



Statement of Condition

JUNE 30, 2020



Management Comments

The Corporation posted net income of \$6.5 million for the first half of 2020, a decrease of \$1.8 million, or 21.3%, compared to the first half of 2019. Earnings per share decreased to \$0.73 for the first half of 2020 compared to \$0.93 for the first half of 2019. The reduction in net income reflects the impact of reduced interest rates, additions to the provision for loan losses and earnings associated with death benefits on bank owned life insurance in 2019, all as more fully discussed below.

Net interest income was \$24.4 million for the first half of 2020, a decrease of \$1.2 million or 4.6% compared to the first half of 2019. The decrease was due to reductions of \$0.7 million in interest income on loans and \$0.8 million in interest income on security investments, which was partially offset by a \$0.3 million decrease in interest paid on deposits. The major reductions in the Federal Funds and market interest rates beginning in March of 2020 resulted in the decrease in interest income of 5.6%.

Non-interest income for the first half of 2020 was \$7.8 million, a decrease of \$0.4 million or 5.1% compared to the first half 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, and a decrease of \$0.5 million in deposit account service charges, offset by a \$0.9 million increase in servicing fees and the gain on sale of FHLMC home mortgage loans due to increased home mortgage refinancing and borrowing activity.

The Corporation recorded a \$0.6 million provision for loan losses in the second quarter of 2020 associated with the economic impact of the COVID-19 pandemic in the market. There was no provision for loan losses in the first half of 2019. The Corporation will continue to closely monitor loan portfolio activity and local market economic conditions as part of the analysis of the overall allowance for loan losses. >>>

>>> Non-interest expense for the first half of 2020 was \$23.9 million, an increase of \$0.3 million or 1.4% compared to the first half of 2019. Operating expenses increased \$1.5 million or 5.9% due to continued investment in personnel and increased IT data processing charges. The Corporation recorded a \$1.1 million contra expense in the second quarter of 2020 to recognize the portion of the Paycheck Protection Program (PPP) loan fees that offset costs incurred to originate the loans.

Income tax expense for the first half of 2020 was \$1.2 million, a decrease of \$0.7 million or 39.2% compared to the first half of 2019. The decrease is due to the reduction in income in the first half of 2020 compared to 2019 and an increase of \$0.2 million in new markets tax credits. The effective tax rate decreased from 18.7% in 2019 to 15.1% in 2020.

The Corporation's total assets as of June 30, 2020 were \$1.68 billion, an increase of \$243.1 million, or 16.9%, compared to June 30, 2019. Cash and amounts due from the Federal Reserve and other banks increased \$92.9 million to \$196.8 million. Investments in securities and bank owned life insurance increased by \$53.8 million. Net loans increased by \$93.0 million, including \$61.0 million in PPP loans. The growth in assets resulted primarily from an increase in deposits of \$208.2 million or 16.7% as of June 30, 2020 compared to June 30, 2019. The growth in deposits was across all commercial and personal lines of business, primarily due to impacts of Federal programs and the COVID-19 pandemic.

Total shareholders' equity was \$185.6 million as of June 30, 2020, an increase of \$19.3 million compared to June 30, 2019. The increase resulted from a \$12.3 million increase in retained earnings and a \$7.0 million increase in the unrealized market value gain on security investments. ▲



Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on August 13, 2020 to shareholders as of the record date of August 3, 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 June 30, 2020.

The Board of Directors 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)

	Six Months Ended		Three Months Ended	
	6.30.20	6.30.19	6.30.20	6.30.19
Interest Income	\$25,255,825	\$26,754,596	\$12,499,366	\$13,373,326
Interest Expense	\$870,644	\$1,199,400	\$325,411	\$560,159
Net Interest Income	\$24,385,181	\$25,555,196	\$12,173,955	\$12,813,167
Non-Interest Income	\$7,817,779	\$8,238,367	\$4,034,923	\$3,798,404
Less: Provision for Loan Losses	\$600,000	—	\$600,000	—
Non-Interest Expenses	\$23,915,203	\$23,588,894	\$11,447,287	\$11,781,119
Income Before Income Taxes	\$7,687,757	\$10,204,669	\$4,161,591	\$4,830,452
Income Tax Expense	\$1,161,000	\$1,909,500	\$662,000	\$1,010,000
Net Income	\$6,526,757	\$8,295,169	\$3,499,591	\$3,820,452
Net Income Per Common Share	\$0.73	\$0.93	\$0.39	\$0.43
Dividends Per Common Share	\$0.26	\$0.26	\$0.13	\$0.13

BALANCE SHEET JUNE 30, 2020 & 2019 (unaudited)

Assets	2020	2019	Liabilities & Equity	2020	2019
Cash & Due from Banks	\$185,210,468	\$92,553,705	Non-Interest Bearing Deposits	\$408,305,133	\$300,973,597
Federal Funds Sold	\$11,563,825	\$11,272,917	Interest Bearing Deposits	\$1,045,870,921	\$945,045,907
Security Investments	\$ 402,005,193	\$353,485,722	Total Deposits	\$1,454,176,054	\$1,246,019,504
Total Loans	\$996,830,125	\$902,810,474	Lease Liability	\$15,975,885	\$16,515,101
Allowance for Loan Losses	(12,127,965)	(11,096,459)	Other Liabilities	\$23,265,075	\$7,099,884
Net Loans	\$984,702,160	\$891,714,015	Total Liabilities	\$1,493,417,014	\$1,269,634,489
Bank Premises & Equipment	\$16,221,593	\$16,392,451	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$15,975,885	\$16,515,101	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,445,183	\$38,153,156	Unrealized Gain on Securities	\$7,920,526	\$955,654
Other Real Estate Owned	—	—	Retained Earnings	\$142,197,821	\$129,873,756
Other Assets	\$19,859,439	\$15,825,217	Total Stockholders' Equity	\$185,566,732	\$166,277,795
Total Assets	\$1,678,983,746	\$1,435,912,284	Total Liabilities & Equity	\$1,678,983,746	\$1,435,912,284