

Third Century Bancorp

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THIRD CENTURY BANCORP RELEASES EARNINGS FOR THE QUARTER AND RECORD EARNINGS FOR THE YEAR ENDED DECEMBER 31, 2020

Franklin, Indiana, OTC/PINK: TDCB

Third Century Bancorp (“Company”), the holding company for Mutual Savings Bank (“Bank”), announced it recorded net income of \$311,000 for the quarter ended December 31, 2020, or \$0.26 per basic and diluted share, compared to net income of \$321,000 for the quarter ended December 31, 2019, or \$0.27 per basic and diluted share. For the year ended December 31, 2020, the Company recorded net income of \$1,772,000, or \$1.49 per basic and diluted share, compared to net income of \$993,000 for the year ended December 31, 2019, or \$0.84 per basic and diluted share.

“For many reasons, 2020 was a very difficult and trying time for our world. Largely, this was due to the COVID-19 pandemic. As we all had to find ways to “do life” in one of the most difficult years we have experienced, Third Century Bancorp achieved three milestones”, indicated Third Century Bancorp President and CEO David A. Coffey. Coffey stated, “Our bank subsidiary, Mutual Savings Bank, celebrated 130 years of existence as a community bank, Mutual Savings Bank achieved asset growth that took our asset base to over \$200 million and our organization achieved record earnings. Our record year was a tremendous effort by our lending staff to help us meet the needs of so many loan customers.” Coffey also indicated, “We simply have a great group of employees who were the reason our year was such as success and we are look forward to maintaining this momentum through 2021.”

For the quarter ended December 31, 2020, net income decreased \$10,000, or 3.11%, to \$311,000 as compared to \$321,000 for the same period in the prior year. The decrease in net income for the three-month period ended December 31, 2020 was driven primarily as result of the \$500,000, or 34.39%, increase in non-interest expense. The increase in non-interest expense was due to an increase in overhead expenses. This increase was largely offset by an increase of \$380,000 or 94.06% in non-interest income as compared to the same period in the prior year. The increase in non-interest income was driven primarily by a \$202,000 or 146.37%, increase in gains on the sale of 1-4 Family Mortgage loans sold to a Government Sponsored Enterprise (GSE). Net interest income increased by \$127,000, or 8.72% for the quarter ended December 31, 2020, to \$1,583,000 as compared to \$1,456,000 for the same period in the prior year.

The increase in net interest income for the quarter ended December 31, 2020 was partially offset by a \$60,000 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 \$1,000

during the quarter ended December 31, 2020 compared to net loan charge-offs of \$17,000 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 year ended December 31, 2020, net income increased \$779,000, or 78.45%, to \$1,772,000 from \$993,000 for the year ended December 31, 2019. The increase in net income for the year ended December 31, 2020 was primarily due to an increase in non-interest income of \$1,485,000, or 145.87%, to \$2,503,000 for the year ended December 31, 2020 from \$1,018,000 for the year ended December 31, 2019. The increase in non-interest income was driven primarily by a \$1,433,000, or 374.63%, 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 \$1,280,000, or 22.42%, increase in non-interest expense for the year ended December 31, 2020 as compared to the same period in the prior year. The increase in non-interest expense for the year ended December 31, 2020 as compared to the same period in the prior year was due to a \$947,000, or 27.18%, increase in salaries and employee benefits.

Net interest income increased by \$883,000, or 14.55%, to \$6,951,000 for the year ended December 31, 2020, up from \$6,068,000 for the year ended December 31, 2019. The increase in net interest income for the year ended December 31, 2020 was due to a \$643,000, or 8.74%, increase in interest income and a \$240,000, or 18.59%, 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 year ended December 31, 2020 was partially offset by a \$214,000 increase in the provision for loan losses in the year ended December 31, 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 year ended December 31, 2020 was also partially offset by a \$95,000 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 11.90% for the year ended December 31, 2020 from 20.93% for the same period in the prior year.

Total assets increased \$33.5 million to \$209.6 million at December 31, 2020 from \$176.1 million at December 31, 2019, an increase of 19.06%. The increase was primarily due to a \$22.6 million, or 61.46%, increase in investment securities, available-for-sale, primarily funded by a \$31.3 million, or 21.48%, increase in total deposits. Total Deposits totaled \$177.1 million at December 31, 2020, up from \$145.8 million as of December 31, 2019. Federal Home Loan Bank advances were \$11.7 million at December 31, 2020 as compared to \$12.3 million at December 31, 2019. At December 31, 2020, the weighted average rate of all Federal Home Loan Bank advances was 1.21% compared to 1.74% at December 31, 2019, and the weighted average maturity was 3.5 years at December 31, 2020 compared to 1.9 years at December 31, 2019. Total loans held-for-investment grew to \$138.8 million at December 31, 2020 from \$128.0 million at December 31, 2019, an increase of 8.45%.

The increase in total loan balances was partially 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 in 2020, of which \$4.7 million remained on the Company's balance sheet as of December 31, 2020.

The allowance for loan losses increased by \$316,000, or 21.44%, to \$1.8 million at December 31, 2020 from \$1.4 million at December 31, 2019. The increase was primarily due to the provision for loan losses of \$335,000. The allowance for loan losses totaled 1.29% of total loans as of December 31, 2020, as compared to 1.15% as of December 31, 2019. Nonperforming loans totaled \$111,000 or 0.08% of total loans as of December 31, 2020 as compared to \$10,000 or 0.01% as of December 31, 2019.

Stockholders' equity was \$20.4 million at December 31, 2020, up from \$17.6 million at December 31, 2019. Stockholders' equity increased by \$2,904,000 during the year ended December 31, 2020 as a result of net income of \$1,772,000, and an increase in net unrealized gain of \$1,472,000 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 \$367,000 and stock awards of \$27,000. Equity as a percentage of assets decreased to 9.77% at December 31, 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, 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, 2020 and December 31, 2019)

In thousands, except per share data

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Selected Consolidated Earnings Data:				
Total Interest Income	\$ 1,807	\$ 1,819	\$ 8,002	\$ 7,359
Total Interest Expense	<u>224</u>	<u>363</u>	<u>1,051</u>	<u>1,291</u>
Net Interest Income	1,583	1,456	6,951	6,068
Provision for Losses on Loans	<u>60</u>	<u>-</u>	<u>335</u>	<u>121</u>
Net Interest Income after Provision for Losses on Loans	1,523	1,456	6,616	5,947
Non-interest Income	784	404	2,503	1,018
Non-interest Expense	1,954	1,454	6,990	5,710
Income Tax Expense	<u>42</u>	<u>85</u>	<u>357</u>	<u>262</u>
Net Income	<u>\$ 311</u>	<u>\$ 321</u>	<u>\$ 1,772</u>	<u>\$ 993</u>
Earnings per basic and diluted share	\$ 0.26	\$ 0.27	\$ 1.49	\$ 0.84

Condensed Consolidated Balance Sheet

(unaudited, except for periods ended on or before December 31, 2020)

In thousands, except per share data

	December 31, 2020	December 31, 2019
Selected Consolidated Balance Sheet Data:		
Assets		
Cash and Due from Banks	\$ 4,888	\$ 3,839
Investment Securities, Available-for-sale, at fair value	59,292	36,724
Loans Held-for-Sale	434	713
Loans Held-for-Investment	138,834	128,019
Allowance for Loan Losses	<u>1,791</u>	<u>1,475</u>
Net Loans	137,477	126,544
Accrued Interest Receivable	686	571
Other Assets	<u>7,283</u>	<u>7,677</u>
Total Assets	<u>\$ 209,626</u>	<u>\$ 176,068</u>
Liabilities		
Noninterest-bearing Deposits	\$ 32,049	\$ 23,502
Interest-bearing Deposits	<u>145,069</u>	<u>122,304</u>
Total Deposits	177,118	145,806
FHLB Advances	11,705	12,250
Accrued Interest Payable	54	103
Accrued Expenses and Other Liabilities	<u>274</u>	<u>338</u>
Total Liabilities	<u>189,151</u>	<u>158,497</u>
Stockholders' Equity - Net	<u>20,475</u>	<u>17,571</u>
Total Liabilities and Stockholders' Equity	<u>\$ 209,626</u>	<u>\$ 176,068</u>

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Selected Financial Ratios and Other Data:				
Interest rate spread during period	2.91%	3.45%	3.44%	3.75%
Net yield on interest-earning assets	3.49%	4.38%	4.17%	4.74%
Non-interest expense, annualized, to average assets	3.74%	3.31%	3.45%	3.42%
Return on average assets, annualized	0.59%	1.03%	0.87%	0.59%
Return on average equity, annualized	6.25%	7.37%	9.23%	5.83%
Average equity to assets	9.51%	9.93%	9.47%	10.19%
Average Loans	\$ 141,115	\$ 127,733	\$ 138,415	\$ 126,485
Average Securities	54,060	36,856	43,450	23,618
Average Other Interest-Earning Assets	11,950	3,135	10,143	5,218
Total Average Interest-Earning Assets	207,125	167,724	192,008	155,321
Average Total Assets	209,232	175,382	202,749	167,045
Average Noninterest-bearing Deposits	\$ 34,178	\$ 24,229	\$ 30,831	\$ 22,603
Average Interest-bearing Deposits	144,754	120,889	132,941	117,936
Average Total Deposits	178,932	145,118	163,772	140,539
Average Wholesale Funding	8,934	12,060	12,107	12,688
Average Interest-Bearing Liabilities	153,688	132,949	145,048	130,624
Average Interest-Earnings Assets to Average Interest-Bearings Liabilities	134.77%	126.16%	132.38%	118.91%
Non-performing loans to total loans	0.08%	0.01%	0.08%	0.01%
Allowance for loan losses to total loans outstanding	1.29%	1.15%	1.29%	1.15%
Allowance for loan losses to non-performing loans	1613.51%	1475.00%	1613.51%	1475.00%
Net loan chargeoffs/(recoveries) to average total loans outstanding	0.00%	-0.01%	0.01%	-0.01%
Effective income tax rate	11.90%	20.93%	16.77%	20.88%
Tangible book value per share	\$ 17.13	\$ 14.89	\$ 17.13	\$ 14.89
Market closing price at the end of quarter	\$ 15.00	\$ 11.95	\$ 15.00	\$ 11.95
Price-to-tangible book value	87.54%	80.26%	87.54%	80.26%