

## Letter to the Shareholders

To Our Shareholders, Customers, and Friends:

In last year's letter and throughout 2024, we have highlighted the dramatic rise in interest rates following the pandemic. The US Government's economic stimulus injected billions of dollars into our economy, which led to significant inflation and the Federal Reserve's aggressive response. Inflation peaked in June of 2022 and has since subsided to historical levels, providing the Federal Reserve with confidence to reduce overnight rates by 1% during the fourth quarter of 2024. Yet rates remain elevated at levels not seen in 20 years and longer-term rates were higher by year-end 2024.

While we may continue to be impacted by the inflationary effects as well as economic impacts of political actions, our communities and our citizens remain resilient. Your Bank continues our unwavering support of our communities, just as we have done every year since our foundation in 1957. Although earnings were challenged in 2024, our capital remains strong, and the quality of our loan portfolio remains pristine. Our solid balance sheet will continue to restructure, as historically low rates on both loans and investments mature and are reinvested at current market rates. Regardless of economic headwinds, we remain committed to our conservative community bank fundamentals as well as the customers and communities we serve.

### Select 2024 Highlights:

- Net income of \$3.4 million decreased 45% or \$2.8 million from the prior year's \$6.2 million, largely related to scheduled repayments from the securities portfolio and increased funding costs associated with the Federal Reserve's rapid increase in rates.
- Total loans decreased 7.5% or \$30.4 million at year-end 2024.
- Total assets decreased 20.8% or \$212 million, directly related to the repayment of advances from the Federal Reserve's Bank Term Funding Program, which was net positive to the Bank during this Program's term.
- The average yield on the loan portfolio was 5.77% at December 31, 2024, an increase of 17 basis points from the same period in 2023.
- Credit quality continues to be strong, and the Bank has recognized 0.06% or \$220 thousand of net charge offs during 2024. The Bank's allowance for credit losses increased to 1.57% of total loans due to the current economic environment.
- Total securities decreased 17.3% or \$68.2 million at December 31, 2024, in line with contractual payments and maturities. No investment securities have been or are planned to be sold. All securities continue to be held as available-for-sale and reported at fair value.

In 2024, the Bank completed several major multi-year strategic upgrades to our technology, including an upgrade to our core processing system in Q4 of 2024. These investments will provide both the Bank and our customers with significant enhancements and efficiencies, driving long-term value for years to come. These upgrades coupled with our team of dedicated employees will allow us to deliver a source of strength and stability to the communities we serve.

Thank you for your continued support.

Gordon Zimmerman  
President/CEO

Eric Thompson  
Chairman of the Board