



# Statement of Condition

DECEMBER 31, 2020



## Management Comments

The Corporation posted net income of \$14.2 million for the year ended December 31, 2020, a decrease of \$4.5 million, or 24.1%, compared to the year ended December 31, 2019. Earnings per share decreased to \$1.60 for the year 2020 compared to \$2.10 for the year 2019. The reduction in net income in 2020 reflects the impact of reduced interest rates, \$1.5 million in additions to the provision for loan losses, and a \$1.9 million decrease in income associated with death benefits on bank owned life insurance, all as more fully discussed below.

Net interest income before provision for loan loss was \$49.6 million for the year 2020, a decrease of \$1.5 million or 3.0% compared to the year 2019. The decrease was due to reductions of \$1.2 million in interest income on loans and \$1.2 million in interest income on federal funds sold and due from banks, which was partially offset by a \$0.9 million decrease in interest paid on deposits. Major reductions in the federal funds rate set by the Federal Reserve and in general 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 year 2020 was \$18.4 million, equal to the \$18.4 million in the year 2019. The Corporation recognized a major increase in activity in the retail mortgage sector with a \$2.9 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 in 2020. This increase was offset by the \$1.9 million decrease in death benefits on bank owned life insurance in 2020 compared to 2019, and a decrease of \$1.0 million in deposit account service charges associated with customers holding larger account balances reducing fees and overdraft income.

The Corporation recorded a \$1.5 million provision for loan losses in 2020 associated with the economic impact of the COVID-19 pandemic in the market. There was no provision for loan losses in 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 year 2020 was \$49.7 million, an increase of \$2.6 million or 5.6% compared to the year 2019. Operating expenses in 2020 include \$0.9 million for temporary pay increases and other benefits associated with the COVID pandemic. An additional \$2.8 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 year 2020 was \$2.5 million, a decrease of \$1.2 million or 32.5% compared to the year 2019. The decrease is due to the reduction in income before taxes in 2020 and an increase in tax exempt interest income. The effective tax rate decreased from 16.6% in 2019 to 15.1% in 2020.

The Corporation's total assets as of December 31, 2020 were \$1.797 billion, an increase of \$331.0 million, or 22.6%, compared to December 31, 2019. Cash and amounts due from the Federal Reserve and other banks increased \$98.8 million to \$195.3 million. Investments in securities increased by \$176.0 million. Net loans increased by \$54.1 million, including \$40.0 million in PPP loans outstanding as of year end. The growth in assets resulted primarily from an increase in deposits of \$302.8 million or 23.8% as of December 31, 2020 compared to December 31, 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 reduced customer spending during the COVID-19 pandemic.

Total shareholders' equity was \$191.1 million as of December 31, 2020, an increase of \$16.6 million compared to December 31, 2019. The increase resulted from a \$9.6 million increase in retained earnings and a \$7.0 million increase in the unrealized market value gain on security investments.



# IMPORTANT NOTICE

Beginning with the first quarter in 2021, the Corporation will no longer print these quarterly brochures for distribution. This will be the last printed brochure you will receive. The Corporation regularly posts the quarterly financial information on the website of Tri City National Bank, its wholly owned operating subsidiary. The information will continue to be posted in the Investor Relations section of that website, which is "tcnb.com".

## Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on February 11, 2021 to shareholders as of the record date of February 1, 2021.

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 December 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)

	Twelve Months Ended		Three Months Ended	
	12.31.20	12.31.19	12.31.20	12.31.19
Interest Income	\$51,067,127	\$53,452,565	\$12,942,152	\$13,567,162
Interest Expense	\$1,446,834	\$2,296,014	\$281,384	\$517,311
<b>Net Interest Income</b>	<b>\$49,620,293</b>	<b>\$51,156,551</b>	<b>\$12,660,768</b>	<b>\$13,049,851</b>
Non-Interest Income	\$18,371,250	\$18,433,103	\$5,493,942	\$4,051,287
Less: Provision for Loan Losses	\$1,500,000	–	\$600,000	–
Non-Interest Expenses	\$49,756,396	\$47,137,124	\$12,920,856	\$11,657,084
Income Before Income Taxes	\$16,735,147	\$22,452,530	\$4,633,854	\$5,444,054
Income Tax Expense	\$2,518,795	\$3,729,500	\$653,295	\$730,000
<b>Net Income</b>	<b>\$14,216,352</b>	<b>\$18,723,030</b>	<b>\$3,980,559</b>	<b>\$4,714,054</b>
Net Income Per Common Share	\$1.60	\$2.10	\$0.45	\$0.53
Dividends Per Common Share	\$0.52	\$0.52	\$0.13	\$0.13

### BALANCE SHEET DECEMBER 31, 2020 & 2019 (unaudited)

Assets	2020	2019	Liabilities & Equity	2020	2019
Cash & Due from Banks	\$184,345,327	\$84,918,940	Non-Interest Bearing Deposits	\$420,974,242	\$298,876,234
Federal Funds Sold	\$11,019,722	\$11,601,051	Interest Bearing Deposits	\$1,153,612,912	\$972,873,366
Security Investments	\$559,279,399	\$383,295,527	<b>Total Deposits</b>	<b>\$1,574,587,154</b>	<b>\$1,271,749,600</b>
<b>Total Loans</b>	<b>\$958,247,553</b>	<b>\$902,066,127</b>	Lease Liability	\$15,659,597	\$16,143,202
Allowance for Loan Losses	(13,106,919)	(11,072,956)	Other Liabilities	\$16,490,402	\$4,440,987
Net Loans	\$945,140,634	\$890,993,171	<b>Total Liabilities</b>	<b>\$1,606,737,153</b>	<b>\$1,292,333,789</b>
Bank Premises & Equipment	\$16,026,081	\$16,555,094	Common Stock	\$8,904,915	\$8,904,915
Right of Use Lease Asset	\$15,659,597	\$16,143,202	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$43,312,658	\$42,931,999	Unrealized Gain on Securities	\$8,083,013	\$1,031,716
Other Real Estate Owned	–	–	Retained Earnings	\$147,572,133	\$137,986,337
Other Assets	\$23,057,266	\$20,361,243	<b>Total Stockholders' Equity</b>	<b>\$191,103,531</b>	<b>\$174,466,438</b>
<b>Total Assets</b>	<b>\$1,797,840,684</b>	<b>\$1,466,800,227</b>	<b>Total Liabilities &amp; Equity</b>	<b>\$1,797,840,684</b>	<b>\$1,466,800,227</b>