

Third Century Bancorp

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THIRD CENTURY BANCORP RELEASES RECORD EARNINGS FOR THE QUARTER AND NINE-MONTHS ENDED SEPTEMBER 30, 2020

Franklin, Indiana, OTC/PINK: TDCB

Third Century Bancorp (“Company”), the holding company for Mutual Savings Bank (“Bank”), announced it had a record level of net income of \$532,000 for the quarter ended September 30, 2020, or \$0.45 per basic and diluted share, compared to net income of \$229,000 for the quarter ended September 30, 2019, or \$0.19 per basic and diluted share. For the nine-months ended September 30, 2020, the Company recorded net income of \$1,461,000, or \$1.23 per basic and diluted share, compared to net income of \$672,000 for the nine-months ended September 30, 2019, or \$0.57 per basic and diluted share.

Third Century Bancorp President and CEO David A. Coffey commented, “For 130 years, we have supported our community and customers. As Johnson County, Indiana’s only locally based financial institution, we continue that support. Our staff has continued to meet the needs of our customers during these difficult times.” Coffey continued, “We are grateful for all of the efforts of our staff to help us achieve record earnings. We will continue to look for and take advantage of opportunities in our market area to achieve quality growth.”

For the quarter ended September 30, 2020, net income increased \$303,000, or 132.31%, to \$532,000 as compared to \$229,000 for the same period in the prior year. The increase in net income for the three-month period ended September 30, 2020 was driven primarily as result of the \$730,000, or 227.41%, increase in non-interest income. The increase in non-interest income was driven primarily by a \$575,000 or 958.33%, increase in gains on the sale of 1-4 Family Mortgage loans sold to a Government Sponsored Enterprise (GSE). This increase was partially offset by a \$300,000, or 19.31% increase in non-interest expense in the quarter ended September 30, 2020 as compared to the same quarter in the prior year. The increase in non-interest expense was due to an increase in overhead expenses. Net interest income increased by \$37,000, or 2.44% for the quarter ended September 30, 2020, to \$1,555,000 as compared to \$1,518,000 for the same period in the prior year.

The increase in net income for the quarter ended September 30, 2020 was partially offset by a \$91,000 increase in the provision for loan losses compared to the same period in 2019 due to the economic conditions resulting from the current COVID-19 crisis. The Company had net loan recoveries of \$2,000 during the quarter ended September 30, 2020 compared to net loan charge-offs of \$2,000 for the same

period in 2019. The Company expects that the current COVID-19 crisis will impact the future provision for loan losses and that credit quality factors may deteriorate in future periods.

For the nine-months ended September 30, 2020, net income increased \$789,000, or 117.41%, to \$1,461,000 from \$672,000 for the nine-months ended September 30, 2019. The increase in net income for the nine-months ended September 30, 2020 was primarily due to an increase in noninterest income of \$1,756,000, or 212.33%, to \$2,583,000 for the nine-months ended September 30, 2020 from \$827,000 for the nine-months ended September 30, 2019. The increase in non-interest income was driven primarily by a \$1,304,000, or 758.13%, increase in gains on the sale of 1-4 Family Mortgage loans sold to a Government Sponsored Enterprise (GSE). This increase was partially offset by a \$836,000, or 19.69%, increase in noninterest expense for the nine-months ended September 30, 2020 as compared to the same period in the prior year. The increase in noninterest expense for the nine-months ended September 30, 2020 as compared to the same period in the prior year was due to a \$655,000, or 25.53%, increase in salaries and employee benefits.

Net interest income increased by \$161,000, or 3.67%, to \$4,550,000 for the nine-months ended September 30, 2020, up from \$4,389,000 for the nine-months ended September 30, 2019. The increase in net interest income for the nine-months ended September 30, 2020 was due to a \$60,000, or 1.13%, increase in interest income and a \$101,000, or 10.88%, decrease in interest expense as compared to the same period in the prior year. The increase in interest income was due to an increase in average interest-earning assets, partially offset by a decrease in the average yield on interest-earning assets. The decrease in interest expense was primarily due to a decrease in the average rate paid on interest bearing liabilities, in spite of higher average balances of interest bearing liabilities.

The increase in net interest income for the nine-months ended September 30, 2020 was partially offset by a \$155,000 increase in the provision for loan losses in the nine-months ended September 30, 2020 as compared to the same period in the prior year. The increase in provision for loan losses was primarily due to economic conditions resulting from the current COVID-19 crisis.

The increase in net income for the nine-months ended September 30, 2020 was also partially offset by a \$137,000 increase in income tax expense on higher pre-tax income as compared to the same period in the prior year. The increase in income tax expense was due to higher pre-tax income partially offset by a decrease in the effective income tax rate to 17.74% for the nine-months ended September 30, 2020 from 20.94% for the same period in the prior year.

Total assets increased \$27.3 million to \$203.4 million at September 30, 2020 from \$176.1 million at December 31, 2019, an increase of 15.53%. The increase was primarily due to a \$14.5 million, or 11.35%, increase in loans held-for-investment, primarily funded by a \$25.9 million, or 17.83%, increase in total deposits. Total Deposits totaled \$171.8 million at September 30, 2020, up from \$145.8 million as of December 31, 2019. Federal Home Loan Bank advances were \$9.9 million at September 30, 2020 as compared to \$12.3 million at December 31, 2019. At September 30, 2020, the weighted average rate of all Federal Home Loan Bank advances was 1.14% compared to 1.74% at December 31, 2019, and the weighted average maturity was 3.2 years at September 30, 2020 compared to 1.9 years at December 31, 2019. Total investment securities grew to \$47.2 million at September 30, 2020 from \$36.7 million at December 31, 2019, an increase of 28.53%.

Total loans held-for-investment increased by \$14.5 million during the nine-months ended September 30, 2020. The increase in total loan balances was largely the result of loans originated through the U.S. Department of the Treasury's Paycheck Protection Program ("PPP") in which the Company participated. The Company originated \$8.6 million of loans in the program, of which all remained on the Company's balance sheet as of September 30, 2020.

The allowance for loan losses increased by \$255,000, or 17.30%, to \$1.7 million at September 30, 2020 from \$1.4 million at December 31, 2019. The increase was primarily due to the provision for loan losses of \$276,000. The allowance for loan losses totaled 1.18% of total loans as of September 30, 2020, as compared to 1.15% as of December 31, 2019. Nonperforming loans totaled \$0 of total loans as of September 30, 2020 as compared to \$10,000 as of December 31, 2019.

Stockholders' equity was \$20.1 million at September 30, 2020, up from \$17.6 million at December 31, 2019. Stockholders' equity increased by \$2,500,000 during the nine-months ended September 30, 2020 as a result of net income of \$1,461,000, and an increase in net unrealized gain of \$1,198,000 of available-for-sale securities due to the decrease in market interest rates. These increases in Stockholders' equity were also offset by dividends paid of \$178,000 and stock awards of \$19,000. Equity as a percentage of assets decreased to 9.87% at September 30, 2020 compared to 9.98% at December 31, 2019.

Founded in 1890, Mutual Savings Bank is a full-service financial institution based in Johnson County, Indiana. In addition to its main office at 80 East Jefferson Street, Franklin, Indiana, the bank operates branches in Franklin at 1124 North Main Street and the Otterbein Franklin Senior Life Community, as well as branches in Nineveh, Trafalgar and Greenwood, Indiana.

This press release contains certain forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of the Company. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe," "expect," "anticipate," "estimate" and "intend" or future or conditional verbs such as "will," "would," "should," "could" or "may." Certain factors that could cause actual results to differ materially from expected results include the COVID-19 pandemic, changes in the interest rate environment, changes in general economic conditions, legislative and regulatory changes that adversely affect the business of the Company and the Bank, and changes in the securities markets. Except as required by law, the Company does not undertake any obligation to update any forward-looking statements to reflect changes in belief, expectations or events.

Condensed Consolidated Statements of Income
(unaudited, except for periods in the twelve months ended December 31, 2019)
In thousands, except per share data

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Selected Consolidated Earnings Data:				
Total interest income	\$ 1,795	\$ 1,851	\$ 5,377	\$ 5,317
Total interest expense	240	333	827	928
Net interest income	1,555	1,518	4,550	4,389
Provision for losses on loans	91	-	276	121
Net interest income after provision for losses on loans	1,464	1,518	4,274	4,268
Noninterest income	1,051	321	2,583	827
Noninterest expense	1,853	1,553	5,081	4,245
Income tax expense	130	57	315	178
Net income	<u>\$ 532</u>	<u>\$ 229</u>	<u>\$ 1,461</u>	<u>\$ 672</u>
Earnings per basic and diluted share	\$ 0.45	\$ 0.19	\$ 1.23	\$ 0.57

Condensed Consolidated Balance Sheet
(unaudited, except for periods ended on or before December 31, 2019)
In thousands, except per share data

	September 30, 2020	December 31, 2019	September 30, 2019
	Selected Consolidated Balance Sheet Data:		
Assets			
Cash and Due from Banks	\$ 3,080	\$ 3,839	\$ 1,946
Investment Securities, Available-for-sale, at fair value	47,200	36,724	37,711
Loans held-for-sale	3,499	713	848
Loans held-for-investment	142,545	128,019	125,824
Allowance for loan losses	1,730	1,475	1,480
Net Loans	144,314	126,544	125,192
Accrued interest receivable	655	571	525
Other Assets	8,160	7,677	6,909
Total Assets	<u>\$ 203,409</u>	<u>\$ 176,068</u>	<u>\$ 173,131</u>
Liabilities			
Noninterest-bearing deposits	\$ 31,362	\$ 23,502	\$ 23,787
Interest-bearing deposits	140,440	122,304	123,584
Total Deposits	171,802	145,806	147,371
FHLB Advances	9,995	12,250	7,500
Accrued interest payable	57	103	87
Accrued expenses and other liabilities	1,484	338	694
Total Liabilities	<u>183,338</u>	<u>158,497</u>	<u>155,652</u>
Stockholders' Equity - Net	<u>20,071</u>	<u>17,571</u>	<u>17,479</u>
Total Liabilities and Stockholders' Equity	<u>\$ 203,409</u>	<u>\$ 176,068</u>	<u>\$ 173,131</u>

	Three Months Ended		
	September 30, 2020	December 31, 2019	September 30, 2019
Selected Financial Ratios and Other Data:			
Interest rate spread during period	2.94%	3.45%	3.38%
Net yield on interest-earning assets	3.58%	4.38%	4.36%
Noninterest expense, annualized, to average assets	3.66%	3.31%	3.73%
Return on average assets, annualized	1.05%	1.03%	0.55%
Return on average equity, annualized	10.70%	7.37%	4.85%
Average equity to assets	9.84%	9.93%	11.33%
Average Loans	\$ 143,810	\$ 127,733	\$ 129,764
Average Securities	46,526	36,856	33,069
Average Other Interest-Earning Assets	10,240	3,135	7,128
Total Average Interest-Earning Assets	200,576	167,724	169,961
Average Total Assets	202,262	175,382	166,602
Average Noninterest-bearing deposits	\$ 32,418	\$ 24,229	\$ 24,049
Average Interest-bearing deposits	137,910	120,889	124,115
Average Total Deposits	170,328	145,118	148,164
Average Wholesale Funding	11,498	12,060	12,092
Average Interest-Bearing Liabilities	149,408	132,949	136,207
Average Interest-Earnings Assets to Average Interest-Bearings Liabilities	134.25%	126.16%	124.78%
Non-performing loans to total loans	0.00%	0.01%	0.01%
Allowance for loan losses to total loans outstanding	1.18%	1.15%	1.18%
Allowance for loan losses to non-performing loans	-	1475.00%	1644.44%
Net loan chargeoffs/(recoveries) to average total loans outstanding	0.00%	-0.01%	-0.01%
Effective income tax rate	19.64%	20.93%	19.93%
Tangible book value per share	\$ 16.84	\$ 14.89	\$ 14.81
Market closing price at the end of quarter	\$ 10.17	\$ 11.95	\$ 11.90
Price-to-tangible book value	60.41%	80.26%	80.35%