



# Statement of Condition

MARCH 31, 2020



## Management Comments

The Corporation posted net income of \$3.0 million for the first quarter of 2020, a decrease of \$1.4 million, or 32.3%, compared to the first quarter of 2019. Earnings per share decreased to \$0.34 for the first quarter of 2020 compared to \$0.50 for the first quarter of 2019. A large portion of the decrease is associated with \$0.8 million of non-core income related to death benefits on bank owned life insurance in the first quarter of 2019, with no such income in the first quarter of 2020.

Net interest income was \$12.2 million for the first quarter of 2020, a decrease of \$0.5 million or 4.2% compared to the first quarter of 2019. The decrease was due to reductions of \$0.5 million in interest income on loans and \$0.1 million in interest income on security investments, which was partially offset by a \$0.1 million decrease in interest paid on deposits. The changes in interest income and interest expense are primarily due to a decrease in interest rates in 2020 compared to 2019.

Noninterest income for the first quarter of 2020 was \$3.8 million, a decrease of \$0.7 million or 14.8% compared to the first quarter of 2019. The decrease was due to income of \$0.8 million related to death benefits on bank owned life insurance in 2019 with no such income in 2020, offset by a \$0.1 million increase in core bank operating activity in the first quarter of 2020 compared to 2019.

There was no provision for loan losses recorded in the first quarter of 2020 or 2019 due to continued low levels of loan charge-offs and past due loans, along with the good quality of the loan portfolio. The Corporation will closely monitor loan portfolio activity associated with the impacts of the COVID-19 pandemic. >>>

>>> Noninterest expense for the first quarter of 2020 was \$12.5 million, an increase of \$0.7 million or 5.6% compared to the first quarter of 2019. The increase was primarily due to continued investment in personnel, data processing charges and upgrades in technology infrastructure.

Income tax expense for the first quarter of 2020 was \$0.5 million, a decrease of \$0.4 million or 44.5% compared to the first quarter of 2019. The decrease is due to the reduction in income in the first quarter of 2020 compared to 2019, along with a reduction in the effective tax rate from 16.7% to 14.2% resulting from an increase of \$0.1 million in new markets tax credits from new investments made in the fourth quarter of 2019.

The Corporation's total assets as of March 31, 2020 were \$1.46 billion, an increase of \$12.6 million, or 0.9%, compared to March 31, 2019. Investments in securities and bank owned life insurance increased by \$33.4 million, while net loans decreased by \$15.5 million and cash and federal funds sold decreased by \$6.3 million. Management continues to focus on redeploying the Corporation's excess liquidity into higher yielding loans while maintaining our strong credit culture. Total deposits as of March 31, 2020 decreased \$6.5 million or 0.5% compared to March 31, 2019, due to a reduction in certificates of deposits of \$11.7 million, offset by growth in core demand and transaction account deposits of \$5.2 million.

Total shareholders' equity was \$175.5 million as of March 31, 2020, an increase of \$15.2 million compared to March 31, 2019. The increase was due to a \$12.6 million increase in retained earnings and a \$2.6 million change in the unrealized market value of security investments. ▲



# Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on May 14, 2020 to shareholders as of the record date of May 4, 2020.

The Corporation has a long history of maintaining capital ratios in excess of the levels required to be considered well capitalized and maintained that position through March 31, 2020.

The Board will continue to monitor earnings, on-going regulatory requirements, the impacts of the COVID-19 pandemic and other factors when approving future dividends.

## INCOME STATEMENT (unaudited)

	Three Months Ended	
	3.31.20	3.31.19
Interest Income	\$12,756,459	\$13,381,270
Interest Expense	\$545,233	\$639,241
<b>Net Interest Income</b>	<b>\$12,211,226</b>	<b>\$12,742,029</b>
Non-Interest Income	\$3,782,856	\$4,439,963
Less: Provision for Loan Losses	—	—
Non-Interest Expenses	\$12,467,916	\$11,807,775
Income Before Income Taxes	\$3,526,166	\$5,374,217
Income Tax Expense	\$499,000	\$899,500
<b>Net Income</b>	<b>\$3,027,166</b>	<b>\$4,474,717</b>
Net Income Per Common Share	\$0.34	\$0.50
Dividends Per Share	\$0.13	\$0.13

## BALANCE SHEET | MARCH 31, 2020 & 2019 (unaudited)

Assets	2020	2019	Liabilities & Equity	2020	2019
Cash & Due from Banks	\$81,088,005	\$87,963,221	Non-Interest Bearing Deposits	\$312,131,941	\$299,083,207
Security Investments	\$388,036,056	\$359,870,995	Interest Bearing Deposits	\$948,773,537	\$968,360,072
Federal Funds Sold	\$11,782,446	\$11,210,718	<b>Total Deposits</b>	<b>\$1,260,905,478</b>	<b>\$1,267,443,279</b>
<b>Total Loans</b>	<b>\$897,117,005</b>	<b>\$912,363,851</b>	Lease Liability	\$16,134,282	\$15,387,820
Allowance for Loan Losses	(\$11,184,418)	(\$10,930,842)	Other Liabilities	\$10,237,753	\$7,098,737
Net Loans	\$885,932,587	\$901,433,009	<b>Total Liabilities</b>	<b>\$1,287,277,513</b>	<b>\$1,289,929,836</b>
Bank Premises & Equipment	\$16,499,903	\$16,389,708	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$16,134,282	\$15,387,820	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,180,310	\$37,929,392	Unrealized Gain (Loss) on Securities	\$181,758	(\$2,417,497)
Other Real Estate Owned	—	—	Retained Earnings	\$139,855,868	\$127,210,942
Other Assets	\$20,109,935	\$19,986,803	<b>Total Stockholders' Equity</b>	<b>\$175,486,011</b>	<b>\$160,241,830</b>
<b>Total Assets</b>	<b>\$1,462,763,524</b>	<b>\$1,450,171,666</b>	<b>Total Liabilities &amp; Equity</b>	<b>\$1,462,763,524</b>	<b>\$1,450,171,666</b>