

THE FIRST NATIONAL BANK OF DENNISON A MESSAGE FROM THE PRESIDENT

1st Quarter 2021



Nichole L. Zesiger, President

2020 played havoc on doing business. Developing recovery strategies for the technological disruption last year was difficult enough until the pandemic erupted. During the pandemic, we stopped travel among the offices. We increased sanitations and cleaning rotations. All meetings were held by conference calling. We closed our lobby access for appointment only from March through early May when the County Health Department and State issued guidance allowing us to re-open safely. Even now, all employees are wearing masks, social distancing and exercising proper hygiene. There was a time when many employees were not working given exposure or tested positive for COVID.

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We are very fortunate no one was seriously ill and now are all back working to full capacity.

The pandemic wasn't all doom and gloom. Thanks to the SBA's Payment Protection Program and a refinance boom, the bank was able to end with a \$1.7MM net income. We were still on the Bauer 5star rating list with a ROE of 10% and a ROA of 1%. The Bank has a 9% capital level and has seen a 19% increase in assets over the last year. We certainly are a sound bank with significant liquidity, sound loan loss provision, low delinquency, healthy investment portfolio and nice net income. Give the liquidity, we did hire a third-party investment firm with the expertise to manage our investment portfolio to provide more diversification and earn higher yields.

Our loan to deposit ratio is down considerably to 48% at year-end. Mostly due competitor's offering below market rates and the slowdown in the commercial and installment arena with COVID. The bank's decision to participate in the Payment Protection Program gave us the opportunity to initiate 210 businesses, lending \$13,500,000 with over \$550,000 of fee income. We were an integral part of keeping most business a-float during this difficult time. We opened our doors to many businesses whose bank chose not to participate and now find ourselves with new customers we are pleased to service. Now, we are on round two – we have exceed the volume from round one. Like other businesses, we found savings and efficiencies during the pandemic by doing business differently. Most, we will continue to adopt.

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We are in the process of adopting document imaging, electronic signatures and documents. This will help us be paperless and create efficiencies throughout the organization including audits and exams. We will be incorporating ITalk, an automated phone line to provide our customers with account information 24/7 365 days a year. The Bank completed a sizeable hardware conversion to our managed service provider. This project took most of 2020 and was completed successfully on Dec. 10th. As many employers are experiencing, hiring qualified dedicated employees is more than difficult. We will find ourselves investing more in technology and outsourcing many areas of the bank to make up for this deficiency of expertise. The age of our customer base is demanding the technology to get tasks done quicker and at their convenience. We will be looking for cost savings & efficiencies that can't be provided with human interaction. So, educating the public and our employees will be our top priority.

Going forward, we will be looking strategically to realign and simplify the bank structure to support our strategic goals. This will set us up to be the preferred local bank by meeting the needs of our customers through products and services enrich the lives of our employees. Our financial focus to optimize resources can only increase shareholder value.

In 2021, the Bank invested in a consultant to analyze processes and procedures and realign duties of our staff and create a new organizational structure. This will create a new business model for the bank as it aligns to the succession planning over the next five years. In order to increase shareholder value and remain sustainable and relevant among our competitors in our

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competitors in our market, this was a must! Our goal has always been to deliver a differentiation to ourselves in the market, a brand promise to exceptional customer service and core competencies with integrated processes which will continue in the future.

Again, thank you for supporting The First National Bank of Dennison. We are glad to have you as our customers.