

Third Century Bancorp

80 East Jefferson Street
Franklin, IN 46131
Tel. 317-736-7151 Fax 317-736-1726

For Immediate Release: March 13, 2023

Contact: David A. Coffey, President and CEO
Ryan W. Cook, Senior Vice President and CFO

THIRD CENTURY BANCORP RELEASES EARNINGS FOR THE FOURTH QUARTER 2022 AND FOR THE YEAR ENDED DECEMBER 31, 2022

Franklin, Indiana, OTC/PINK: TDCB

Third Century Bancorp (“Company”), the holding company for Mutual Savings Bank (“Bank”), announced it recorded net income of \$536,000 for the quarter ended December 31, 2022, or \$0.46 per basic and diluted share, compared to net income of \$634,000 for the quarter ended December 31, 2021, or \$0.54 per basic and diluted share. For the year ended December 31, 2022, net income decreased \$226,000, or 9.65%, to \$2.1 million, or \$1.83 per basic share and \$1.82 per diluted share, as compared to \$2.3 million, or \$2.00 per basic share and \$1.99 per diluted share, for the year ended December 31, 2021.

“I am pleased with the results we are sharing with our shareholders as we close out 2022. This has been a very challenging year for many reasons. The interest rate increases alone created a banking environment not previously experienced by many working in today’s industry,” commented President and CEO David A. Coffey. “2022 was a year of taking advantage of opportunities as they presented themselves. We did just that by issuing \$10 million in subordinated debt at Third Century Bancorp in early 2022. In addition, we added quality loan balances on the Mutual Savings Bank balance sheet and purchased an incredibly attractive new location for our Greenwood Branch.” Coffey also added, “Looking ahead, 2023 offers similar economic challenges, but we are looking forward to another year to tell our story which will lead to another successful year for our shareholders.”

Coffey also commented, “Recent banking news may have created concerns about banking in general. I feel it is important that we remind our stakeholders that our bank has operated continuously since 1890. We remain well capitalized and well positioned to continue to serve our customers and community.” Coffey concluded, “While our customers deposits are covered by the FDIC Insurance, up to applicable limits, we remain Johnson County’s only locally based financial institution due to our financial strength, stability, liquidity and ability to navigate turbulent times.”

For the quarter ended December 31, 2022, net income decreased \$98,000, or 15.46%, to \$536,000 as compared to \$634,000 for the same period in the prior year. The decrease in net income for the three-month period ended December 31, 2022 was driven primarily as a result of the \$713,000, or 81.39%, decrease in non-interest income as compared to the same period in the prior year. The decrease in non-interest income was due to a decrease of \$307,000, or 100.00%, in net gains on investment sales for the quarter ended December 31, 2022 as compared to the same period in the prior year. The decrease in non-interest income was also the result of a decrease of \$177,000, or 69.45%, in gains on the sale of one-to-

four-family residential mortgage loans sold to Freddie Mac for the quarter ended December 31, 2022 as compared to the same period in the prior year as a result of the rising interest rate environment. The decrease in net income was partially offset by an increase of \$434,000, or 24.08%, in net interest income for the quarter ended December 31, 2022 as compared to the same period in the prior year. The increase in net interest income was supported by a \$971,000, or 49.92% increase in interest income, which was offset by an increase of \$537,000, or 375.52%, in interest expense for the quarter ended December 31, 2022 as compared to the same period in the prior year. The decrease in net income was also partially offset by a \$48,000, or 48.48%, decrease in income tax expense as compared to the same period in the prior year as a result of the decrease in income before income tax expense.

There was no change in the provision for loan losses compared to the same period in 2021. The Company had \$2,000 in net recoveries during the quarter ended December 31, 2022 compared to \$3,000 in net charge-offs for the same period in 2021.

For the year ended December 31, 2022, net income decreased \$226,000, or 9.65%, to \$2.1 million, as compared to \$2.3 million, for the year ended December 31, 2021. The decrease in net income for the year ended December 31, 2022 was driven primarily as the result of a decrease in non-interest income of \$1.1 million, or 46.62% as compared to the prior year. This decrease was the result of a \$577,000 or 100.00%, decrease in gains on the sale of investment securities, available-for-sale, as compared to the prior year, as well as a \$677,000, or 54.73% decrease in the gain on sale of one-to-four family residential mortgage loans sold to Freddie Mac. As a result of the rising interest rate environment. The decrease in non-interest income was offset by the \$1.0 million, or 14.07%, increase in net interest income. The increase in interest income was a result of higher market rates, as well as increases in average assets largely due to an increase in the average balance of loans held for investment and investment securities. Increases in interest expense were the result of higher average balances on interest-bearing deposits, FHLB Advances, and Subordinated Notes, along with increases in average rates paid on interest-bearing liabilities primarily as a result of significant increases in market rates following the historically low interest rate environment. In addition, the provision for loan losses decreased \$30,000, or 33.33%, for the year ended December 31, 2022 as compared to the prior year.

The decrease in net income for the year ended December 31, 2022 was offset by a \$179,000 or 48.64% decrease in income tax expense as compared to the prior year. The decrease in income tax expense was due to a decrease in pre-tax income for the year ended December 31, 2022 as compared to the prior year. The decrease in income tax expense was supported by a decrease in the effective income tax rate to 8.20% for the year ended December 31, 2022 from 13.51% for the prior year.

Total assets increased \$38.9 million to \$280.5 million at December 31, 2022 from \$241.6 million at December 31, 2021, an increase of 16.12%. The increase was primarily due to a \$27.7 million, or 19.24%, increase in loans held-for-investment to \$171.6 million at December 31, 2022, primarily funded by a \$25.5 million, or 11.88%, increase in total deposits. Total deposits were \$240.1 million at December 31, 2022, up from \$214.7 million as of December 31, 2021. Federal Home Loan Bank advances were \$21.8 million at December 31, 2022 as compared to \$5.0 million at December 31, 2021. At December 31, 2022, the weighted average rate of all Federal Home Loan Bank advances was 4.29% compared to 1.45% at December 31, 2021, and the weighted average maturity was 0.1 years at December 31, 2022 compared to 4.3 years at December 31, 2021. Investment securities, available-for-sale increased slightly to \$85.6 million at December 31, 2022 from \$84.6 million at December 31, 2021, an increase of 1.07%. Investment

securities, held-to-maturity increased to \$3.0 million at December 31, 2022 from \$0 at December 31, 2021.

The allowance for loan losses increased by \$60,000, or 3.19%, to \$1.9 million at December 31, 2022 from the previous year end. The increase was primarily due to the provision for loan losses of \$60,000 during the year ended December 31, 2022. The allowance for loan losses totaled 1.13% of total loans as of December 31, 2022 as compared to 1.30% of total loans as of December 31, 2021. Nonperforming loans totaled \$52,000 or 0.03%, of total loans as of December 31, 2022 as compared to \$237,000 or 0.16%, of total loans as of December 31, 2021.

Stockholders' equity was \$8.0 million at December 31, 2022, down from \$21.5 million at December 31, 2021. Stockholders' equity decreased by \$13.5 million during the year ended December 31, 2022 as a result of an increase in net unrealized loss of \$14.9 million on available-for-sale securities due to the significant increase in market interest rates, partially offset by net income of \$2.1 million. The decrease in stockholders' equity was also impacted by repurchased stock of \$216,000, dividends of \$448,000 and stock awards of \$28,000. Equity as a percentage of assets decreased to 2.86% at December 31, 2022 compared to 8.91% at December 31, 2021.

During the year ended December 31, 2022, the Company repurchased 12,200 shares of common stock at an average cost of \$15.52 per share pursuant to the Company's stock repurchase program. At December 31, 2022, 25,578 shares of common stock remain available for future repurchase by the Company through the stock repurchase program.

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 inflation, changes in the interest rate environment, changes in general economic conditions, the COVID-19 pandemic, 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)

In thousands, except per share data

	Three Months Ended			Twelve Months Ended		
	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2020
Selected Consolidated Earnings Data:						
Total Interest Income	\$ 2,916	\$ 2,581	\$ 1,945	\$ 9,983	\$ 8,130	\$ 8,002
Total Interest Expense	<u>680</u>	<u>382</u>	<u>143</u>	<u>1,552</u>	<u>739</u>	<u>1,051</u>
Net Interest Income	2,236	2,199	1,802	8,431	7,391	6,951
Provision for Losses on Loans	<u>30</u>	<u>30</u>	<u>-</u>	<u>60</u>	<u>90</u>	<u>335</u>
Net Interest Income after Provision for Losses on Loans	2,206	2,169	1,802	8,371	7,301	6,616
Non-Interest Income	\$ 163	350	876	1,287	2,411	2,503
Non-Interest Expense	\$ 1,782	1,808	1,945	7,353	7,002	6,990
Income Tax Expense	<u>51</u>	<u>72</u>	<u>99</u>	<u>189</u>	<u>368</u>	<u>357</u>
Net Income	<u>\$ 536</u>	<u>\$ 639</u>	<u>\$ 634</u>	<u>\$ 2,116</u>	<u>\$ 2,342</u>	<u>\$ 1,772</u>
Earnings Per Share - basic	\$ 0.46	\$ 0.55	\$ 0.54	\$ 1.83	\$ 2.00	\$ 1.49
Earnings Per Share - diluted	\$ 0.46	\$ 0.55	\$ 0.54	\$ 1.82	\$ 1.99	\$ 1.49

Condensed Consolidated Balance Sheet

(Unaudited)

In thousands, except per share data

	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2020
Selected Consolidated Balance Sheet Data:						
Assets						
Cash and Due from Banks	\$ 3,747	\$ 5,620	\$ 4,857	\$ 3,747	\$ 4,857	\$ 4,888
Investment Securities, Available-for-Sale, at Fair Value	85,571	85,043	84,661	85,571	84,661	59,292
Investment Securities, Held-to-Maturity	3,000	-	-	3,000	-	-
Loans Held-for-Sale	-	232	738	-	738	434
Loans Held-for-Investment	171,619	165,201	143,927	171,619	143,927	138,834
Allowance for Loan Losses	<u>1,941</u>	<u>1,909</u>	<u>1,881</u>	<u>1,941</u>	<u>1,881</u>	<u>1,791</u>
Net Loans	169,678	163,524	142,784	169,678	142,784	137,477
Accrued Interest Receivable	1,370	1,066	760	1,370	760	686
Other Assets	<u>17,130</u>	<u>16,819</u>	<u>8,499</u>	<u>17,130</u>	<u>8,499</u>	<u>7,283</u>
Total Assets	<u>\$ 280,496</u>	<u>\$ 272,072</u>	<u>\$ 241,561</u>	<u>\$ 280,496</u>	<u>\$ 241,561</u>	<u>\$ 209,626</u>
Liabilities						
Noninterest-Bearing Deposits	\$ 44,631	\$ 45,313	\$ 40,988	\$ 44,631	\$ 40,988	\$ 32,049
Interest-Bearing Deposits	<u>195,518</u>	<u>200,304</u>	<u>173,666</u>	<u>195,518</u>	<u>173,666</u>	<u>145,069</u>
Total Deposits	240,149	245,617	214,654	240,149	214,654	177,118
FHLB Advances	21,845	9,000	5,000	21,845	5,000	11,705
Subordinated Notes, Net of Issuances Costs	9,731	9,724	-	9,731	-	-
Accrued Interest Payable	231	78	32	231	32	54
Accrued Expenses and Other Liabilities	<u>517</u>	<u>509</u>	<u>342</u>	<u>517</u>	<u>342</u>	<u>274</u>
Total Liabilities	<u>272,473</u>	<u>264,928</u>	<u>220,028</u>	<u>272,473</u>	<u>220,028</u>	<u>189,151</u>
Stockholders' Equity						
Common Stock	11,440	11,432	11,412	11,440	11,412	11,381
Retained Earnings	10,519	10,214	9,066	10,519	9,066	7,323
Accumulated Other Comprehensive Income/(Loss)	<u>(13,936)</u>	<u>(14,502)</u>	<u>1,055</u>	<u>(13,936)</u>	<u>1,055</u>	<u>1,771</u>
Total Stockholders' Equity	<u>8,023</u>	<u>7,144</u>	<u>21,533</u>	<u>8,023</u>	<u>21,533</u>	<u>20,475</u>
Total Liabilities and Stockholders' Equity	<u>\$ 280,496</u>	<u>\$ 272,072</u>	<u>\$ 241,561</u>	<u>\$ 280,496</u>	<u>\$ 241,561</u>	<u>\$ 209,626</u>

	Three Months Ended			Twelve Months Ended		
	dollar figures are in thousands, except per share data			dollar figures are in thousands, except per share data		
	December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2020
Selected Financial Ratios and Other Data (Unaudited):						
Interest Rate Spread During Period	3.17%	3.23%	2.94%	3.14%	3.15%	3.44%
Net Yield on Interest-Earning Assets	4.42%	3.94%	3.26%	3.89%	3.58%	4.17%
Non-Interest Expense, Annualized, to Average Assets	2.70%	2.68%	3.23%	2.80%	3.03%	3.45%
Return on Average Assets, Annualized	0.81%	0.95%	1.05%	0.81%	1.01%	0.87%
Return on Average Equity, Annualized	24.38%	20.82%	12.29%	17.01%	11.35%	9.23%
Average Equity to Assets	3.33%	4.55%	8.58%	4.74%	8.94%	9.47%
Average Loans	\$ 166,435	\$ 167,005	\$ 143,448	\$ 158,721	\$ 142,385	\$ 138,415
Average Securities	87,234	86,080	83,268	88,765	73,674	43,450
Average Other Interest-Earning Assets	10,351	9,065	11,615	9,057	11,025	10,143
Total Average Interest-Earning Assets	264,020	262,150	238,330	256,543	227,083	192,008
Average Total Assets	264,016	269,872	240,513	262,381	230,955	202,749
Average Noninterest-Bearing Deposits	\$ 43,578	\$ 45,329	\$ 40,335	\$ 43,459	\$ 37,829	\$ 30,831
Average Interest-Bearing Deposits	195,028	197,642	170,457	191,318	163,399	132,941
Average Total Deposits	238,606	242,971	210,792	234,777	201,228	163,772
Average Wholesale Funding	22,658	17,937	5,000	16,499	6,854	12,107
Average Interest-Bearing Liabilities	217,686	215,579	175,457	207,817	170,253	145,048
Average Interest-Earnings Assets to Average Interest-Bearings Liabilities	121.28%	121.60%	135.83%	123.45%	133.38%	132.38%
Non-Performing Loans to Total Loans	0.03%	0.03%	0.16%	0.03%	0.16%	0.08%
Allowance for Loan Losses to Total Loans Outstanding	1.13%	1.15%	1.30%	1.13%	1.30%	1.29%
Allowance for Loan Losses to Non-Performing Loans	3732.69%	3671.15%	793.67%	3732.69%	793.67%	1613.51%
Net Loan Chargeoffs/(Recoveries) to Average Total Loans Outstanding	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Effective Income Tax Rate	8.68%	10.13%	13.51%	8.20%	13.51%	16.77%
Tangible Book Value Per Share	\$ 6.88	\$ 6.12	\$ 18.28	\$ 6.88	\$ 18.28	\$ 17.13
Market Closing Price at the End of Quarter	\$ 9.70	\$ 10.21	\$ 17.50	\$ 9.70	\$ 17.50	\$ 15.00
Price-to-Tangible Book Value	140.89%	166.95%	95.73%	140.89%	95.75%	87.54%