



Keweenaw  
Financial  
Corporation

2024  
ANNUAL  
REPORT

**“While KFC and SNB can never be immune from the risks faced by the industry, we are confident our conservative risk profile and strong balance sheet will serve shareholder interests long into the future.”**

As I reflect on 2024, there is a lot to be proud of at Keweenaw Financial Corporation (KFC) and Superior National Bank (SNB). Our team's level of engagement and hard work have enabled us to continue to advance our strategic goals and initiatives.

## 2024 Financial Results

KFC earnings improved in 2024 as consolidated net income rose 8.4% to \$7.0 million, compared to \$6.4 million in 2023. Not only did net income increase year-over-year, but it also exceeded budget by \$1.0 million due to SNB's higher profitability. SNB return on average assets climbed to 0.77% for 2024, showing a 10.0% improvement from 0.70% in 2023, a result of improved non-interest income and further reductions in non-interest expenses.

Interest income rose 7.4% to \$49.2 million from \$45.8 million in 2023 due to increasing loan yields throughout the year. Interest expense also continued to rise, reaching \$18.2 million compared to \$13.9 million for 2023 as deposit costs remained elevated. In the 4th quarter, there was a noticeable decrease in interest expense as the Federal Reserve began to lower interest rates and provide much needed funding cost relief to community banks like SNB. Net interest income for 2024 was \$31.0 million, a decrease of 3.0% from 2023 as deposit cost increases overshadowed the increase in asset yields during the year. Net interest margin did expand throughout the year, putting us in a better position going into 2025. Non-interest income increased 7.5% to \$8.9 million, as fee income rose across many categories including trust & wealth management fees (+15.7%) and gains on sale of mortgages (+18.1%). Concentrating on non-interest income sources has been a key initiative of the management team and the recent trend toward growth is encouraging.

Management remained laser-focused on trimming non-interest expenses, which decreased by 1.3% in 2024 from the prior year and came in 6.3% below budget. This marks the second year that expense control efforts have resulted in significant budget savings and year-over-year decreases across many categories as the bank seeks to restore profitability to normal levels. Salaries, wages and employee benefits decreased by \$949,162 from 2023 and came in 9.1% below budget. Efforts to increase efficiencies across the bank remain ongoing, and further expense savings initiatives are expected to be realized in 2025.

The balance sheet shrank by 2.5% in 2024 as total assets decreased to \$1.0 billion. The year-over-year decrease was a result of a continued effort to pay down wholesale funding sources with cash from maturing investments, while loan and deposit portfolios held firm. Total debt securities decreased by \$30.1 million, allowing the bank to reduce its brokered deposit balances by \$27.5 million and other borrowings by \$5.0 million, resulting in less reliance on outside funding sources. SNB customer deposit account balances increased by 0.7% in 2024, to \$841.5 million, marking a reversal of shrinking deposit levels seen in recent post-pandemic years. Growing core deposit balances is crucial for the bank, and many initiatives are underway to increase our efforts to grow existing and new relationships alike.

Net loan portfolio balances declined by 0.8% to \$656.1 million as borrowers experienced a second year of elevated interest rates –specifically designed by the Federal Reserve to curb bank lending and bring spending levels down across the economy. Persistently higher interest rates and elevated home prices posed challenges for homebuyers and lenders alike, marking a slowdown in the real estate industry in 2024. Our real estate portfolio fell by 4.7% to \$237.5

million. Considering the growth that the bank experienced in adjustable-rate mortgages in 2022, we are comfortable seeing this portfolio stabilize which led to greater volume in our secondary market origination activities in 2024, driving higher gain on sale income compared to 2023. Total commercial loans increased by 2.1%, with growth diversified across the Upper Peninsula and Southeast Michigan regions. On a credit front, asset quality remains solid. Despite small increases off historic lows, the bank's key credit metrics, including: 30-89 day delinquencies, net charge-offs, and non-performing loans remain healthy.

## Resilient Balance Sheet

Balance sheet strength is always important, but especially during times of transition across the community banking industry. A slight contraction in our balance sheet paired with increased profitability allowed the bank's leverage ratio to improve to 10.98%. Banking regulators consider institutions with a leverage ratio above 5% to be well-capitalized. With SNB being over two times the regulatory requirement, it's evident that the bank remains capital strong. Our perpetual focus on prudent risk management, while pursuing smart measured growth, are designed with capital and balance sheet strength in mind.

Robust capital provides stability during times of economic uncertainty as we execute key strategic initiatives and deliver strong shareholder returns. SNB's total stockholders' equity was \$100.9 million as of December 31, 2024, an increase of 4.0% over \$97.0 million as of December 31, 2023. The year-over-year increase in equity reflects the positive accretion of retained earnings. Total dividends of \$1.72 per share were paid in 2024, an increase of 9.0 %. While KFC and SNB can never be immune from the risks faced by the industry, we are confident our conservative risk profile and strong balance sheet will serve shareholder interests long into the future.

## A year of progress

The year 2024 marked notable continued progress at SNB. Two notable projects included the opening of a new branch in L'Anse and a comprehensive review of our Core & Digital Banking platforms. Our branch in L'Anse officially opened its' doors in May and a grand

opening was celebrated in July. Recently, the L'Anse facility was also named 'Project of The Year' by the Baraga County Economic Development Corporation – demonstrating appreciation by local business and community leaders of our significant investment in Baraga County. Our roots there are deep, and we look forward to many years of continued success in the markets we serve.

The Core & Digital Banking review was another major project during the year. Employees from all areas of the bank came together to conduct a thorough review of our core banking and digital platforms to ensure we are utilizing the latest trends in banking technology and fully leveraging our technology vendor relationships. The review not only culminated with the negotiation of substantial savings in our core banking platform, but will also bring a new innovative and customer driven digital banking experience to our customers. Work on this project continues into 2025, as we prepare to launch our new digital platform in the 4th quarter. Both undertakings demonstrate our commitment to our customers – ensuring they have a superior experience every time they interact with SNB – whether in person at one of our retail locations or by means of our digital technology.

## Looking Ahead

The collective decisions made over the past 134 years have made Superior National Bank into the robust financial institution it is today. As we prepare to celebrate 135 years of service to our community in 2025, I see many exciting opportunities ahead. With the skilled team we have in place, I am confident that the future for KFC and SNB is not only bright, but everlasting.

As always, thank you for supporting Keweenaw Financial Corporation.

Best,



**Michael R. Hauswirth**  
*President & Chief  
Executive Officer*



# Consolidated Balance Sheet

| Assets                                                                                                                                                                                                                       |    |                |    |               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------|----|---------------|
| Year Ended December 31                                                                                                                                                                                                       |    | 2024           |    | 2023          |
| Cash and cash equivalents                                                                                                                                                                                                    |    |                |    |               |
| Cash and due from banks                                                                                                                                                                                                      | \$ | 32,736,235     | \$ | 24,562,381    |
| Federal funds sold                                                                                                                                                                                                           |    | 704,322        |    | 670,784       |
| Total cash and cash equivalents                                                                                                                                                                                              |    | 33,440,557     |    | 25,233,165    |
| Interest-bearing time deposits in other financial institutions                                                                                                                                                               |    | 2,500,000      |    | 2,600,037     |
| Debt securities available for sale, net of allowance for credit losses of \$0 on December 31, 2024 and December 31, 2023 (amortized cost of \$289,628,042 as of December 31, 2024 and \$319,432,022 as of December 31, 2023) |    | 249,151,077    |    | 279,288,051   |
| Federal Reserve and Federal Home Loan Bank stock                                                                                                                                                                             |    | 3,462,150      |    | 2,676,350     |
| Loans held for sale                                                                                                                                                                                                          |    | 2,568,117      |    | 1,905,045     |
| Loans, net of allowance for credit losses of \$8,851,186 on December 31, 2024 and \$9,577,368 on December 31, 2023                                                                                                           |    | 653,529,908    |    | 659,412,911   |
| Bank premises and equipment, net                                                                                                                                                                                             |    | 12,830,948     |    | 11,374,080    |
| Accrued interest receivable                                                                                                                                                                                                  |    | 3,696,435      |    | 3,848,505     |
| Goodwill                                                                                                                                                                                                                     |    | 19,615,774     |    | 19,615,774    |
| Other assets                                                                                                                                                                                                                 |    | 15,810,260     |    | 16,519,149    |
| Total assets                                                                                                                                                                                                                 |    | \$ 996,605,226 | \$ | 1,022,473,067 |

| Liabilities and stockholders' equity                                                                                                                            |    |                |    |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------|----|---------------|
| Year Ended December 31                                                                                                                                          |    | 2024           |    | 2023          |
| Liabilities                                                                                                                                                     |    |                |    |               |
| Deposits                                                                                                                                                        |    |                |    |               |
| Demand                                                                                                                                                          | \$ | 225,668,663    | \$ | 237,335,662   |
| NOW                                                                                                                                                             |    | 120,785,942    |    | 115,398,576   |
| Money Market                                                                                                                                                    |    | 34,175,297     |    | 31,785,726    |
| Savings                                                                                                                                                         |    | 215,621,152    |    | 219,989,735   |
| Time                                                                                                                                                            |    | 246,150,879    |    | 260,979,375   |
| Total deposits                                                                                                                                                  |    | 842,401,933    |    | 865,489,074   |
| Borrowed funds                                                                                                                                                  |    | 44,298,112     |    | 50,159,614    |
| Subordinated debentures                                                                                                                                         |    | 15,000,000     |    | 15,000,000    |
| Allowance for credit losses on off-balance sheet credit exposures                                                                                               |    | 615,621        |    | -             |
| Accrued interest payable and other liabilities                                                                                                                  |    | 10,316,484     |    | 12,302,243    |
| Total liabilities                                                                                                                                               |    | 912,632,150    |    | 942,950,931   |
| Stockholders' equity                                                                                                                                            |    |                |    |               |
| Preferred stock no par value, 50,000 shares authorized; none issued or outstanding in 2024 and 2023                                                             |    | -              |    | -             |
| Common stock: no par value; 2,000,000 shares authorized in 2024 and 2023; 1,157,467 and 1,161,058 shares issued and outstanding in 2024 and 2023, respectively. |    | 515,549        |    | 515,549       |
| Retained earnings                                                                                                                                               |    | 115,434,329    |    | 110,720,324   |
| Accumulated other comprehensive income (loss)                                                                                                                   |    | (31,976,802)   |    | (31,713,737)  |
| Total stockholders' equity                                                                                                                                      |    | \$ 83,973,076  | \$ | 79,522,136    |
| Total liabilities and stockholders' equity                                                                                                                      |    | \$ 996,605,226 | \$ | 1,022,473,067 |

# Consolidated Statement Of Income

## Interest income:

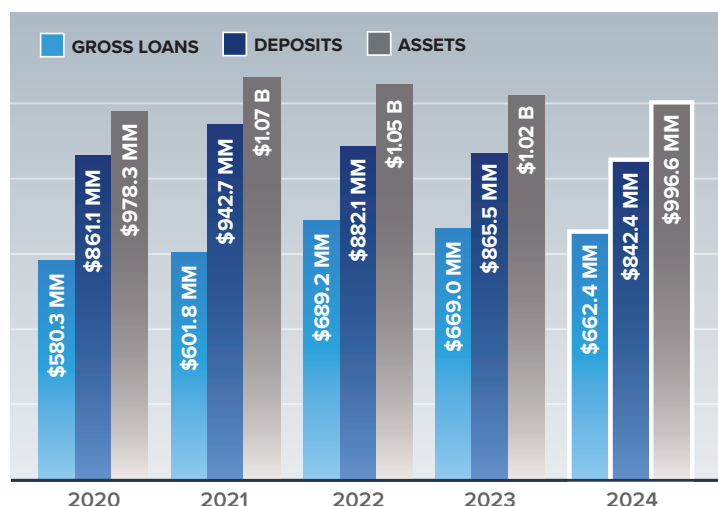
| Year Ended December 31                                                | 2024      |                   | 2023      |                   |
|-----------------------------------------------------------------------|-----------|-------------------|-----------|-------------------|
| Loans, including fees                                                 | \$        | 42,664,588        | \$        | 39,078,939        |
| Securities                                                            |           |                   |           |                   |
| U.S. Treasury securities                                              |           | 288,656           |           | 369,835           |
| U.S. Government agencies                                              |           | 2,534,733         |           | 2,659,769         |
| Obligations of states and political subdivisions                      |           | 1,672,710         |           | 1,731,186         |
| Other securities                                                      |           | 558,627           |           | 664,659           |
| Other interest income                                                 |           | 1,482,521         |           | 1,314,314         |
|                                                                       |           | <b>49,201,835</b> |           | <b>45,818,702</b> |
| <b>Interest expense:</b>                                              |           |                   |           |                   |
| Deposits                                                              |           | 14,636,091        |           | 10,819,621        |
| Borrowed funds and subordinated debentures                            |           | 3,603,653         |           | 3,100,110         |
|                                                                       |           | <b>18,239,745</b> |           | <b>13,919,731</b> |
| <b>Net interest income</b>                                            |           | <b>30,962,090</b> |           | <b>31,898,971</b> |
| Provision (recovery) for credit losses                                |           | (109,000)         |           | 23,186            |
| <b>Net interest income after provision (recovery) for loan losses</b> | <b>\$</b> | <b>31,071,290</b> | <b>\$</b> | <b>31,875,785</b> |

## Noninterest income:

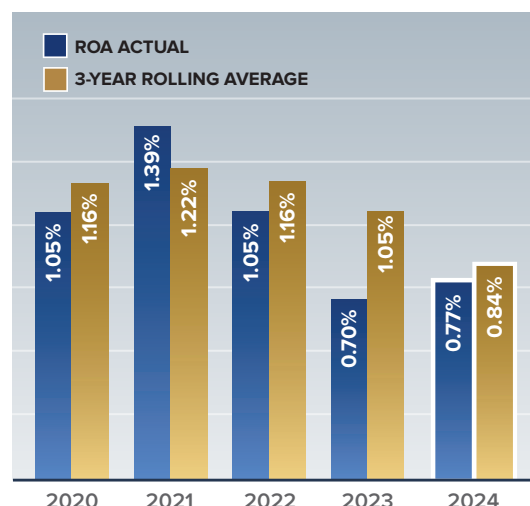
| Year Ended December 31                          | 2024      |                   | 2023      |                   |
|-------------------------------------------------|-----------|-------------------|-----------|-------------------|
| Trust fees                                      | \$        | 2,256,354         | \$        | 1,950,612         |
| Service charges on deposit accounts             |           | 1,182,063         |           | 1,091,225         |
| Other service charges and fees                  |           | 1,483,204         |           | 1,425,029         |
| Net gain on sale of loans                       |           | 4,026,928         |           | 3,409,658         |
| Other                                           |           | (6,102)           |           | 440,624           |
|                                                 |           | <b>8,942,447</b>  |           | <b>8,317,148</b>  |
| <b>Noninterest expenses:</b>                    |           |                   |           |                   |
| Salaries and wages                              |           | 15,292,831        |           | 15,820,357        |
| Pensions and other employee benefits            |           | 3,860,699         |           | 4,282,335         |
| Occupancy, net                                  |           | 6,724,066         |           | 6,921,499         |
| Postage and supplies                            |           | 171,802           |           | 180,803           |
| FDIC and general insurance                      |           | 640,419           |           | 622,920           |
| Legal and professional                          |           | 1,948,101         |           | 1,265,910         |
| Loan related                                    |           | 884,797           |           | 865,759           |
| Marketing                                       |           | 206,385           |           | 342,383           |
| Net cost of operations of other real estate –   |           |                   |           |                   |
| including write downs and gains/losses on sales |           | 36,738            |           | 112,994           |
| Other operating expenses                        |           | 2,186,535         |           | 1,948,160         |
|                                                 |           | <b>31,952,373</b> |           | <b>32,363,120</b> |
| <b>Income before income tax expense</b>         |           | <b>8,061,364</b>  |           | <b>7,829,813</b>  |
| Income tax expense                              |           | 1,093,000         |           | 1,401,000         |
| <b>Net income</b>                               | <b>\$</b> | <b>6,968,364</b>  | <b>\$</b> | <b>6,428,813</b>  |
| <b>Net income per share of common stock</b>     | <b>\$</b> | <b>6.00</b>       | <b>\$</b> | <b>5.54</b>       |

# Key Performance Indicators

## Balance Sheet (SNB)



## Return on Assets (SNB)



## Financial Highlights

### Keweenaw Financial Corporation and Subsidiary

#### For the Year

| Year Ended December 31   | 2024         | 2023         | % Change |
|--------------------------|--------------|--------------|----------|
| Net Income               | \$ 6,968,364 | \$ 6,428,813 | 8.4%     |
| Cash Dividends           | 1,996,601    | 1,833,373    | 8.9%     |
| Return on Average Assets | 0.68%        | 0.62%        | 10.6%    |
| Return on Average Equity | 8.60%        | 9.03%        | -4.7%    |

#### At Year End

|                        |                |                 |       |
|------------------------|----------------|-----------------|-------|
| Assets                 | \$ 996,605,226 | \$1,022,473,067 | -2.5% |
| Deposits               | 842,401,933    | 865,489,074     | -2.7% |
| Loans, Net             | 653,529,908    | 659,412,911     | -0.9% |
| Stockholders' Equity   | 83,973,076     | 79,522,136      | 5.6%  |
| Equity to Assets Ratio | 8.43%          | 7.78%           | 8.3%  |

#### Per Share Data\*

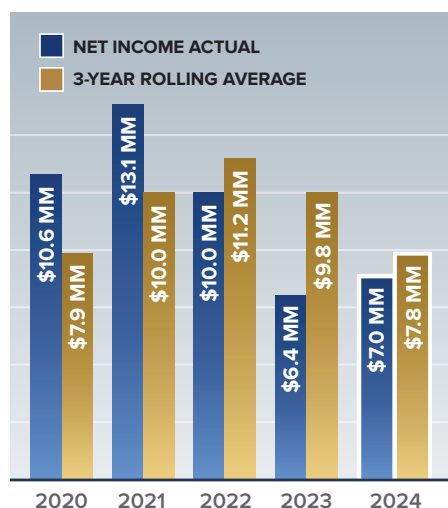
|                                     |         |         |      |
|-------------------------------------|---------|---------|------|
| Net Income                          | \$ 6.00 | \$ 5.54 | 8.4% |
| Cash Dividends                      | 1.72    | 1.58    | 8.9% |
| Book Value                          | 72.55   | 68.49   | 5.9% |
| Book Value – excluding FASB ASC 320 | 100.18  | 95.81   | 4.6% |

#### 2023 KFC Stock Information

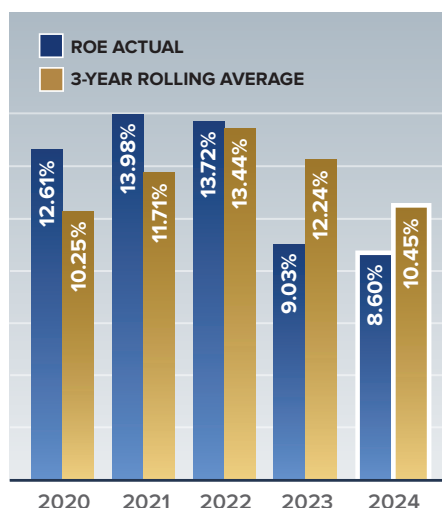
|             | Low   | High  | Average* |
|-------------|-------|-------|----------|
| 1st Quarter | \$ 70 | \$ 85 | \$ 80.61 |
| 2nd Quarter | 80    | 85    | 83.31    |
| 3rd Quarter | 74    | 81    | 75.89    |
| 4th Quarter | 74    | 83    | 75.62    |

\* Average price of trades in the quarter

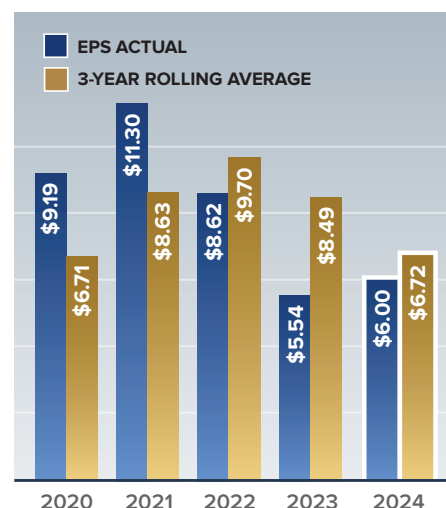
## Net Income (KFC)



## Return on Equity (KFC)



## Earnings per Share (KFC)



## Board of Directors

### Keweenaw Financial Corporation and Subsidiary



*Pictured (L to R):  
Neil Ahola, J. David Vlahos, Michael Mikkola, Daniel Wisti, Almor Penegor, James Northey, Jr., James Fenton, Michael Hauswirth*

- Neil J. Ahola** ..... Owner & Manager, Memorial Chapel Funeral & Cremation Service
- James D. Fenton** ..... Retired President & Chief Financial Officer, McGann Building Supply
- Michael R. Hauswirth** ..... President / Chief Executive Officer, Superior National Bank
- Michael S. Mikkola** ..... President, Tervo Agency, Inc.
- James E. Northey, Jr.** ..... Chief Technology Officer, CalcGuard Technologies, Inc;  
Owner, Fintech Consultancy, LLC; Partner, Northern Perspectives, LLC
- Almor D. Penegor** ..... President, John & Arthur Penegor, Inc.
- J. David Vlahos** ..... Chairman, Superior National Bank
- Daniel J. Wisti** ..... President and Member of the Board of Directors of Tri-County  
Public Defenders Office



[snb-t.com/investor-relations/](http://snb-t.com/investor-relations/)