

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

First Community Financial Corporation

Quarterly Financials
September 30, 2024

BALANCE SHEET

as of September 30, 2024

(Dollars in thousands except per share amounts)

	Sep 30 2024	Sep 30 2023
	(unaudited)	(unaudited)
Assets		
Cash & Cash Equivalents	\$14,522	\$13,240
Securities	185,605	171,377
Loans receivable net of the allowance for loan losses	459,119	469,806
Premises/equipment, net	5,226	4,762
Other assets	32,264	37,554
Total Assets	\$696,736	\$696,739
Liabilities and Shareholders' Equity		
Liabilities		
Non-interest bearing deposits	\$107,551	\$104,796
Interest bearing deposits	457,678	486,314
Total Deposits	565,229	591,110
Long-term FHLB Advances	73,000	34,000
Other liabilities	15,213	37,256
Total Liabilities	\$653,442	\$662,366
Shareholders' Equity		
Common stock: Par value	\$14,160	\$14,160
Surplus	720	720
Undivided profits	42,212	42,199
Treasury Stock	-72	-72
Accumulated other comprehensive income	-13,726	-22,634
Total Shareholders' Equity	\$43,294	\$34,373
Total Liabilities and Shareholders' Equity	\$696,736	\$696,739

Selected Financial Data

Sep 30, 2024 & Sep 30, 2023 annualized

	<u>2024</u>	<u>2023</u>
Return on average assets	0.20%	0.34%
Return on average equity	3.67%	6.22%
Book value	\$15.30	\$12.15

INCOME STATEMENT

for the 9 Months Ending September 30, 2024

(Dollars in thousands except per share amounts)

	Sep 30 YTD 2024	Sep 30 YTD 2023
	(unaudited)	(unaudited)
Interest Income		
Loans	\$17,886	\$16,650
Taxable securities	2,612	2,295
Tax-exempt securities	1,265	1,301
Other	569	473
Total Interest Income	22,332	20,719
Interest Expense		
Deposits	7,756	6,196
Borrowed Funds	3,013	1,684
Total interest expense	10,769	7,880
Net Interest Income	11,563	12,839
Provision for loan losses	-148	394
Net Interest Income after Provision for Loan Losses	11,711	12,445
Other Income		
Income from Fiduciary Activities	462	535
Service charges on deposits	620	635
Other income	2,004	1,657
Total Other Income	3,086	2,827
Other Expenses		
Salaries/employee benefits	7,308	7,152
Net Occupancy & Equipment	1,091	1,100
Marketing	161	285
Other operating expenses	5,326	4,880
Total other expenses	13,886	13,417
Income Before Income Taxes	911	1,855
Federal income taxes	-165	48
Net Income	\$1,076	\$1,807
Net Income per Share	\$0.38	\$0.64