

A Message from Ken Burgess

Dear Shareholder,

Wow, what a year. The Coronavirus pandemic of 2020 presented many challenges for all of us. Many of our staff dealt with the Coronavirus during the year and at times it impacted our ability to staff our branches. We learned how to work remotely to ensure we could continue meeting the needs of our customers. In addition to the staffing impact, we also dealt with the financial toll the pandemic took on many of our banking customers.

On a positive note, the Company provided about \$175 million in Paycheck Protection Loans to its customers in all markets. This provided much needed relief to our customers and benefitted the Company through the loan fees earned in processing those loans. Earnings for the full year of 2020 were \$17.7 million vs. \$18.1 million in the year 2019. The Company still performed well enough, in fact that we were able to pay out a significant special dividend in December. I know everyone enjoyed that.

Primarily due to the impact of the pandemic, we experienced higher loan losses during the year than we had anticipated when the year started. Loan loss provisions taken in 2020 were \$9.7 million vs. \$3.0 million in the prior year. This accounted for most of the weakness in the profit figures.

During the year, most of the weakness occurred during the 2nd and 3rd quarters as shown in the chart below.

	Q1	Q2	Q3	Q4
Return on Assets	1.23 %	.79 %	.91 %	1.36 %
Return on Equity	8.74 %	6.23 %	7.08 %	10.33 %

The company ended the year with total assets of \$1.85 billion vs. \$1.73 billion in the prior year representing a growth rate of 6.5%. Loans grew from \$1.27 billion in 2019 to \$1.43 billion at year end 2020 and deposits grew from \$1.43 billion to \$1.54 billion, representing growth of 12.6% and 7.5%, respectively.

In the third quarter of 2020, the Company employed a consultant to study areas to improve efficiency and to achieve cost reductions. Many of the recommendations have been implemented and our staff continues to implement additional items. We are beginning to see positive bottom line improvement from these changes and they will appear in our first quarter numbers in 2021.



I hope you and your families are staying well and having the opportunity to get your vaccinations.

Sincerely,

A handwritten signature in black ink that reads "Ken L. Burgess, Jr." The signature is written in a cursive style.

Ken L. Burgess, Jr.
CEO