbsa.org

CHARITY SERIES OF POKER

www.charityseriesofpoker.org

GIRL SCOUTS OF SOUTHERN NEVADA

www.girlscoutsnv.org

GREEN OUR PLANET

www.greenourplanet.org

THE JUST ONE PROJECT

www.thejustoneproject.org

LEADERS IN TRAINING

www.litlv.org

PROJECT MARILYN

www.projectmarilyn.com

SCLERODERMA SPRINT

www.sclerodermasprint.com

SHAQUILLE O'NEAL FOUNDATION

www.shaqfoundation.org

SHINE A LIGHT

www.shinealightlv.com

SPREAD THE WORD NEVADA

www.spreadthewordnevada.org

STREET TEENS

www.streetteens.org

BRANCH DRIVES & VOLUNTEER EVENTS

- Participated in the United Way's Day of Giving
- Hosted the NAWBO Women's Small Business Month Networking Event
- Hosted the American Heart Association's Heart Walk VIP & Survivor Tent
- Hosted a dinner for the International Women's Forum World Leadership Conference
- Communities in Schools Fill The Bus Drive
- Las Vegas Rescue Mission Food Drive and Volunteer Event
- Marine Corps Reserve Toys For Tots Drive
- Volunteer Night at the Magical Forest at Opportunity Village
- Sponsored the Las Vegas PRIDE Parade



“I am proud of the impact we have made in the Las Vegas community over the past three years. Giving back is not only part of our culture, it is who we are. A healthier, stronger community means greater opportunity for growth and success in Southern Nevada and we are grateful to be a small part of that. We are excited for the future and look forward to continued improvements in the place we all live and work.”

Diana Bennett
Board of Directors, Marketing Chair

OTHER COMMUNITY AFFILIATIONS

Las Vegas Chamber/Executive Women's Council, Henderson Chamber, Commercial Real Estate Women of LV, Nevada Corporate Giving Foundation, Federal Reserve Board Community Depository Institutions Advisory Council (CDIAC), Nevada Certified Commercial Investment Member, Nevada Bankers Association, Better Business Bureau, Nevada Business Magazine Bankers Roundtable, World Series of Poker, Lexicon Vegas Expo, U.S. Small Business Administration (SBA).

For more information on community sponsorships and to nominate a non-profit, visit lexiconbank.com/community.

MEET OUR BOARD OF DIRECTORS



**RUSSELL
ROSENBLUM**
CHAIRMAN



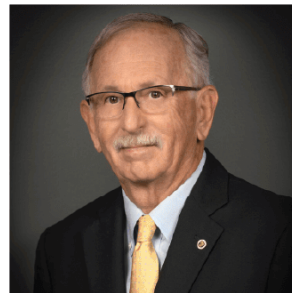
**ROBYN
CASPERSEN**
VICE CHAIR



**DIANA
BENNETT**



**CEDRIC
CREAR**



**GENE
GALLOWAY**



**ERIC
HOUSSELS**



**SAMUEL
JOHNSON**



**BRADLEY
MAYER**



**JOHN
MILLER**



**DR. ABRAHAM
NAGY**



**TIMOTHY R.
O'REILLY**



**PERRY
ROGERS**



**STACY
WATKINS**



**STACY
WILLIAMS**

MEET OUR EXECUTIVE MANAGEMENT TEAM



STACY WATKINS

President & CEO



PAUL YANG

Executive Vice President
& Chief Financial Officer



LEO MOSCHIONI

Executive Vice President
& Chief Credit Officer



HILARY NELSON

Senior Vice President/
Director of Operations
& Compliance




THE BANK FOR BUSINESS

Thank you for your continued support of Lexicon Bank. Because of your efforts, we are now the bank for business in Southern Nevada no matter the size. You play an important role in our future success and we could not be more grateful for your referrals. When referring colleagues, friends and family to the Bank, please email customerservice@lexiconbank.com. This will ensure your referral receives the highest level of attention by our team.




CONTACT US

For Lexicon Bank's 2022 audited financial statements and other investor related information, visit www.annualgeneralmeetings.com/lexicon. For a printed copy of investor materials, please contact us below.

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LEXICON BANK



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