



PEOPLES FINANCIAL CORPORATION

April 23, 2025

To Our Shareholders:

In the 129 years since our founding, The Peoples Bank and its holding company, Peoples Financial Corporation, have remained committed to the Mississippi Gulf Coast. We proudly stand as a local community bank serving the financial needs of our friends and neighbors here in South Mississippi.

I am pleased to report on the financial results of 2024.

Net income for the year ended December 31, 2024, was \$21,703,000 compared to net income of \$9,166,000 for the year ended December 31, 2023.

The Company had a valuation allowance on federal and state deferred tax assets totaling \$15,617,000 as of December 31, 2023. In the third quarter of 2024, the Company reassessed the valuation allowance in accordance with applicable accounting guidance and determined it was appropriate to reverse substantially all the valuation allowance which resulted in a one-time discrete reduction to income tax expense of \$15,194,000 in the third quarter of 2024.

As of December 31, 2022, the Company no longer had a net operating loss carryforward.

Improving asset quality has been the primary goal of the company since the 2008 recession. During 2023 and 2024, we achieved several important milestones:

- Nonaccrual loans were reduced from their high of \$57,500,000 in 2011 to \$418,000 at December 31, 2024.
- Other real estate was reduced from \$9,900,000 in 2015 to \$0 at December 31, 2023. This is the lowest our other real estate has ever been in our Bank's history. At December 31, 2024 the balance was \$9,000.

Our management team continues to implement our strategic plan. Our key objectives of the plan include improving financial results and maximizing shareholder value over the long term. These efforts included:

- Pursuing strategies to increase outstanding loans by seeking opportunities in new markets in our trade area and out of area and seeking participations with similar financial institutions.
- Continue to focus on those efforts that result in reduction of past due loans, nonaccruals, and other real estate.
- Maintaining the efficiency ratio to the average efficiency ratio of the bank's composite PEER group over the next decade. Strategies will include promoting technology to enhance operational effectiveness and product offerings, continued evaluation of opportunities to increase non-interest income and reduce non-interest expense and evaluation of existing branch footprint.
- Maintaining annual earnings to a return on average assets of 1.00%. Strategies emphasized achieving sustained earnings. In 2024 our return on average assets was 2.65%.
- Providing increased semi-annual dividends to our shareholders of approximately 30% based on a consistent payout of sustained profits.
- Continue a stock repurchase program not to exceed \$1,000,000 annually.
- Implementing an enhanced succession strategy for key/senior management positions. The recent retirement of several senior managers has provided an opportunity for promotions for other officers as well as the potential for new strategies within those areas.

- The renovations on our asset management trust department and around the Ellzey building were completed in August 2023 which allowed us to place more emphasis on wealth management. The project cost us \$1.5 million. Along the way we took advantage of the historical tax credit of \$800,000 which was utilized in 2023 and 2024. The first step in this process was taken by the acquisition of Trustmark's corporate trust business in August 2022. New related net income for 2024 for the asset management and trust services division (only) was \$1,214,601 compared to 2023 net income of \$1,062,963.
- Net income for the year ended 2024 increased \$12,537,000 to \$21,703,000 compared to net income of \$9,166,000 for the year ended 2023.
- The increase in net income for the year ended December 31, 2024, was due to a discrete item of \$15,194,000 recorded as a tax benefit for the reversal of the Company's valuation allowance on federal and state deferred tax assets during the third quarter and year ended December 31, 2024. Pre-tax income for the year ended December 31, 2024 decreased \$2,907,000 to \$8,380,000 as compared with \$11,287,000 for the year ended December 31, 2023. Total interest income increased by \$465,000 to \$33,094,000 for the year ended December 31, 2024 as compared with \$32,629,000 for the year ended December 31, 2023 due to higher interest and fees on loans and overnight federal funds. Total interest expense increased by \$3,488,000 to \$9,643,000 for the year ended December 31, 2024 as compared with \$6,155,000 for the year ended December 31, 2023 due to higher interest rates paid on deposit accounts and borrowings.

Overall, it can be said that the operational strategies implemented since 2021 resulted in the best year our Bank and Holding Company has ever had.

Throughout our 129-year history, we have upheld our vision of serving those in our Mississippi Gulf Coast community. These many years have seen challenges, including hurricanes, depressions, recessions, oil spills, pandemics and other disasters, that have impacted our friends and neighbors. One constant throughout has been the strength and stability of The Peoples Bank which comes from our strong capital foundation. This is the foundation that makes your long-term investment in our Company safe through tumultuous times. We thank our shareholders, employees, directors and customers for being part of that mission here in our home, in South Mississippi.

Before we adjourn, I would like to add that while making a number of telephone calls this year and last, one of our stockholders had been left with a couple of shares by his grandfather (Charles Dejean) of Dejan Packing Co. when he passed in 1961. Over the years because of a series of stock splits, his shares have grown to 3,840 shares of Peoples Financial Corporation stock. This stockholder is quite proud of his community bank and its connection to Biloxi.

We have also just released earnings for the first quarter of 2025 and we will have a copy of that release for you as you leave.

This concludes our Annual Meeting.

Sincerely yours,



Chevis C. Swetman
Chairman, President and Chief Executive Officer

Enclosure (1) End of year financial highlights

PERFORMANCE SNAPSHOT**(In thousands, except per share figures)****EARNINGS SUMMARY**

	Year Ended December 31,			
	2024	2023	2022	2021
Net interest income	\$ 23,451	\$ 26,474	\$ 21,550	\$ 19,462
Non-interest income	7,014	6,894	6,895	6,470
Non-interest expense	22,247	22,353	21,855	22,622
Net income	21,703	9,166	8,941	8,911
Earnings per share	\$ 4.66	\$ 1.96	\$ 1.91	\$ 1.84

PERFORMANCE RATIOS

December 31,	2024	2023	2022	2021
Return on average assets	* 2.65%	1.10%	1.06%	1.15%
Return on average equity	* 27.25%	14.73%	12.17%	9.55%
Net interest margin	3.05%	3.29%	2.64%	2.74%
Efficiency ratio	73%	67%	77%	72%

*-Includes discrete item of \$15,194,000 for the reversal of valuation allowance in Q3 2024.

December 31,	2024	2023	2022	2021
Closing Stock Price	\$18.60	\$16.60	\$14.50	\$16.65