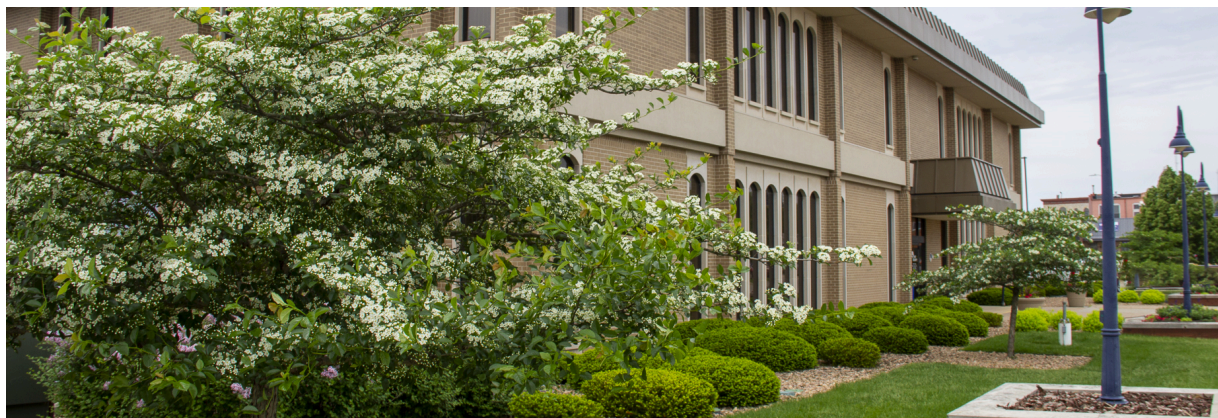


CVB Newsletter

CEDAR VALLEY
BANKSHARES, LTD.

23 July 2024



Welcome Back!

Summer is in full swing! It's fair season, so you'll notice our volunteers out working more. To support our local communities, we participate in over a dozen parades, and work fair events and small-town celebrations, continuing to build relationships within our communities. Stop and say "hello!" if you see a First Security shirt out and about!

Back in April, we successfully held the annual Shareholders Meeting & Dinner where we had great representation and enjoyed the company of Shareholders and the Management Team of First Security.

In recent news, due to the worn and damaged nature of the brick work in front of our headquarters building, the bank has been working to have it removed and replaced with new concrete. This upgrade will make the path to our main entrance safer for customers and employees.

In addition, recent rains caused flooding in the basement of our headquarters building. While our Service Center and Video Bankers were temporarily displaced and are now based in different work areas, we saw a great amount of teamwork in helping clear the water with minimal disruption to customer service.

A quick thank you is needed for everyone who submitted their contact information. We are able to compile that to serve and foster better communication in the future!

All-in-all, a lot has been accomplished this quarter. Read on to find out more about what's happening with your investment!

CVB Snapshot

Statement of Condition

30-Jun-24

Assets		Liabilities	
Cash	126,675	Debt	2,100,000
First Security Bank	58,270,392	Other Liabilities	2,450
Bond Appreciation	(12,804,772)	Capital	2,912,720
Four Keys, LLC.	2,242,775	Surplus	7,321,875
Bankers' Bank of Madison	793,800	Undivided Profits	49,102,637
Other Investments	6,040	Bond Appreciation	(12,804,772)
Total	48,634,910	Total	48,634,910

Income

Dividends - First Security	250,000
Dividends - Telephone Stock	950
Undistributed Earnings - First Security	880,463
Unrealized Income - Bankers Bank Stock	41,640
Unrealized Loss - Four Keys, LLC	(96,799)
Interest Income	686
Total	1,076,940

Expenses

Director Fees	72,000
Interest Expense	34,999
Miscellaneous Expense	88,915
Total	195,914

Net Income

881,026



	2022	2023	Q2 24
Book Value/Share	153.62	155.87	159.76
EPS	6.48	-4.87	3.02



Cedar Valley Bankshares (CVB) is comprised of three entities. There is CVB itself that is the 100% owner of First Security Bank and Trust (FSBT), and Four Keys, LLC, which owns and operates the Union House in downtown Charles City.

Following is our report on these entities through the first half of 2024:



First Security Bank and Trust:

The first half of 2024 is in the books, and there has been a tremendous amount accomplished at FSBT.

As we began the year, we were focused on:

- Improving profitability,
- Increasing employee engagement,
- Improving credit management and credit quality,
- Focusing on the development of strong relationships-based lending as the path to long-term success and profitability,
- Adopting new technology to support our lending and credit efforts,
- Consolidating our three Charles City locations to enhance operational effectiveness,
- And completing the sale of Union House (while technically Four Keys, it is overseen by FSBT management).

We have already made significant progress on each of these.

Because everything we do at First Security Bank and Trust is reliant on our staff, having a loyal and dedicated workforce is critical to our organization's performance, and, by extension, our returns to CVB's owners. We have worked diligently to enhance and focus our staff communication and education, are improving staff benefits to ensure that we can hire and retain a quality staff.

We have taken numerous steps to improve our credit quality, working with borrowers who are experiencing financial stress to improve their results and to better align their debt repayment with their cash flow. We have been successful in moving some weaker credits out of the bank via either sale of the collateral or refinance with another lender. All in, improvements in credit quality have added \$788 thousand to Net Income for the first half of the year.

First Security added to this another \$342 thousand in Operating Earnings for the first half of 2024 for total Net Income to the bank of \$1.1 million (unaudited).

As we work to further to improve credit quality, these efforts will continue to produce positive results. They also will reduce exposure to the types of loans that caused us to need to take significant reserves in 2023.

To improve Net Income, we are focusing on relationship-based lending through a deeper understanding of our customers' and focusing on service more than price. We are adding a more modern loan operating system to improve our underwriting and streamline the lending process. With these efforts, we expect our results to continue to improve.

FSBT has consolidated from three locations in Charles City to two. Previously, operations and administrative staff were spread out between the headquarters building at 809 Clark, one rented facility and a building owned by the Bank that housed the Loan Operations Department. The Bank exited the rented building in the 2nd quarter, and the other building is being prepared for sale in July. We have acquired approximately 3,600 square feet of leased space on the first floor of Union House and the employees that will be occupying that space have already relocated there.

This consolidation has brought the Lending and Credit functions into the same building at 809 Clark and has already resulted in improved communication and collaboration.



Four Keys, LLC:

The single asset of Four Keys is the Union House property. The property is under contract for sale and closing is expected sometime in early August. The proceeds from the sale will flow to Cedar Valley Bankshares and will be used to retire the holding company debt with approximately \$200 thousand left over for company operations.

The sale of the building will result in a tax loss of approximately \$3 million that will shield an equal amount of future FSBT earnings from taxation to shareholders. Based on current projections of earnings, this loss carried forward should offset shareholder tax liability at least through the end of 2025.

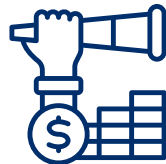
Four Keys has a net operating loss through June of \$100 thousand, with approximately \$105,000 in depreciation expense.



Cedar Valley Bankshares, Ltd.

Through the first half of 2024, CVB had Net Income of \$881 thousand. This is a result of the \$1.1 million in earnings from FSBT, the loss from Four Keys of \$100 thousand, and the costs of operating CVB itself.

After the anticipated close of the sale of Union House and the dissolution of Four Keys in the 3rd Quarter, we will finally be back to two banking entities, FSBT and CVB.



Outlook for the Third and Fourth Quarters

We expect to see financial results continue to improve as the year continues, and loan demand improves. We look forward to focusing more of our attention on our core banking business and our customers, providing value to our shareholders, and making the communities we serve better places to live, work, and do business. We look forward to reporting on our success in a few months!

Coming this Fall

We are excited to tell you that we are working on a data room that would allow our shareholders to access current and historical financial information, as well as news of activities that are going on at Cedar Valley Bankshares and First Security Bank.

We'll have more information on this and other news in the 3rd Quarter Newsletter! Meanwhile, don't forget to follow First Security Bank on Facebook to stay up to date on the latest activities at the Bank!

Brad Miller
President/CEO

Kurt Herbrechtsmeyer
FSBT Chairman of the Board





Cyber Security Tips & Highlights: Phishing

Phishing is a cyberthreat where scammers attempt to deceive individuals into revealing sensitive information by posing as trustworthy sources. These attacks come in various forms and exploit human behavior to gain access to personal data. Here are common types of phishing:

- **Email Phishing:** Attackers send deceptive emails with phony hyperlinks, masquerading as legitimate entities like Microsoft or Google. Unsuspecting recipients may unwittingly share personal information.
- **Malware Phishing:** Attackers embed malware in emails disguised as attachments like resumes or bank statements. Opening such attachments can cripple entire IT systems.
- **Spear Phishing:** Targeting specific individuals, spear phishing customizes attacks based on research into their jobs or personal lives. These attacks bypass basic security measures.
- **Whaling:** Scammers focus on high-profile targets like business executives or celebrities and extensive research helps them steal login credentials and sensitive data.
- **Smishing:** A blend of "SMS" and "phishing" smishing involves sending text messages that appear to be from trusted sources like Amazon or FedEx. Texts, delivered in plain format, can be particularly effective.
- **Vishing:** In fraudulent call centers, attackers trick victims into providing sensitive information over the phone. Social Engineering often leads victims to install malware disguised as apps.

Remember to stay vigilant and verify the authenticity of messages to protect yourself from phishing attempts!

Protect Your Identity

First Security is pleased to offer a comprehensive identity-management solution powered by Cyberscout®, the nation's premier provider of identity-management services. FraudScout® safeguards your identity around the clock.

FraudScout® is now only \$6 per month for both customers and non-customers!

FraudScout's® features include:

- Three-bureau credit monitoring
- Credit reports
- LifeStages® identity management service*
-

While fraud resolution is always free, don't wait until you're a victim before getting the coverage you need. Protect your personal information ahead of fraud attacks by enrolling today.

Bank Updates



Our location at 809 Clark Street in Charles City has been under construction. New concrete is being poured, so that our customers and employees have a safer walking surface.

The first phase that involved the sidewalk and parking spots to the east of the north/main entrance is complete.

The second phase has now begun. We are hopeful that, weather permitting, the concrete will cure, and this project will be completed soon.

We're officially in Union House!

With the near sale of our Main Street office, and our departure from 507 Clark, we have shifted employees from these locations, consolidating them between 809 Clark and the new office space at Union House.



Quote of the Quarter:

**Accomplishment will prove to be a journey,
not a destination**

-Dwight D. Eisenhower



What's next?
We want to hear from you!

We need your feedback!

Copy and paste into your browser:

We want to know what you'd like to hear more about from us. Is it more financials? Bank vs CVB information? Board member spotlights?

<https://forms.monday.com/forms/778ef54ca71b2bfa458641f13c2c914d?r=use1>

QR Code:

Please use the link or QR Code to take a short survey and tell us what you'd like to see in future newsletters!



Thank you for reading!

QUESTIONS? CONTACT US		
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