



February 3, 2023

Dear Shareholders,

Our fourth quarter and full year 2022 results were a strong end to what was a record year on several measures, surpassing \$1.0 billion in total assets at December 31, 2022. We have been growing our Bank at a robust rate, and 2022 was the most profitable year in our Company's history delivering net income of \$7.4 million, supported by our continued high growth and strong financial performance. Gross loans increased 10.4% during the current quarter and 44.0% year-over-year, with solid production in commercial and industrial and commercial real estate loans, while winning new client relationships. ODNB Financial Corporation (the "Company" or "ODNB"), the holding company for Old Dominion National Bank (the "Bank") continues to serve its growing number of customers across Northern Virginia and the Washington, D.C. metropolitan area, Central Pennsylvania, and the Charlottesville, Virginia area.

In addition, we delivered our twelfth consecutive quarter of profitability for the quarter ended December 31, 2022, as we continued to grow total assets, gross loans and deposits to produce record net revenue. Our talented team continues to navigate through the rapidly changing interest rate environment and uncertainties in the economy to maintain healthy net interest margins and pristine credit quality.

As you know, we formed our bank holding company effective July 1, 2022, providing us with more capital options to support our growing franchise, in addition to providing revenue generating opportunities. We are also coming off our successful completion of the Company's oversubscribed \$24.0 million subordinated debt offering in the prior quarter, positioning us with a strong capital base for continued growth into 2023.

The financial data presented in this letter is now consolidated, which only affected fourth quarter 2022, third quarter 2022 and full year 2022 results. The data for all prior periods are Bank-only financial results.

Continued Profitability and Increased Operating Leverage

Net income for the fourth quarter of 2022 was \$1.3 million, compared to \$1.4 million in the linked quarter. Our fourth quarter results were driven by strong quarterly loan growth of \$83.7 million, and a net interest margin of 3.38%, resulting in total net revenue of \$8.0 million in the fourth quarter, compared to \$7.9 million in the third quarter. Non-interest expense increased during the fourth quarter to \$5.5 million compared to \$5.1 million in the preceding quarter, primarily due to strategic hiring in commercial, consumer and mortgage banking professionals in the second half of 2022, and other costs related to professional services, FDIC insurance premiums, bank franchise taxes, and data processing to support our operations and continued growth. While total non-interest expenses grew in the current quarter, our total non-interest expense to average assets decreased to 2.25% from 2.26% in the prior quarter. The annualized efficiency ratio was 68.63% in the current quarter compared to 64.50% in the third quarter of 2022.

For the year 2022, net income increased to \$7.4 million, compared to \$6.6 million in 2021. Earnings for the year were enhanced by an income tax benefit of \$553 thousand, which included the reversal of a \$2.0 million deferred tax asset (“DTA”) valuation allowance. Results for 2022 also reflect lower interest and fees on PPP loans of \$1.0 million compared to \$5.6 million in 2021, primarily due to slowing PPP loan forgiveness as the program nears its conclusion. Additionally, the provision for loan losses totaled \$2.7 million in 2022, compared to \$2.5 million in 2021. Excluding the above-mentioned deferred tax credit, PPP fee and interest income and loan loss provisions, our core net earnings (a non-GAAP financial measure) improved to \$7.1 million in 2022, compared to \$3.4 million in 2021.

The Bank’s net interest margin (“NIM”) in the fourth quarter of 2022 was 3.38% compared to 3.48% in the preceding quarter. The decrease in NIM during the current quarter was primarily due to a 72 basis point increase in the cost of interest bearing deposits to 1.86% when compared to the linked quarter, which was partially offset by an increase in asset yields as our asset mix continues to fluctuate as we deploy excess cash and liquidity into higher yielding loans. We anticipate continued NIM compression in the near term, with the level of decrease in our NIM based on our ability to manage funding costs until the Fed stops raising rates, increase the proportion of variable rate assets in the loan portfolio, and maintain and grow our non-interest bearing customer deposits. ODNB’s non-interest bearing customer deposits totaled \$231.2 million and represented 27.8% of total deposits on December 31, 2022.

High Growth and Strong Balance Sheet

ODNB’s total assets surpassed the one billion dollar mark, ending the year at \$1.0 billion at December 31, 2022, compared to \$971.3 million at September 30, 2022, and \$837.5 million at December 31, 2021. Year-over-year asset growth of 23.3% was driven primarily by 12.6% deposit growth combined with an increased level of borrowings, including the \$24.0 million subordinated debt offering that closed during the third quarter of 2022. Our organic loan growth was primarily driven by our high-performing commercial banking team fostering new client relationships, and their ability to bring prior business relationships to our Bank. This was supported by a back-office team of professionals dedicated to our client service model.

Gross loans increased 44.0% to \$888.3 million at December 31, 2022, compared to \$616.8 million a year earlier and grew 10.4% compared to \$804.6 million three months earlier. Loan growth in the fourth quarter was primarily reflected in the commercial and industrial (“C&I”) and commercial real estate (“CRE”) loan portfolios, more than offsetting the lower demand for residential mortgages. This growth is a direct result of our deep and expanding commercial lending team continuing to be the primary driver of our loan growth in the fourth quarter of 2022.

Our most recent loan growth has been funded through relationship-driven customer deposit gathering activities within our markets, together with borrowings and other alternative funding sources as customer loan growth has outpaced core deposit growth. Total deposits were \$830.7 million at December 31, 2022, a \$17.1 million increase or 2.1% from three months earlier. As anticipated, we experienced slower deposit growth in the current quarter than in prior periods. Deposit competition picked up again in the fourth quarter of 2022, and the cost of deposits and borrowing funds has increased significantly with the extraordinary move higher in market interest rates since the beginning of 2022. Despite these headwinds, our Bank’s liquidity, which includes cash and unencumbered marketable securities, remains strong at \$104.0 million, or 11.1% of total liabilities, at December 31, 2022.

Strong Asset Quality and Capital Strength

Asset quality remained pristine with nonperforming loans of \$517 thousand, representing 0.05% of total assets at December 31, 2022. All nonperforming loans relate to legacy Charlottesville area credits originated prior to mid-2016. Additionally, there were no loans 90 days or more past due and accruing at December 31, 2022. There were no charge-offs during the fourth quarter of 2022, the prior quarter of 2022, and the fourth quarter of 2021. Net charge-offs for the full year 2022 amounted to just \$4 thousand. We recorded loan loss provision of \$846 thousand in the fourth quarter to account for loan growth and risk changes in the portfolio. The allowance for loan losses was 1.19% of gross loans (excluding PPP loans) at December 31, 2022, compared to 1.28% at December 31, 2021. As of December 31, 2022, ODNB continued to account for its allowance using an incurred loss model. Beginning on January 1, 2023, and in all subsequent periods, we will determine our allowance for loan losses using the current expected credit losses standard (ASU 326, Financial Instruments - Credit Losses). The current expected credit losses methodology ("CECL") is not expected to have a material impact on the Company's allowance for loan losses.

The Bank's capital ratios remain above regulatory thresholds for well-capitalized banks at the end of the fourth quarter of 2022. The Bank has maintained strong capital ratios with a tier one leverage ratio of 12.41% and total risk-based capital ratio of 13.52% at December 31, 2022.

The Company's common tangible book value ("TBV") per share was \$10.84 at December 31, 2022, compared to \$10.50 at September 30, 2022, reflecting ODNB's retained earnings growth, which was more than offset by the change in unrealized losses due to market value adjustments as a result of rising interest rates in the current quarter on marketable securities available-for-sale ("AFS"). Accounting for these unrealized losses reduces accumulated other comprehensive income ("AOCI") as a component of stockholders' equity on the balance sheet, which in turn affects TBV per share, even though there is no impact on the income statement or earnings. While application of these accounting rules may create volatility in our TBV per share, given our intent to hold these bonds to maturity, we anticipate a full recovery of TBV related to these temporary unrealized losses. Excluding a \$0.61 impact of the unrealized mark-to-market losses on the AFS portfolio (a non-GAAP financial measure), the common TBV per share would have been \$11.45 as of December 31, 2022, an increase of \$0.15 and \$0.86, respectively, from the third quarter of 2022 and fourth quarter of 2021.

The success of our Bank has always been driven by our people, who provide highly responsive and personalized services to businesses, entrepreneurs and other leaders in the markets we serve. We are making solid progress in building our franchise, and we believe we are well positioned in our markets to continue to grow. On behalf of our entire team, we thank you for your continued support and investment in ODNB. We stand ready to address any questions you may have, and, of course, we welcome client referrals. For shareholder information, please visit our website's Investor Relations webpage or email shareholders@ODNBonline.com.

Sincerely,



Mark Merrill
Chairman & CEO



Jack Infield
President

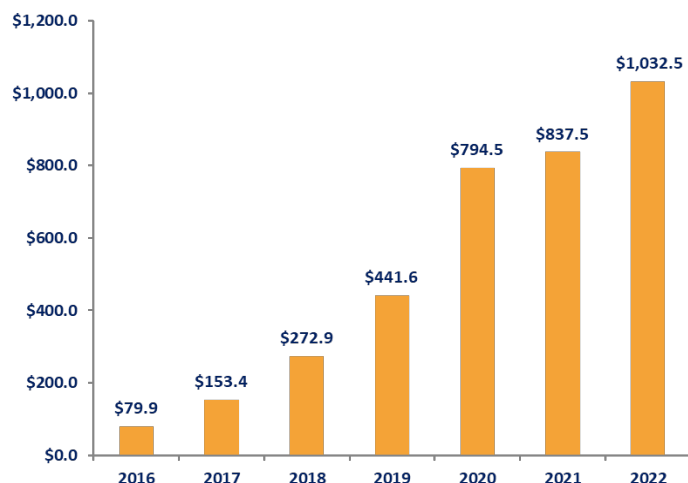
FINANCIAL HIGHLIGHTS
(\$ thousands, except per share data)

	For the Quarter Ended			For the Year Ended		
	December 31, 2022 (Unaudited)	September 30, 2022 (Unaudited)	Quarter-vs- quarter % change	December 31, 2022 (Unaudited)	December 31, 2021 (Audited)	Year-over- year % change
Balance Sheet						
Assets	\$ 1,032,513	\$ 971,266	6.3%	\$ 1,032,513	\$ 837,499	23.3%
Gross loans	888,301	804,559	10.4%	888,301	616,821	44.0%
PPP loans	4,746	5,594	-15.2%	4,746	40,232	-88.2%
Loans held for sale	-	736	-100.0%	-	7,760	-100.0%
Allowance for loan losses	10,574	9,720	8.8%	10,574	7,901	33.8%
Deposits	830,671	813,585	2.1%	830,671	737,417	12.6%
Subordinated debt (net of costs)	23,277	23,278	0.0%	23,277	-	100.0%
Borrowings	75,000	35,000	114.3%	75,000	5,000	1400.0%
Stockholders' equity	95,475	92,340	3.4%	95,475	92,369	3.4%
Income Statement						
Net revenue	\$ 8,031	\$ 7,910	1.5%	\$ 30,207	\$ 28,152	7.3%
Net interest income	7,727	7,611	1.5%	28,936	25,790	12.2%
Provision for loan losses	846	964	-12.2%	2,669	2,451	8.9%
Noninterest income	304	299	1.7%	1,271	2,362	-46.2%
Noninterest expense	5,512	5,102	8.0%	20,694	18,482	12.0%
Pretax income	1,673	1,844	-9.3%	6,844	7,219	-5.2%
Income tax expense	353	450	-21.6%	(553)	664	n/m
Net income	1,320	1,394	-5.3%	7,397	6,555	12.8%
Ratios						
Net interest margin	3.38%	3.48%		3.35%	3.32%	
Efficiency ratio	68.63%	64.50%		68.51%	64.88%	
Noninterest income / average assets	0.12%	0.13%		0.15%	0.30%	
Noninterest expense / average assets	2.25%	2.26%		2.41%	2.31%	
Bank tier one leverage ratio	12.41%	12.95%		12.41%	11.38%	
Bank tier one risk based capital ratio	12.42%	13.27%		12.42%	13.45%	
Bank total risk based capital ratio	13.52%	14.37%		13.52%	14.62%	
Asset Quality						
Allowance for loan losses / total gross loans	1.19%	1.21%		1.19%	1.28%	
Nonperforming assets / total assets	0.05%	0.05%		0.05%	0.13%	
Nonperforming loans / total loans	0.06%	0.06%		0.06%	0.19%	
Net charge-offs / average loans	0.00%	0.00%		0.00%	0.00%	
Common Share Data						
Shares outstanding	8,810,596	8,791,238		8,810,596	8,760,291	
Tangible book value per share	\$ 10.84	\$ 10.50		\$ 10.84	\$ 10.34	
Tangible book value per share (excluding AOCI) ⁽¹⁾	11.45	11.30		11.45	10.59	

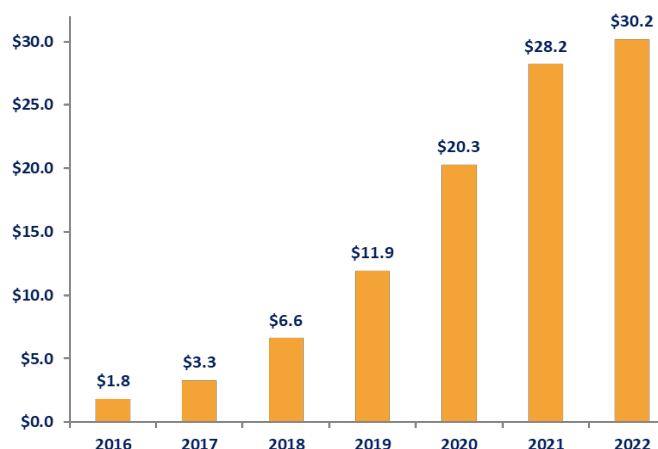
n/m Not meaningful

⁽¹⁾ Non-GAAP

TOTAL ASSETS
(\$ Millions)



NET REVENUE ⁽²⁾
(\$ Millions)



⁽²⁾ Net revenue includes net interest income and noninterest income.