



Statement of Condition

SEPTEMBER 30, 2020



Management Comments

The Corporation posted net income of \$10.2 million for the first nine months of 2020, a decrease of \$3.8 million, or 26.9%, compared to the first nine months of 2019. Earnings per share decreased to \$1.15 for the first nine months of 2020 compared to \$1.57 for the first nine months of 2019. The reduction in net income reflects the impact of reduced interest rates, additions to the provision for loan losses in 2020, and no earnings associated with death benefits on bank owned life insurance in 2020 as compared to 2019, all as more fully discussed below.

Net interest income was \$37.0 million for the first nine months of 2020, a decrease of \$1.1 million or 3.0% compared to the first nine months of 2019. The decrease was due to reductions of \$0.9 million in interest income on loans and \$0.8 million in interest income on security investments, which was partially offset by a \$0.6 million decrease in interest paid on deposits. Major reductions in the Federal Funds and market interest rates beginning in March of 2020 has resulted in reduced yields and interest income despite an increase in net loans outstanding in 2020 compared to 2019.

Non-interest income for the first nine months of 2020 was \$12.9 million, a decrease of \$1.5 million or 10.5% compared to the first nine months of 2019. The decrease was primarily due to income of \$2.3 million related to death benefits on bank owned life insurance in 2019 with no such income in 2020, and a decrease of \$0.8 million in deposit account service charges, offset by a \$1.8 million increase in the gain on sale of home mortgage loans to FHLMC and additional service fee income associated with increased home mortgage refinancing and borrowing activity.

The Corporation recorded a \$0.9 million provision for loan losses in the first nine months 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 nine months 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 nine months of 2020 was \$36.8 million, an increase of \$1.4 million or 3.8% compared to the first nine months of 2019. Operating expenses in 2020 include \$0.7 million for additional payroll for temporary pay increases and benefits associated with the COVID-19 pandemic. An additional \$1.8 million increase in 2020 is primarily associated with continued investment in personnel and technology initiatives. The Corporation has recognized \$1.1 million as a contra expense in 2020 to recognize the portion of PPP loan fees that offset costs incurred to originate the PPP loans.

Income tax expense for the first nine months of 2020 was \$1.9 million, a decrease of \$1.1 million or 37.8% compared to the first nine months of 2019. The decrease is due to the reduction in income before taxes in the first nine months of 2020 and an increase of \$0.4 million in new markets tax credits. The effective tax rate decreased from 17.6% in 2019 to 15.4% in 2020.

The Corporation's total assets as of September 30, 2020 were \$1.73 billion, an increase of \$283.3 million, or 19.6%, compared to September 30, 2019. Cash and amounts due from the Federal Reserve and other banks increased \$62.2 million to \$186.3 million. Investments in securities increased by \$121.4 million. Net loans increased by \$91.5 million, including \$62.0 million in PPP loans. The growth in assets resulted primarily from an increase in deposits of \$252.0 million or 20.1% as of September 30, 2020 compared to September 30, 2019. The growth in deposits was across all commercial and personal lines of business, from a combination of new account growth and the impacts of Federal programs and the COVID-19 pandemic.

Total shareholders' equity was \$188.3 million as of September 30, 2020, an increase of \$16.8 million compared to September 30, 2019. The increase resulted from a \$10.3 million increase in retained earnings and a \$6.5 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 November 5, 2020 to shareholders as of the record date of October 26, 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 September 30, 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)

	Nine Months Ended		Three Months Ended	
	9.30.20	9.30.19	9.30.20	9.30.19
Interest Income	\$38,124,975	\$39,885,403	\$12,869,150	\$13,130,807
Interest Expense	\$1,165,450	\$1,778,703	\$294,806	\$579,304
Net Interest Income	\$36,959,525	\$38,106,700	\$12,574,344	\$12,551,503
Non-Interest Income	\$12,877,308	\$14,381,815	\$5,059,529	\$6,143,449
Less: Provision for Loan Losses	\$900,000	–	\$300,000	–
Non-Interest Expenses	\$36,835,540	\$35,480,040	\$12,920,337	\$11,891,145
Income Before Income Taxes	\$12,101,293	\$17,008,475	\$4,413,536	\$6,803,807
Income Tax Expense	\$1,865,500	\$2,999,500	\$704,500	\$1,090,000
Net Income	\$10,235,793	\$14,008,975	\$3,709,036	\$5,713,807
Net Income Per Common Share	\$1.15	\$1.57	\$0.42	\$0.64
Dividends Per Common Share	\$0.39	\$0.39	\$0.13	\$0.13

BALANCE SHEET SEPTEMBER 30, 2020 & 2019 (unaudited)

Assets	2020	2019	Liabilities & Equity	2020	2019
Cash & Due from Banks	\$175,446,239	\$112,578,054	Non-Interest Bearing Deposits	\$416,915,468	\$316,208,759
Federal Funds Sold	\$10,842,967	\$11,557,810	Interest Bearing Deposits	\$1,086,653,641	\$935,383,664
Security Investments	\$463,832,742	\$342,485,693	Total Deposits	\$1,503,569,109	\$1,251,592,423
Total Loans	\$995,669,052	\$902,619,491	Lease Liability	\$15,799,148	\$16,291,872
Allowance for Loan Losses	(12,613,305)	(11,077,417)	Other Liabilities	\$21,354,431	\$6,393,665
Net Loans	\$983,055,747	\$891,542,074	Total Liabilities	\$1,540,722,688	\$1,274,277,960
Bank Premises & Equipment	\$16,020,398	\$16,212,178	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$15,799,148	\$16,291,872	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,715,795	\$37,800,963	Unrealized Gain on Securities	\$8,116,456	\$1,602,998
Other Real Estate Owned	–	–	Retained Earnings	\$144,749,217	\$134,429,924
Other Assets	\$20,323,710	\$17,290,623	Total Stockholders' Equity	\$188,314,058	\$171,481,307
Total Assets	\$1,729,036,746	\$1,445,759,267	Total Liabilities & Equity	\$1,729,036,746	\$1,445,759,267