October 31, 2023

Dear Gator Financial Partners:

We are pleased to provide you with Gator Financial Partners, LLC's (the "Fund" or "GFP") 2023 3rd Quarter investor letter. This letter reviews the Fund's 2023 Q3 investment performance and shares our investment thesis on First Citizens Bancshares.

Review of 2023 Q3 Performance

During the 3rd quarter of 2023, the Fund outperformed both the broader market and the Financials sector benchmark. Our long positions in Genworth Financial, Jackson National Life, Western Alliance Bancorporation, First Citizens Bancshares, and Citizens Financial Group were the top contributors to the Fund's performance. The largest detractors were short positions in Vornado Realty Trust, Progressive Corporation, and Bank of Hawaii and long positions in Axos Financial and Arlington Asset Investment.

	2023 Q3	2023 YTD	Total Return Since Inception[1]	Annualized Return Since Inception[1]
Gator Financial Partners, LLC[2]	7.44%	23.49%	1,423.54%	19.55%
S&P 500 Total Return Index[3]	-3.27%	13.07%	355.17%	10.45%
S&P 1500 Financials Index[3]	-0.90%	-2.31%	185.62%	7.12%

Source: Gator Capital Management & Bloomberg

First Citizens Bancshares (NASDAQ: FCNCA)

The Fund's largest position is First Citizens Bancshares ("First Citizens" or "FCNCA"). We acquired our stake over the past three years. Initially, we owned and traded around a small position in CIT Group Inc. ("CIT") during the summer of 2020. We felt CIT was undervalued and management was making progress in reducing risk during the Covid-19 pandemic. In late 2020, CIT agreed to be acquired by First Citizens. We added to our CIT stake the morning of the acquisition announcement because we thought the acquisition was so financially attractive that First Citizens' shares would rally and pull CIT's shares higher. Our CIT shares were exchanged for First Citizens shares when the merger completed. We held onto our First Citizens shares because we admired the management team, we felt the bank was undervalued, and we projected the bank would benefit from higher interest rates. Then, earlier this year, First Citizens was the winning bidder in the FDIC's auction of the failed Silicon Valley Bank ("SVB"). We added significantly to the Fund's First Citizens position on the following Monday morning because the deal was unbelievably favorable for First Citizens.

[1] The Fund's inception date was July 1, 2008.
[2] Performance presented assumes reinvestment of dividends, is net of fees, brokerage and other commissions, and other expenses an investor in the Fund would have paid. Past performance is not indicative of future results. Please see General Disclaimer on page 7.
[3] Performance presented assumes reinvestment of dividends. No fees or other expenses have been deducted.

First Citizens's stock price rose more than 50% that day and has risen another 40% in the months since the SVB acquisition. We have not sold any shares. We believe the stock still has the potential to double over the next three years. Despite this attractive upside, we think the downside is minimal. Our downside scenario is an unchanged stock price in three years.

Here is our detailed investment thesis for First Citizens:

FCNCA trades at a discount to other large regional banks on a Price-to-Tangible Book value ("P/TBV") basis. It also trades at a slight discount on a Price-to-Earnings ("P/E") basis looking at sell-side 2024 earnings estimates (see chart below).

Ticker	10/27 Price	Mkt Cap	2024 Est P/E	P/TB
USB	30.64	47.7	7.5	1.52
PNC	111.24	44.3	8.8	1.16
TFC	27.62	36.8	7.9	1.48
MTB	108.94	18.1	7.3	1.16
FITB	22.89	15.6	7.2	1.66
RF	14.01	13.1	7.0	1.55
HBAN	9.44	13.7	7.6	1.31
FCNCA	**1348.52**	**19.4**	**7.2**	**1.04**
Median			7.4	1.39

Source: Bloomberg

Usually when a bank trades at a discount to peers on a P/TBV basis, it is because it has lower returns than peers. At first glance this appears to be the case with First Citizens. It is projected to earn a 14% Return on Equity ("ROE") in 2024 where its peers are projected to earn higher ROEs. However, when we adjust for the excess capital that First Citizens is holding, we believe it has a ROE similar to its peers and does not deserve to trade at a discount.

We believe there are other possible reasons why First Citizens trades at a discount to its peers. The main reason is it is not a member of the S&P 500 Index, so it does not have the demand from passive index investors. Other minor reasons for First Citizens' valuation discount are a lack of familiarity within the investment community due to limited but growing sell-side coverage, not hosting quarterly earnings conferences calls until recently, not attending brokerage investment conferences, high nominal stock price and limited trading volume, and a low dividend compared to peers.

One additional unusual reason for the valuation discount is the dual-class share structure of First Citizens Bank. The Holding family controls the Class B voting shares. This dual-class structure may discourage some investors from owning the stock. We disagree with this thinking. First, the Holding family has demonstrated an extraordinary commitment to shareholder returns. First Citizens is the best performing stock of its peer group over the last 30 years. We view the Holding family as owner-operators. We note that many of the best performing stocks have had owner-operators: Berkshire, Microsoft, Amazon, etc. There is data that proves companies with owner-operators outperform because management is able to focus on long-term value creation. We think this applies to the Holding family controlling First Citizens.

Another criticism of the dual-class share structure is the difficulty in applying outside pressure to gain voting control and/or board seats. I believe this is a non-issue for banks. The difficulty of a hostile takeover in banking is high. There hasn't been a successful hostile takeover of a bank since Bank of New York acquired Irving Trust in 1988. Plus, the regulators limit ownership levels of banks before an investor has to register as a Financial Holding Company. Overall, we see the First Citizens dual-class share structure as a non-issue.

First Citizens' stock outperformance in 2023 may be distracting some investors from the potential returns still offered by the stock. First Citizens' stock has returned 78% this year. Its peers have had negative returns between 20% and 35% this year. We know it is natural for investors to say, "We missed it," when a stock has performed like First Citizens' stock has. The last thing these investors want is to buy First Citizens after the run and have it underperform once they buy it. In other words, they don't want to be wrong twice on the stock. As we will discuss below, we believe there is significant downside protection in First Citizens because of the defensive nature of its balance sheet.

First Citizens has a very liquid balance sheet, which is perfect for the current environment. For example, First Citizens has 17.6% of its assets in cash compared to Truist at 5.6%. This liquid balance sheet gives First Citizens plenty of opportunity to take advantage of the wider loan spreads available in the current environment. The extra liquidity also reduces pressure to pay up for deposits. The high cash balance is the best indication that shareholders have a measure of protection from First Citizens' balance sheet.

First Citizens' balance sheet is defensive and well-positioned for growth. The bank has almost no borrowings beyond the $35 billion FDIC note that has a five year term. First Citizens' management did not invest in long-dated fixed rate securities, so unlike many other banks, it is not carrying a portfolio of underwater bonds. Also, First Citizens loan book is balanced between floating-rate and fixed-rate loans. This balance was created through the strategic acquisitions of CIT and SVB. The CIT franchise produced excess loans and the legacy SVB franchise produced excess deposits. We believe First Citizens is positioned well for the current consensus outlook for rates of "Higher for Longer".

Investors are not assuming any growth at First Citizens based on its stock price trading just above tangible book value. Based on sell-side models, expectations are for minimal growth in First Citizens's legacy banking operations and that SVB will shrink going forward. We think this is wrong because we think prospects for the former SVB operations are strong. Certainly, the SVB franchise is diminished as several business development personnel have been poached by competitors. We think multiple competitors are targeting the venture capital community.

The current environment in the venture capital community is not ideal, but SVB was a powerful growth franchise. To offset these concerns, we note that the current deposit balances at SVB are already down close to 80% from year-end levels. So, we believe customers who want to leave SVB have already left. Also, we believe there is substantial goodwill within the venture capital community for SVB. SVB is intertwined with the venture community and continues to have strong relationships with the community. Lastly, we believe venture capital as an industry will grow faster than the overall economy. We think there is a good chance that SVB will continue to grow under First Citizens ownership. At the current valuation, we view this growth potential as a free option.

Regional banks as a group may re-rate higher. In addition to First Citizens trading at a discount to peer large regional banks, we believe regional banks trade at the low end of their historical valuations. Large regional banks trade for about 7.4x 2024 EPS estimates, we believe the normal valuation for this group is between 10x and 14x. We understand that at this point in the cycle banks should trade cheap, but time marches on and cycles can change quickly. We expect the group multiple to re-rate higher as the industry works through higher interest rates and the credit cycle peaks.

We do see some risks to our First Citizens investment thesis:

Aggressive rate cuts by the Fed. First Citizens is among the most asset-sensitive of the large regional banks. If the Federal Reserve were to aggressively cut short-term interest rates in response to weak economic conditions, this would hurt First Citizens's earnings. We think this scenario is unlikely given the recent bout of inflation that the Federal Reserve has been battling and the Fed's "Higher For Longer" mantra.

Continued calls for increase capital requirements for banks. Bank regulators continue to make statements that banks need higher capital requirements. While we disagree with this sentiment, we acknowledge the potential reduction in returns for bank investors with higher capital requirements. We do believe First Citizens is well-positioned to comply with higher capital requirements due its excess capital position. We would expect First Citizens' management to operate the bank with a significant capital cushion.

First Citizens may be over-earning in the near-term. First Citizens is experiencing two temporary benefits to earnings. One, as part of the SVB acquisition, First Citizens issued a 5-year note to the FDIC for a below market interest rate of 3.5%. Two, First Citizens marked-to-market the SVB loan portfolio at a discount to account for credit risk. As the old SVB loans payoff, First Citizens recognizes the discount into income. Both of these factors are causing First Citizens to over-earn in the near-term.

First Citizens is facing significant integration risks with the SVB deal. The SVB acquisition was a large deal. SVB was a complex bank in a new business line. Multiple competitors are poaching SVB personnel. The SVB customer base went through a traumatic event in March as it was uncertainwhether they would lose their deposits in the SVB failure. We worry about the integration risks that First Citizens faces with SVB. But, we are reassured that First Citizens has significant experience integrating complex and geographically disperse acquisitions.

Future M&A deals are unlikely to create as much value for First Citizens as the SVB deal did. Going forward the opportunity for value creating acquisitions is less likely now that the bank is much bigger than it was 15 years ago or even earlier this year. First Citizens has a successful M&A track record that includes a number of FDIC deals as well as the heavily discounted acquisition of CIT Group. The SVB acquisition was a monster deal that doubled First Citizens' capital. While the opportunity for future FDIC deals is diminished, we believe the FDIC is happy to have another bidder besides JP Morgan Chase for large deals. We have been surprised about the lack of outcry over the extraordinary deal First Citizens got in buying SVB. We think the SVB deal clearly shows the FDIC executives are comfortable with First Citizens management team.

Quantitative Tightening effect on banking industry deposit balances. Even though Federal Reserve's Federal Open Market Committee seems close to the end of this interest rate tightening cycle, they continue to implement Quantitative Tightening by allowing the Fed's portfolio of securities holdings to mature with limited reinvestment. Just as Quantitative Easing by the Fed accelerated deposit growth in the banking system, Quantitative Tightening is a strong headwind for deposit growth. SVB had some of the strongest deposit growth during Quantitative Easing, so we expect it will have deposit pressures with continued Quantitative Tightening. Of course, there are other factors that will influence legacy SVB's deposit base such as: the strength of the venture capital cycle, competitive intensity from other banks attacking SVB's old franchise, and SVB's customer's willingness to return to SVB under First Citizens' ownership.

Legacy SVB's business is dependent on the venture capital cycle and it does not look great in the short-term. Venture capital goes through cycles and it seems like late-2021 represented the peak of the latest cycle. The amount of venture capital raised in 2022 and 2023 is down significantly. There are many start-ups who have had to cut expenses and conserve capital. Venture capital exits are few and far between. Given the strength of the stock market in 2023, we are surprised the IPO market has not recovered. There is potential upside from excitement about artificial intelligence.

We think First Citizens is still an attractive holding despite its outperformance to date in 2023. We estimate First Citizens' tangible book value will be $1,800 at the end of 2026. We think FCNCA can trade at 1.5x tangible book value at the end of 2026 or $2,700, which is double the current share price.

Portfolio Analysis

Largest Positions
Below are the Fund's five largest common equity long positions. All data is as of September 30, 2023.

<u>Long</u>
First Citizens Bancshares
Genworth Financial
Western Alliance Bancorp
Jackson Financial Inc.
OFG Bancorp

Sub-sector Weightings
Below is a table showing the Fund's positioning within the Financials sector[4] as of September 30, 2023.

	Long	Short	Net
Alt Asset Managers	4.57%	0.00%	4.57%
Capital Markets	7.82%	-2.80%	5.02%
Banks (large)	45.09%	-8.89%	36.19%
Banks (small)	32.25%	-15.16%	17.09%
P&C Insurance	2.13%	-2.30%	-0.17%
Life Insurance	15.06%	0.00%	15.06%
Non-bank Lenders	6.50%	-0.75%	5.75%
Processors	0.00%	0.00%	0.00%
Real Estate	10.88%	-16.57%	-5.68%
Exchanges	0.00%	0.00%	0.00%
Index Hedges	0.00%	0.00%	0.00%
Non-Financials	0.00%	0.00%	0.00%
Total	124.29%	-46.47%	77.82%

The Fund's gross exposure is 195.8%, and its net exposure is 77.0%. From this table, we exclude fixed-income instruments such as preferred stock. Preferred stock positions account for an additional 23.6% of the portfolio.

Conclusion

Thank you for entrusting us with a portion of your wealth. We are grateful for you, our investors, who believe and trust in our strategy. On a personal level, Derek Pilecki, the Fund's Portfolio Manager, continues to have more than 80% of his liquid net worth invested in the Fund.

As always, we welcome the opportunity to speak with you and discuss the Fund.

Sincerely,

Gator Capital Management, LLC

Gator Capital Management, LLC

Gator Capital Management, LLC prepared this letter. Ultimus LeverPoint Fund Solutions, LLC, our administrator, is responsible for the distribution of this information and not its content.

[4] "Financials sector" is defined as companies included in the Global Industry Classification System ("GICS") sectors 40 and 60, which contains financial and real estate companies.

General Disclaimer

By accepting this investment letter, you agree that you will not divulge any information contained herein to any other party. This letter and its contents are confidential and proprietary information of the Fund, and any reproduction of this information, in whole or in part, without the prior written consent of the Fund is prohibited.

The information contained in this letter reflects the opinions and projections of Gator Capital Management, LLC (the "General Partner") and its affiliates as of the date of publication, which are subject to change without notice at any time subsequent to the date of issue. All information provided is for informational purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific security.

All performance results are based on the net asset value of the Fund. Net performance results are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, as indicated, and include the reinvestment of all dividends, interest, and capital gains. The performance results represent Fund-level returns and are not an estimate of any specific investor's actual performance, which may be materially different from such performance depending on numerous factors.

The market indices appearing in this letter have been selected for purposes of comparing the performance of an investment in the Fund with certain well-known equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject and may involve significantly less risk than the Fund. The Fund is not restricted to investing in those securities which comprise these indices, its performance may or may not correlate to these indices, and it should not be considered a proxy for these indices. The S&P 500 Total Return Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. The S&P 1500 Financials Index is a market cap weighted index of financial stocks within the S&P 1500 Super Composite Index we used as a proxy for the Financials sector of the U.S. equity market. An investment cannot be made directly in either index. The Fund consists of securities which vary significantly from those in the benchmark indices listed above. Accordingly, comparing results shown to those of such indices may be of limited use.

Statements herein that reflect projections or expectations of future financial or economic performance of the Fund are forward-looking statements. Such "forward-looking" statements are based on various assumptions, which assumptions may not prove to be correct. Accordingly, there can be no assurance that such assumptions and statements will accurately predict future events or the Fund's actual performance. No representation or warranty can be given that the estimates, opinions, or assumptions made herein will prove to be accurate. Any projections and forward-looking statements included herein should be considered speculative and are qualified in their entirety by the information and risks disclosed in the Fund's Private Placement Memorandum. Actual results for any period may or may not approximate such forward-looking statements. You are advised to consult with your own independent tax and business advisors concerning the validity and reasonableness of any factual, accounting and tax assumptions. No representations or warranties whatsoever are made by the Fund, the General Partner, or any other person or entity as to the future profitability of the Fund or the results of making an investment in the Fund. Past performance is not a guarantee of future results.

The funds described herein are unregistered private investment funds commonly called "hedge funds" (each, a "Private Fund"). Private Funds, depending upon their investment objectives and strategies, may invest and trade in a variety of different markets, strategies and instruments (including securities, non-securities and derivatives) and are NOT subject to the same regulatory requirements as mutual funds, including requirements to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in a Private Fund (which also are applicable to the underlying Private Funds, if any, in which a Private Fund may invest). Prospective investors should note that:

- A Private Fund represents a speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience, and willingness to bear the risks of an investment in a Private Fund. An investor could lose all or a substantial portion of his/her/its investment.
- An investment in a Private Fund is not suitable for all investors and should be discretionary capital set aside strictly for speculative purposes. Only qualified eligible investors may invest in a Private Fund.
- A Private Fund's prospectus or offering documents are not reviewed or approved by federal or state regulators and its privately placed interests are not federally, or state registered.
- An investment in a Private Fund may be illiquid and there are significant restrictions on transferring or redeeming interests in a Private Fund. There is no recognized secondary market for an investor's interest in a Private Fund and none is expected to develop. Substantial redemptions within a limited period of time could adversely affect the Private Fund.
- Certain portfolio assets of a Private Fund may be illiquid and without a readily ascertainable market value. The manager's/advisor's involvement in the valuation process creates a potential conflict of interest. Instances of mispriced portfolios, due to fraud or negligence, have occurred in the industry.
- A Private Fund may have little or no operating history or performance and may use performance information which may not reflect actual trading of the Private Fund and should be reviewed carefully. Investors should not place undue reliance on hypothetical, pro forma or predecessor performance.
- A Private Fund may trade in commodity interests, derivatives, and futures, both for hedging and speculative purposes, and may execute a substantial portion of trades on foreign exchanges, all of which could result in a substantial risk of loss. Commodities, derivatives, and futures prices may be highly volatile, may be difficult to accurately predict, carry specialized risks and can increase the risk of loss.
- A Private Fund's manager/advisor has total trading authority over a Private Fund. The death or disability of a key person, or their departure, may have a material adverse effect on a Private Fund.
- A Private Fund may use a single manager/advisor or employ a single strategy, which could mean a lack of diversification and higher risk. Alternatively, a Private Fund and its managers/advisors may rely on the trading expertise and experience of third-party managers or advisors, the identity of which may not be disclosed to investors, which may trade in a variety of different instruments and markets.
- A Private Fund may involve a complex tax structure, which should be reviewed carefully, and may involve structures or strategies that may cause delays in important financial and tax information being sent to investors.
- A Private Fund's fees and expenses, which may be substantial regardless of any positive return, will offset such Private Fund's trading profits. If a Private Fund's investments are not successful or are not sufficiently successful, these payments and expenses may, over a period of time, significantly reduce or deplete the net asset value of the Private Fund.

- A Private Fund and its managers/advisors and their affiliates may be subject to various potential and actual conflicts of interest.
- A Private Fund may employ investment techniques or measures aimed to reduce the risk of loss which may not be successful or fully successful.
- A Private Fund may employ leverage, including involving derivatives. Leverage presents specialized risks. The more leverage used, the more likely a substantial change in value may occur, either up or down.

The above summary is not a complete list of the risks, tax considerations and other important disclosures involved in investing in a Private Fund and is subject to the more complete disclosures in such Private Fund's offering documents, which must be reviewed carefully prior to making an investment.