

GRANT COUNTY STATE BANK
STRATEGIC PLAN
OCTOBER 2023

For the three-year period
2024-2026

Background and Information:

During the third quarter of 2023, the Board of Directors of Grant County State Bank undertook reviewing and documenting this ongoing strategic plan to serve as a guideline for the next three calendar years. Planning focused on establishing the following primary objectives;

- Reaffirm the overall mission of the bank.
- Restate specific action strategies.
- Recast annual operating measurements

To best meet these goals, significant issues concerning Grant County State Bank's core competencies, areas for improvement, threats and opportunities were reviewed and discussed. The resulting conclusions were used to formulate bank actions and strategies.

The emphasis of three-year term planning focuses on customer development and market conditions. The Board acknowledges both short term performance and longer-term strategic planning are crucial for sustained strong financial strength. Of further importance is mitigating certain inherent operating and market factors to best ensure future consistent risk adverse income levels. Therefore, the following documents the mission, strategies, and performance measurements as established by the Directorate.

Mission Statement

- Grant County State Bank intends to be a premier financial institution in our market area, while remaining a locally owned community bank providing high quality financial services to its communities in a personalized and professional manner.
- Grant County State Bank will diligently serve our communities with integrity and pride, continue to provide financial services to individuals and small businesses located within its market area and to markets where needs or opportunities arise.
- Grant County State Bank will accomplish this mission by being responsive to its customers and providing sound financial products and services.
- Grant County State Bank will continue to develop the potential of all employees by providing opportunities and career development while in a work environment prioritizing integrity, ethical conduct, fairness, and cooperation.

- Grant County State Bank will continue its commitment of community banking while producing prudent, steady, and profitable growth in a manner that does not compromise the safety and soundness of the bank, thereby resulting with increased value for the shareholders' investment, increased employee welfare, and superior customer satisfaction.

The Board believes this statement reflects; *'what we are', 'what we will become', and 'why the bank exists'*, thereby providing employees and customers a clear statement for the future.

To accomplish this mission, the bank must sustain profitability while exploring the introduction of additional products to enhance our market presence. Regardless of product or technological changes, steady and continued growth through cultivating the current customer base and present market area will be emphasized. However, market expansion remains an option, and the bank remains prepared to capture any non-market opportunities identified which brings value to the bank.

The Board of Directors recognizes quality customer service must prevail to maintain and increase market share, and encourages bank effort regarding additional product introduction and/or market expansion.

Therefore, the bank remains totally committed to its customers and communities, while operating in a manner which meets safety and soundness criteria and retains high ethical standards.

Furthermore, the bank commits to providing an atmosphere whereby each employee is treated fairly, with bank employment being personally rewarding and professionally challenging.

To achieve a combined and collective commitment of providing a level of service which meets or exceeds customer expectations, the mission statement will be shared with all employees.

Overall, the bank firmly believes the mission statement reflects its commitment to customers, employees and shareholders, with all being best served through ethical practices, sound management principals, and high service standards.

Therefore, the mission statement becomes the operational platform of the bank and will be maintained for reference as the guideline for objectives, strategies and actions.

Critical Issues Defined

Following review of data as support of developing the mission statement, the board of directors determined certain factors were most critical to the success of the bank meeting stated goals;

- Grow Market Share
- Improve Asset Quality
- Mitigate Interest Rate Risk
- Maintain Profitability
- Enhance Customer Satisfaction
- Ensure shareholder liquidity

These critical issues represent the mission statement foundation for achieving the long -term strategy of the bank to remain a sound, strong, and independent organization.

Analysis Summary

The purpose of the analysis is the reaffirmation of current operating measurements, and identifying competitive issues most important for continued success. The information gathered for Directorate review during this phase of the planning process resulted with strengths, improvement opportunities, and threats being clearly identified.

Key Issues – Strengths

Loan Growth: The bank objective remains for loan growth to equal deposit growth, thereby preserving net interest margin and profits.

Trust Department: Given potential trust customers have limited local options and the bank has an experienced trust officer, continued trust related asset growth is expected.

Reputation – Stability: The history of the bank and the acceptance of its presence in the communities served, provides a sound basis on which to further expand. Being a fixture in the community with an experienced and capable Board of Directors, Management, and Staff clearly remains a strong point and enhances the overall perception of the bank.

Customer Confidence: The continued stable core base of customers provides the foundation for expansion of market share.

Community Support: The bank supports the communities it serves, and resulting customer loyalty should exist into the future. It is understood this support must continue to be earned, with the bank building upon customer support.

ESOP/401K: Such retirement plans promote employee retention, resulting with improved stability and experience. Many employees have abilities, established customer relationships, and bank loyalty, all developed over time.

Shareholder Support: Bancshares enjoys the positive support of its shareholders, and provides shareholder liquidity through stock redemption when needed. Given continued fair and reasonable annualized dividend returns on their investment, this relationship should continue.

Bank Performance: Targeted performance key ratio measurements such as return on assets, return on equity, interest rate risk, capital, and liquidity are consistently met.

Key Issues – Improvement Opportunities

Technology: Determine the overall needs of both the current and future customer base with implementation of products and delivery systems focusing on meeting those needs. Better ensuring the bank is prepared to service the future, as technology expectations of younger generations are likely vastly different than prior generations.

Personnel: Reevaluate capacity and responsibilities of the existing staff, and hire employee skill sets that compliment and support bank personnel to best meet regulator expectations.

Acquisition: Continued growth by expanding in a prudent manner improves bank charter value, increases shareholder investment, and provides improved customer satisfaction in a new community.

Key Issues – Threats

Asset Quality: Reversing recent trends of deterioration associated with asset quality measurement is critical. The bank must prioritize stringent policy compliant underwriting guidelines for improving overall quality of new loans.

Economy: Current interest rate environment will challenge both national and local economies requiring close attention and knowledge of credit conditions to avoid risks associated with financial deterioration.

Regulations: Regulatory governance continues to be a burden to financial institutions. However, to remain fully compliant, the bank will employ whatever resources necessary to meet all mandated requirements.

Personnel: While the bank is staffed with loyal and talented employees, all are employed at will with no contractual obligation. Therefore, while the bank attempts to cross train its staff to mitigate risk, the bank remains exposed of losing a key person at any time.

Technology: The bank must remain mindful of advancing technology by offering products and services that meet ongoing consumer expectations, thereby remaining competitive.

Competition: Competition is always a threat. The Grant County market is penetrated by local area banks, regional banks, and credit unions. Non-traditional competition for deposits and loans remains problematic, with technology allowing competition without concern to geographic location. Monitoring each of these factors to maintain a competitive edge and protect market share is crucial.

Takeover: An unfriendly takeover is a possibility. However, the bank remains firm the greatest deterrents are robust earnings and capital accumulation thereby protecting and preserving GCSB's stand alone charter by creating ever increasing shareholder value and therefore remaining cost prohibitive to all suitors.

Strategic Action Summary

The following objectives resulted from revisiting the analysis key issues, mission statement critical issues, as well as Directorate judgment. This summary is vital to the overall planning process, bringing attention and focus on issues warranting attention to best ensure the continued success of the bank.

Personnel: Promote employee development thereby improving bank contribution, through clearly defined expectations. Support with required training or education, and reward positive results. Bank success remains dependent upon employees providing high quality, accurate, and professional service. The Bank staff is capable, and while there are no known planned near-term retirements, succession planning remains necessary. Succession planning will be accomplished by ensuring training and exposure is directed to each critical function of the Bank in the event an unplanned departure occurs.

Growth: Utilize technology, both current and forthcoming, to position and promote bank value to present and future customers. Review products offered by competitors and not offered by Grant County State Bank, comparing to the banking needs of both current and potential customers. The bank must expand products and services as technology advances, to increase current customer usage, as well as attracting additional customers.

Furthermore, the 2023 bank contracted Grant County financial institution feasibility analysis concluded the local market is over-banked with little business justification for further retail branching investment within its communities. Nonetheless, the Bank will remain attentive to alternative growth opportunities such as virtual online resources, loan production office, and competitor existing branch acquisition.

Board membership succession: Given the Board of Directors are ultimately responsible for bank governance, maintaining knowledgeable and experienced board members remains crucial. Therefore, the Directorate has determined maintaining a current list of potential director candidates best preserves sound uninterrupted bank guidance.

Annual Financial Goals

Given a normal banking climate, absent acquisition/merger activity, combined with no proposed regulatory revision materially affecting operations, the Board of Directors established annualized 2024 and ensuing years targeted financial operating benchmarks as follows;

- Pre-tax return on Assets - 1.75%
- Pre-tax return on Equity - 15.00%
- Loan to deposit - 120%
- Operating efficiency - 40%
- Dividend/taxable income - 45%
- Balance sheet growth - 6.00%
- Tier 1 leverage capital - 10.00%
- Loan loss provision/total loans - 1.50%
- Loan charge-offs/total loans - .15%
- 30 days delinquency/total loans - 2.50%

The Board of Directors finds the above bank operating measurements support community banking by providing a fair and reasonable return to the shareholder for their long-standing loyalty, thereby preserving local independent bank ownership allowing continued customer service and community support, while retaining the ever-valued partnership among the bank, its customers and communities.

