SUSQUEHANNA
COMMUNITY FINANCIAL, INC.

January 19, 2024

Dear Shareholders:

Happy New Year! I hope all of you had a good holiday season. A new year gives us time for new resolutions and revival. Before we fly into 2024, I thought it would be good to revisit the 2023 naughty and nice list. 2023 was the most challenging year in my thirty-year banking career.

- Interest Rate changes is number one on the naughty list. Prime rate was 3.25% in March of 2022 and today is 8.50% due to the Federal Reserve raising rates eleven times to curb inflation. This dramatic rise in rates has caused our cost of funds to increase by 232% from a year ago. This caused our earnings recession in 2023.
- **Number one on the nice list for 2023 was achieving our two primary objectives of protecting deposits and the dividend. Deposits were only down about 3% and we were able to pay a consistent dividend to our shareholders.**
- The largest dollar amount of bank failures in history in March of 2023 is second on the naughty list. This created a customer and shareholder confidence crisis, especially for community banks. More on the importance of community banks later.
- **Even though bank stock valuations were down due to higher rates, resulting in higher unrealized losses from investment portfolios and lower tangible book value ratios, we remained safe and sound with regulatory capital being strong and asset quality being excellent. We also had double digit loan growth.**
- Finally on the naughty list is that after a Pandemic, short staffing, high inflation, and high interest rates, 2024 will remain a challenge for community banks as the economic, regulatory, and monetary policy remain volatile and uncertain.
- **We will hope for the Best, Plan for the worst. Community Banks remain vital to our communities we serve. If you want to watch a feel good, inspiring movie about community banking, watch "Bank of Dave" on Netflix.**

I am pleased to announce your fourth dividend of $.24 per share. As of December 31, 2023, our total assets were approximately $586,604,000 as compared to $556,041,000 (audited) as of December 31, 2022. Net loans outstanding were approximately $364,391,000 while deposits totaled $497,184,000. For the twelve months of 2023, net income was approximately $2,215,000 as compared to twelve months of 2022 at $5,310,000. Year-to-date Earnings per share were approximately $.78 and $1.87 for the years of 2023 and 2022, respectively.

We will continue to work hard every day to earn your support and preserve our independence.

On behalf of the Team at Susquehanna,

David S. Runk
President and CEO

03XEUB 004CTN3AAC