

# CVB Newsletter

CEDAR VALLEY  
BANKSHARES, LTD.

◆  
April 17, 2025



## Welcome Back!

As we wrap up an exciting first quarter of the year, we're thrilled to share our achievements, progress, and the positive momentum building at First Security.

We're very pleased to be off to a strong start both financially, and our commitment to delivering exceptional value to our customers and shareholders. Our credit quality has improved, and our interest margins continue to grow each quarter. The growing threat of fraud against both the Bank and our customers has inspired us to step up our efforts to educate the public about fraud and to increase our own diligence against these threats.

Looking ahead, we're excited for what the rest of the year holds. Our team remains focused on innovation, growth, and continued service excellence. Thank you for your ongoing trust and partnership—here's to a successful second quarter!

# Statement of Condition

## Balance Sheet

## Income Statement

### Cedar Valley Bankshares, Ltd.

Cash & Due Holdings:	153,544
First Security Bank & Trust Co.	49,082,340
Other Investments	826,840
<b>Total Assets</b>	<b>50,062,724</b>

Liabilities	-
Equity Capital	60,211,374
Bond Portfolio Valuation	(10,148,649)
<b>Total Liabilities &amp; Equity</b>	<b>50,062,725</b>

Interest Income	290
Earnings From Holdings:	
First Security Bank & Trust Co.	220,450
Other Investments	26,004
<b>Total Income</b>	<b>246,744</b>

Director Fees	36,000
Other Operating Expense	18,091
<b>Total Expenses</b>	<b>54,091</b>
<b>Net Earnings</b>	<b>192,653</b>

## Balance Sheet

## Income Statement

### First Security Bank & Trust Co. Ltd.

Cash & Due	12,444,970
Investments	167,116,429
Loans	362,691,344
Other Assets	29,469,392
<b>Total Assets</b>	<b>571,722,135</b>

Liabilities	522,639,795
Equity Capital	49,082,340
<b>Total Liabilities &amp; Capital</b>	<b>571,722,135</b>

Interest Income	5,851,919
Non-Interest Income	854,906
<b>Total Income</b>	<b>6,706,825</b>

Interest Expense	1,830,345
Non-Interest Expense	4,675,960
Provision for Loan Losses	(4,959)
Taxes & Adjustments	(14,972)
<b>Total Expenses</b>	<b>6,486,374</b>
<b>Net Earnings</b>	<b>220,451</b>

	12/31/23	12/31/24	3/31/25
Book Value/Share	155.73	166.66	177.88
EPS	-5.02	5.36	.66



## CVB

The year is off to a strong start for Cedar Valley Bankshares. Earnings for the first quarter of \$192,653, or \$.66 per share, were led by First Security Bank's earnings of \$382 thousand over its first quarter budget expectations. Operating income of the bank accounted for \$212 thousand of this and another \$155 thousand were the result of improvements to the credit portfolio which allowed the bank to reduce its Allowance for Loan Loss (ALLL) over the quarter. The improvement in operating earnings is reflective of growth in the net interest margin and will continue to raise expectations over the rest of 2025.

We have a very positive but cautious outlook for possible distributions to shareholders in 2025 as expected earnings continue to grow as the year progresses. This will be ultimately impacted by three limiting forces: capital needed to fund bank growth, the strength of the Bank's credit portfolio, and the taxable portion of the Bank's earnings in 2025.

Growth of the bank will be driven by the demand for credit in the market. The Bank currently has the capital to remain well-capitalized to meet regulatory requirements while adding the loan growth we expect in 2025, so this is not an area of great concern.

As a Subchapter S corporation, Cedar Valley Bankshares is able to distribute its taxable earnings without the distribution being taxed to the shareholder. In 2024, the Union House building was sold, and the company realized a tax loss. As a result, Cedar Valley Bankshares must retain \$784 thousand (\$2.69 per share) of taxable earnings at the end of 2025 to avoid causing a taxable event for shareholders for any distributions received. While we fully expect to exceed this amount of taxable earnings, we will likely defer payment of dividends until the second half of 2025 to ensure that this does not present an issue for shareholders.

We're excited to let you know that we have created a shareholder "portal" on the First Security Bank website. We have created a space where we can make available current financial statements, shareholder newsletters, and other non-private information. This will allow us to better connect with our shareholders on the performance of the Company as well as how we are working to serve our customers.

We will spend more time discussing these topics and others at the Annual Shareholders' Meeting on Monday, April 21 at 4:30. If you can't be there in person, we'll host the meeting via Zoom. Also, remember to follow us on Facebook to stay current with everything that's going on at First Security Bank.

*Kurt Herbrechtsmeyer*  
FSBT Chairman of the Board

## First Security Bank & Trust Highlights

There are a few themes that are or will likely have influence over how the bank operates, manages risks, and performs in the coming quarters. The short list includes:

- Narrow margins for our row crop (corn and soybean) customers,
- Healthy margins in cattle,
- Ag real estate holding its value and providing strong collateral for lending,
- Tariffs,
- Interest rate environment,
- Customer focused initiatives.

The good news is that FSBT, like all banks, is in the business of risk management. Risk is always present. We make money for our shareholders when we take and manage risks on behalf of our customers.

While row crop margins are narrow, most of our customers have strong historical production, owing to both skill and the amazing soil we have in Iowa, and are profitable even at current prices. For those who have livestock in addition to row crops, that diversification is paying off and improving the financial performance of their farming operations. Many of our ag customers also have off-farm income that further provides security in tough times. For these reasons, most of our customers are not experiencing the financial stress that might be expected with crop prices at their current levels

Another factor that benefits both the bank and its customers is that Ag land prices have remained high. This allows for good collateral protection for the various types of loans that we make, keeping our credit risks low.

The interest rate environment is improving and is covered in more detail in the financial section.



Tariffs are a wild card as of this writing. Some of the inputs that our customers rely on, such as potash, are sourced internationally, as is some of the equipment that they utilize. To the extent that tariffs imposed by other countries reduce demand for products from our trade area, a corresponding decline in prices would be expected. Know that while tariffs do present risk, we are in the business of managing risk.

We continue to focus on our customers, helping them to build and protect their financial legacies. Examples of this include keeping our staff trained and on the lookout for attempted fraud targeting our customers. On average so far this year our employees have prevented \$5,000 per day of fraud that bad actors have attempted to perpetrate against our customers. In some cases, the amount of attempted fraud, if it had been successful, would have done substantial damage to the financial lives of our customers.

We continue to improve our marketing efforts by finely targeting them to produce the best results. For example, being able to identify potential customers who purchased and financed homes at times when interest rates were higher and promoting refinance opportunities that benefit both customers and the bank.

We are also working on providing products such as Positive Pay. This product will soon be available to our business customers. It ensures that only transactions that have been specifically approved by customers ahead of time are allowed to impact their accounts, reducing fraud and other non-authorized transactions. This benefits the customer by providing additional control over their accounts. It also benefits the bank as there is a nominal fee for the service and it should result in fewer cases of fraud.

All in, the bank is progressing, seeing our results improve, and working to restore the dividend to our shareholders.

*Brad Miller*  
President/CEO

# First Security Bank & Trust

The first quarter of 2025 was stronger than expected. FSBT posted Net Income of \$220 thousand as our operating results continue to improve. We benefited from growing loans, which will continue to improve future results, as we also were able to decrease our funding costs by taking advantage of opportunities created by the Fed decreasing rates in late 2024.

Over the past year, the interest rate environment has changed in our favor. Short-term yields fell while long-term yields held steady. This has allowed us to improve our cost of funds, as mentioned above, because short-term yields align with our deposits while longer-term yields typically align with our loans. While we can't predict exactly what interest rates will do in the future, we have taken steps to derisk our balance sheet over the past year. These steps would reduce the downside risk associated with a sharp change in interest rates due to shifts in the economic or political landscape.

Looking forward to the rest of 2025, we are focused on growing the loan portfolio. The goal for 2025 is to increase the loan portfolio by \$24 million, and through the first quarter, we have already grown it by more than \$9 million. To fund the \$24 million in loan growth, we will be using proceeds from our investment portfolio's run-off. By replacing lower yielding investments with higher yielding loans, we will be improving our interest income and increasing our net interest margin (the difference between the interest you bring in on loans and the interest you pay out on deposits).

The overriding goal of the bank in 2025 is still to restore the dividend. All of the financial decisions we make take that into consideration, and the results of the first quarter of 2025 are a good step in that direction.

*Chuck Mersch*

CFO, First Security Bank & trust





## Investments with Bobbi: New Tariffs Drive Market Volatility

At 4:00 p.m. on April 2, 2025, President Trump announced sweeping tariffs on imported goods that were significantly larger and different in structure than expected. The announcement was carefully timed to coincide with the close of the New York Stock Exchange to avoid immediate market volatility. But over the next two days, the S&P 500 — generally considered representative of the U.S. stock market — plunged by 10.5%. The Dow Jones Industrial Average lost 9.3%, and the tech-heavy NASDAQ index dropped 11.4%. The two-day rout erased \$6.6 trillion in market value, the largest two-day shareholder loss in U.S. history.

Market volatility continued on Monday, April 7, with prices swinging widely throughout the day, but the final results were more moderate. The S&P 500 dropped slightly by 0.23%, the NASDAQ was up slightly by 0.10%, and the Dow fell 0.91%.

Obviously, a quick market drop is cause for concern, but it's important not to overreact and to maintain a steady eye on long-term goals. It may be helpful to consider the causes of the current market volatility along with a longer-term view of market trends.

### A Surprising Approach

The tariffs announced on April 2 were promised as a program of "reciprocal tariffs," which are traditionally defined as matching the tariffs other countries levy on U.S. goods and theoretically leveling the playing field. Determining reciprocal tariffs typically requires exhaustive analysis of a complex web of global trade rules on tens of thousands of products. Investors hoped for a moderate, measured program, and it's notable that the S&P 500 actually rose steadily in the three trading days before the announcement.

The tariffs the president announced took investors by surprise. They were not reciprocal tariffs by the traditional definition but rather based on the trade deficit in goods between the United States and a given country. Trade in services, in which the United States often has a surplus, was not considered.

Specifically, the tariff was calculated based on the ratio of the country's 2024 goods trade deficit with the United States to the total value of its goods exports to the United States, multiplied by one half. Thus, if Country A sold \$200 billion in goods to the United States and bought \$100 billion in U.S. goods, the deficit was \$100 billion, and the tariff was calculated as  $\$100\text{B}/\$200\text{B} = 50\% \times \frac{1}{2} = 25\%$  tariff. Nearly all countries were assessed a minimum 10% tariff, regardless of the balance of trade, but Canada and Mexico, which already have substantial tariffs due to previous actions, are exempt from the new round. Other exceptions include Russia and North Korea, which are under trade sanctions.

The Trump administration maintains that this calculation will close trade deficits, but most economists believe that such deficits are not necessarily bad or the result of unfair trading practices — and the calculation resulted in unexpectedly high new tariffs. The European Union, which provides almost one-fifth of U.S. imports, was assessed a 20% tariff, while China was assessed 34% on top of the recent 20% boost and other tariffs already in place. Other important sources of imports with high new tariffs include Vietnam (46%), Taiwan (32%), India (27%), South Korea (26%), and Japan (24%). Tariffs on most countries are now higher than the tariffs they charge for U.S. goods, and even countries that buy more U.S. goods than they sell, such as Australia and Argentina, will still pay the 10% minimum tariff.

## Concerns & Potential Revenue

There is an adage that the market doesn't like surprises, and part of the market reaction was due to the unusual approach, with an untried calculation, higher-than-expected tariffs on many trading partners, and a minimum tariff on nearly every country of the world. But there is also a fundamental concern that these tariffs, on top of previously levied tariffs, will increase consumer prices to a level that seriously slows consumer spending, the driving force of the U.S. economic engine. Higher import prices can also hurt U.S. companies that depend on imported materials and parts, while retaliatory tariffs and other economic sanctions could hurt U.S. companies that export goods and/or do business abroad.

On the other hand, the Trump administration's stated goals are to stimulate U.S. manufacturing, address unfairness in international trade, and increase U.S. revenue, which could be used to decrease other taxes. Trump economic advisor Peter Navarro estimated that the tariffs could raise more than \$6 trillion over ten years. This estimate is likely on the high end, because it assumes that tariffs, trade, and consumer behavior will not change. But revenue approaching that level could pay for extending the 2017 tax cuts, which are scheduled to expire at the end of 2025 and could decrease revenue by about \$4.5 trillion over the next ten years if extended.

Moreover, the tariffs as announced may be intended in part as a starting point for negotiations. President Trump and Vietnam's leader, To Lam, have already begun discussions, with Lam offering to reduce his country's tariffs on U.S. goods to 0% in return for reduction of the U.S. tariffs. It's likely that there will be negotiations with many key U.S. trading partners as the tariff program evolves.

## Investing for the Long Term

Although it is impossible to predict the market, you can probably expect volatility for some time. The NASDAQ Index officially entered a bear market — a loss of at least 20% from a previous high — at the end of trading on April 4, while the S&P 500 Index — down more than 17% from its recent high — is approaching bear territory. While any substantial decline can be worrisome for investors, it's important to remember that markets are cyclical. Regardless of the reasons for a downturn, the market has always bounced back. Here are some other considerations that may help provide perspective:

- After a down year in 2022, the S&P 500 gained 24.23% in 2023 and 23.31% in 2024, the largest two-year increase since 1998. Although 2025 has been rocky, the index set an all-time record on February 19, 2025, after the initial round of tariffs was announced. So, the current market turmoil is coming after a period of unusual strength. While it may be disturbing to watch the value of your investments decline, the current drop is from a high level, and the current value of your portfolio might be similar to what it was at a time when the value seemed satisfying.



- The losses you see in your investment account are only paper losses until you sell. Panic selling locks in those losses. Historically, some of the best days of stock market performance have followed some of the worst days. No one can predict market direction, and pulling out of the market due to an emotional reaction can lead to missing gains on the way back up.
- A down market can offer buying opportunities, but no one knows when the market has reached bottom, so — as with selling — purchasing decisions should be made rationally based on a long-term strategy.
- Since 1928, the S&P 500 Index (including an earlier version) has returned an annual average of about 10%, but annual returns have varied widely. Over 97 years, there have been 65 positive years, 30 negative years, and two flat years.
- During this same period, there have been 24 S&P 500 bull markets (not counting the current bull) and 23 bear markets. The average bull market lasted 1,102 days and had a positive return of 121.4%. The average bear market lasted 340 days and had a negative return of -36.8%. Put simply, bulls have lasted longer than bears, and bull gains have substantially eclipsed bear losses.

Past performance is not a guarantee of future results, but the clear message in these statistics is that it pays to be patient and stick to your long-term strategy. This is true during any period of market volatility, but the current situation— primarily driven by the reciprocal tariff regimen — is still so new and subject to change, it may be unwise to place too much emphasis on the initial market reaction. Even if the president maintains the current trade policy, the U.S. economy and the U.S. stock market have proven time and time again to be resilient and adaptable to changing economic conditions.



*All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. The S&P 500 Index is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary.*

1, 3–4, 13, 16) Yahoo Finance, April 7, 2025; 2) Morningstar, April 4, 2025; 5, 7, 9) The New York Times, April 4, 2025; 6, 8) The Wall Street Journal, April 7, 2025; 10) CNBC, April 2, 2025; 11) The New York Times, April 6, 2025; 12) Reuters, April 4, 2025; 14) S&P Global Indices, 2025; 15) MarketWatch, December 31, 2024; 17) Investopedia, December 26, 2024; 18) www.macrotrends.net, 2025; 19) Yardeni Research, January 21, 2024

Prepared by Broadridge Advisor Solutions. © 2025 Broadridge Financial Services, Inc.

Investment and Insurance products and services are offered through Osaic Institutions, Inc. Member FINRA/SIPC. First Security Investment Services is a trade name of First Security Bank & Trust Company. Osaic Institutions Inc and First Security Bank & Trust Company are not affiliated. Products and services made available through Osaic Institutions, Inc. are not insured by the FDIC or any other agency of the United States and are not deposits or obligations of nor guaranteed or insured by any bank or bank affiliate. These products are subject to investment risk, including the possible loss of value.

---

## **Introducing: New Shareholder Updates Web Page:**

We are excited to announce the launch of new web page that is designed to provide our shareholders with a more streamlined and transparent way to stay informed. This user-friendly page will give shareholders direct access to company information, enabling them to manage and track their investments with ease.

Through reviewing the web page, shareholders will be able to view past newsletters, giving them insights into the company's performance and updates. Additionally, it will provide access to up-to-date financial information. This ensures that our shareholders are always informed about the financial health and performance of the company.

This new web page will not hold sensitive information and is only available to those with the secure link, below.

<https://1stsecurity.bank/cvb-shareholder-updates.html>



---

## **Annual Shareholder's Meeting**

We are excited for the CVB Shareholders meeting and dinner on April 21st!

If you have not done so yet, please send your proxy to Hannah Chambers at [hchambers@1stsecurity.bank](mailto:hchambers@1stsecurity.bank).

---

## Fraud Talks

In an era where financial fraud is on the rise, First Security Bank has carved out a niche by making fraud education a priority.

Since August of 2023, Operations Manager Amy Wilson and Retail Advisor Supervisor Selena Jensen have led 15 “Fraud Talks” to over 350 attendees ranging in age from 5<sup>th</sup> grade students to retirees at Senior centers. The presentations have taken place all over our footprint.

Some of their fraud tips are recorded and listed on our website as well as our YouTube and Facebook:

<https://1stsecurity.bank/fraud-talk.html>

Coming April 23<sup>rd</sup>: First Security and the Iowa Attorney General’s Office present “Know Fraud, No Problem” - a free event to anyone who wants to attend. We have invited area schools and law enforcement in addition to the general public. We are looking forward to a great turnout!

From January - March of 2025, our diligent staff identified and prevented over \$435,000 in fraud. We are proud to be known for taking a proactive approach in educating our communities and are looking forward to more opportunities to present.



---

## Bank Branch Upgrades: New Flooring and Carpet for a Fresh Look

As part of our ongoing efforts to enhance customer experience, the Rockford branch has undergone a series of updates, including the replacement of carpets and flooring. These changes are designed to not only improve the aesthetic appeal of the space but also create a more comfortable and welcoming environment for customers and staff alike.

With these improvements, we aim to provide a more pleasant, efficient, and professional setting, ensuring that every visit feels like a step forward in convenience and service. The updated flooring complements the overall refresh and adds a touch of sophistication to the branch's interior.

Rockford is excited to welcome customers into the newly refreshed space.





# Director Spotlight

Meet Larry Pump!

Larry is a director of First Security Bank & Trust, and has been since 2002.

**Current Occupation:**

Certified Public Accountant



**What drew you to this field, and how did you get started?**

I was attracted to and fascinated by numbers from an early age. Once I started high school, and took accounting and bookkeeping, I knew my future was accounting. After attending NIACC and learned a few of the ropes regarding the accounting profession, it was an easy decision to attend the University of Northern Iowa (UNI). UNI was regarded as one of the top accounting programs in the United States, and I wanted to be associated with the best.

**What has most significantly influenced your success?**

The professors at UNI were influential in my career as they had connections with many of the large public accounting firms as well as many private companies.

**Tell us about your career path that led you to become a bank director:**

My path to my current position started with working in public accounting. I decided that I was going to be more challenged in public accounting than I would in private industry. As a result, I joined R. W. Cox and Company, and in 1988, became an owner. On July 1, 2000, along with my wife Sue, I acquired the accounting firm of Burke, Saunders & Company and now LARRY PUMP, CPA resides in that building at 117 N Jackson Street, Charles City, IA. During my career, I became involved with bank audits. This experience provided me with extensive knowledge relating to the financial workings of the banking industry. Along with day-to-day experience with business ownership, budgeting, tax and finance, I believe this allowed me to gain an upper hand on being qualified to serve on the Board of Directors of First Security Bank.

**Tell us about your personal life:**

My wife, Sue, and I have three adult children – Keith, Cody, and Staci. Keith and his wife Jeni reside in Chicago and have two children – Sophia-5 and Max-2. Cody and his wife Kristin reside in Cary, Illinois. Staci and her husband Drew Johnson live in Ankeny, IA and have two daughters – Ellen-2 and Kate – 2 months.

**What are you most passionate about outside of work?**

When not working, I enjoy golfing, reading, running, lawn work, attending sporting events (primarily Iowa Hawkeyes football games and wrestling meets, Minnesota Twins baseball games, and Minnesota Vikings football games), and babysitting the grandchildren.

**What organizations are you involved in, or passionate about?**

I am a member of the Iowa Society of Certified Public Accountants (ISCPA) and the American Institute of Certified Public Accountants (AICPA).

I am either currently or have been involved in the following organizations: Past President and current member of the Board of Directors of the Winnebago Council of Boy Scouts, Officer and Board Member of Charles City Civic Foundation, Outreach committee member of Main Street Charles City, Past President and current member of the Rotary Club of Charles City, Board Member of the Main Street Iowa Advisory Board, Past President and past Council Member of Zion Lutheran Church, and Past President and past Board member of the NIACC Foundation.

**If you could travel anywhere in the world, where would you go and why?**

Travel has been another enjoyment for Sue and I, as we have gone on multiple European vacations. Other vacation destinations we have enjoyed are Las Vegas, Florida, Colorado, and New York City.

**Do you have a favorite quote or motto that you live by?**

In 2017, my accounting firm was featured in the First Security Bank's calendar for the month of August. My quote used for that photo is the one I live by and is still my favorite quote and goes like this: To love what you do and feel that it matters – what could be more fun?

---

”

Quote of the Quarter:

**Perseverance is not a long race; it's many  
short races one after the other.**

– Walter Elliot

“

---

## Our Directors

### Cedar Valley Bankshares

Ronald K. Noah- President  
 William G. Herbrechtsmeyer  
 David A. Klaus  
 John M. Klaus  
 J.R. Herbrechtsmeyer  
 Ralph A. Smith



### First Security Bank & Trust

Kurt W. Herbrechtsmeyer- Chair  
 J.R. Herbrechtsmeyer  
 Ralph A. Smith  
 Brad Miller  
 Boyd A. Campbell  
 Eric D. Noah  
 Gene A. Hall  
 Larry Pump  
 Richard A. Weiner  
 Robert D. Noble

QUESTIONS? CONTACT US		
<b><u>KURT HERBRECHTSMEYER</u></b> CVB TREASURER FSBT BOARD CHAIR	<b><u>BRAD MILLER</u></b> PRESIDENT/CEO/DIRECTOR CVB SECRETARY	<b><u>HANNAH CHAMBERS</u></b> EXECUTIVE ASSISTANT
641-257-1238 kherby@1stsecurity.bank	641-257-1237 bmiller@1stsecurity.bank	641-257-1236 hchambers@1stsecurity.bank