

FIRST COMMUNITY FINANCIAL CORPORATION

October 15, 2024

Dear Shareholders,

I hope this letter finds you well. I am pleased to provide an update on our progress through the third quarter of the 2024 fiscal year and an update on recent Federal Reserve action.

September saw the Federal Reserve cut interest rates by 50 basis points, marking the first reduction in the Fed Funds rate since 2020. This shift reflects efforts by the Federal Reserve to bolster the economy following aggressive rate hikes that had been implemented to curb inflation. This monetary inflection point will have some mixed effects on the community banking sector. These initial cuts may lead to some softening in margins as loan asset yields come down across the banking sector but should be mitigated by some potential relief to the sector's cost of funds.

Our company is strong, resilient, and well-capitalized. We continue to make significant strides in executing our strategic plan, particularly in growing deposits and improving loan yields, which have contributed to an improved net interest margin, stable funding costs and improved profitability.

I want to keep you informed on the status of our company's dividend. We remain steadfast in our commitment to financial prudence and long-term stability. After careful consideration and a thorough review of our financial position, the Board of Directors has decided to continue the temporary suspension of dividends for the third quarter of 2024. We will keep you informed as we continue to make steady progress toward our strategic initiatives.

The Board of Directors will closely evaluate our financial performance and capital allocation strategy, with the intention of revisiting the dividend as soon as it is prudent. Profitability levels remain our top priority, ensuring we continue to create long-term value for our shareholders, as we've done over the last 160 years. We are confident about the direction of the bank and are dedicated to executing our strategic initiatives effectively.

Looking ahead, the Board of Directors has also decided to align our dividend decision process with industry best practices. Rather than making dividend decisions based upon mid-quarter projections, from this point forward we will wait for each quarter's actual financial performance to be completed, prior to the Board vetting the dividend decision. With this change in timing, a financial summary for the third quarter will be posted on the investor relations portion of Pennian Bank's website (pennian.bank) once the bank's regulatory filings for the third quarter are complete. Moving forward, expect to see a notification of dividend following the quarter end.

Thank you!

Sincerely,



Scott Fritz
President & CEO
Pennian Bank