



Bancorp. of Southern Indiana

# 2020 Annual Report

# Message To Shareholders

The year 2020 is one that we will always remember for several reasons. Most notable was the impact of the 2019 novel coronavirus (COVID-19) global pandemic. Although COVID-19 resulted in a rollercoaster year for many across our region, state, and country, I am truly excited to report to our shareholders that Bancorp. of Southern Indiana (BSI) posted another record year in its financial performance.

Prior to the COVID-19 pandemic the stock market was hitting record highs, the U.S. unemployment rate was a respectable 3.5%, and the core inflation rate was at a healthy 2.4%. This changed dramatically on March 11th when the World Health Organization declared COVID-19 a pandemic and the U.S. economy ended its 128-month economic expansion, the longest in U.S. history. The government took bold steps to counteract the anticipated drag on the economy with the Federal Reserve lowering benchmark interest rates on March 16th to a range of 0.00% - 0.25%, an overnight reduction of 100 basis points. Then, shortly following, on March 27th the president signed into law the Coronavirus Aid, Relief, and Economic Stability Act of 2020 (CARES Act), which provided approximately \$2 trillion in economic assistance to various sectors that were significantly impacted by the virus.

Jackson County Bank (JCB), like many other businesses, was faced with making adjustments in its operating environment to ensure its ability to continue providing the services needed by our customers without experiencing significant disruptions, all while primarily focusing on the safety of our customers and team members.

Some of those adjustments included moving our banking centers to an appointment-only basis while also extending the hours of drive-thru service. Approximately 35% of the JCB team transitioned to working remotely from home and/or on a split schedule between home and office.

Despite the numerous challenges posed by the pandemic, there were also opportunities JCB pursued which benefitted the bank and its customers. Under the CARES Act, a federally backed loan program known as the Paycheck Protection Program (PPP) was established to assist business owners in their financial challenges posed by COVID-19. JCB originated 300 PPP loans for qualified borrowers totaling approximately \$28.4 million. The low interest rate environment also resulted in new home purchase or refinance opportunities for borrowers. JCB's mortgage banking operation clearly and significantly benefited from a recent expansion, whereby 2020 mortgage banking gross income topped \$5.1 million.

Further, the rebound in the stock market, along with new business generation, led to an 11.2% increase in assets under management in JCB's wealth management area (brokerage and trust) ending the year at \$552.1 million. During the year, JCB also took advantage of the reduced in-branch traffic to remodel its West Hill and Washington Street banking centers in Columbus, as well as its Jackson Park banking center in Seymour. These facility upgrades are designed to modernize and enhance the overall customer experience.

I am thrilled to announce that most, if not all, of BSI's 2020 financial performance measurements are record highs for the organization. BSI's total assets as of December 31, 2020, were \$706,613,000, an increase of \$115,103,000, or 19.5% over the previous year. Net income for 2020 was \$6,955,000, as compared to the \$5,534,000 posted in 2019. This represents an increase of \$1,421,000, or 25.7% when compared to the prior year. Return on average equity was 11.16%, an improvement of 130 basis points over the 9.86% in 2019. Likewise, return on average assets also advanced to 1.05% in 2020 versus the 0.94% posted in the prior year. Additional 2020 highlights include the following:

- Deposit growth of \$110,284,000, or 23.9%, to end the year at \$572,429,000.
- Total gross loans outstanding expanded to \$503,636,000, an increase of \$66,526,000, or 15.2%.
- Higher total capital balances to end the year at \$64,874,000, an 11.2% improvement.
- Net interest income growth of \$1,430,000, or 8.0% over the prior year.
- Recorded a \$1,800,000 provision for loan loss expense, an increase of \$1,375,000, or 323.5% (action taken out of an abundance of caution given the potential asset quality unknowns in connection with COVID-19).
- Total noninterest income amounted to \$11,896,000, an increase of \$3,882,000, or 48.4%.
- Total noninterest expense rose \$2,229,000, or 11.7%, over 2019.
- Earnings per share improved 25.5% to \$5.12 per share.
- Total cash dividends paid amounted to \$1.40 per share, an increase of \$0.15 per share over the 2019 \$1.25 per share.
- Dividend yield grew to 2.53% in 2020 compared to 2.02% in 2019, an improvement of 51 basis points, or 25.3%.
- BSI share price at December 31, 2020, (for trades that management was aware) was \$63.00 per share compared to \$55.25 per share at December 31, 2019, an increase of \$7.75, or 14.0%.

During the year, we were saddened by the death of current board member and former board chairman James T. McCoy on August 23, 2020. Prior to Mr. McCoy's untimely passing, the board fulfilled its succession planning duty and responsibility and duly elected Darren A. (Andy) Royalty to the BSI and JCB Boards of Directors on August 18, 2020. Please direct your attention to page 5 where you will find a tribute to Mr. McCoy and his 47 years of service to this organization, along with a welcome to our newest director, Andy Royalty.

I am extremely proud of the entire JCB team for an outstanding year. This is a team that is genuinely dedicated to delivering quality customer service. To achieve the growth and profitability in a year in which there were so many unknowns and challenges speaks volumes about their individual and

collective dedication and commitment to make JCB the strong, well-respected community bank that it is today.

I thank our customers for not only their business, but also for the patience and understanding that was demonstrated as the JCB team navigated each new challenge the pandemic presented. Please know and understand the decisions made were first and foremost made for the safety and well-being of our customers and team members.



Marvin S. Veatch, President

Thank you also, to our stockholders for your investment in BSI and continued confidence in JCB and our team. Community banking is alive and well and it is our goal and mission to make JCB your full-service community bank of choice.

A handwritten signature in black ink that reads "Marvin S. Veatch".

# CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands except per share data)

	2020	2019	Percentage Change
<b>Operating Results:</b>			
Net interest income	\$ 19,415	\$ 17,985	7.95%
Noninterest income	11,896	8,014	48.44%
Noninterest expense	21,304	19,075	11.69%
Net income	6,955	5,534	25.68%
Cash dividends paid	1,900	1,696	12.03%
Return on average equity	11.16%	9.86%	13.18%
Return on average assets	1.05%	0.94%	11.70%
<b>Per Share Data:</b>			
Net income	\$ 5.12	\$ 4.08	25.49%
Dividends	1.40	1.25	12.00%
Book value	47.80	42.98	11.21%
Number of average shares outstanding	1,357,134	1,357,134	0.00%
Number of shares outstanding	1,357,134	1,357,134	0.00%
Number of stockholders	432	410	5.37%
<b>Year-End Totals:</b>			
Assets	\$ 706,613	\$ 591,510	19.46%
Deposits	572,429	462,145	23.86%
Loans held-for-sale	10,607	387	2,640.83%
Loans, net	498,023	433,279	14.94%
Stockholders' equity	64,874	58,334	11.21%
<b>Averages:</b>			
Assets	\$ 660,699	\$ 587,913	12.38%
Deposits	527,007	462,269	14.00%
Loans held-for-sale	5,469	628	770.86%
Loans, net	474,908	423,369	12.17%
Stockholders' equity	62,294	56,107	11.03%
<b>Asset Quality:</b>			
Nonperforming assets / Assets	0.57%	0.52%	9.62%
Nonperforming assets / Capital + Allowance	5.75%	4.94%	16.40%
Allowance / Nonperforming loans	138.55%	132.84%	4.30%

Additional financial information, including the audited consolidated financial statements, can be accessed at [jcbank.com/know-jcb-bis/bis-investor-relations/financial-information](http://jcbank.com/know-jcb-bis/bis-investor-relations/financial-information)

# FIVE YEAR SUMMARY

(Dollar amounts in thousands except per share data)

	2020	2019	2018	2017	2016
<b>Assets:</b>					
Cash and cash equivalents	\$ 62,899	\$ 28,393	\$ 15,090	\$ 9,636	\$ 18,324
Interest-bearing CDs with other financial institutions	5,534	8,155	12,070	18,321	21,293
Investments	93,947	87,530	91,773	92,945	98,472
Loans held-for-sale	10,607	387	704	54	797
Loans, net	498,023	433,279	417,217	364,667	328,993
Bank premises and equipment, net	8,110	7,225	7,448	7,153	5,131
Other assets	27,493	26,541	25,371	20,853	24,203
<b>Total assets</b>	<b>\$ 706,613</b>	<b>\$ 591,510</b>	<b>\$ 569,673</b>	<b>\$ 513,629</b>	<b>\$ 497,213</b>
<b>Liabilities:</b>					
Noninterest-bearing deposits	\$ 116,164	\$ 75,657	\$ 73,699	\$ 74,579	\$ 67,278
Interest-bearing deposits	456,265	386,488	368,629	341,120	305,367
Total deposits	572,429	462,145	442,328	415,699	372,645
Short-term borrowings	5,736	6,105	9,230	4,132	32,164
Long-term debt	53,000	55,000	55,000	39,000	40,000
Note Payable	2,000	2,500	3,500	0	0
Other liabilities	8,574	7,426	6,896	5,054	5,190
Total liabilities	641,739	533,176	516,954	463,885	449,999
Stockholders' equity	64,874	58,334	52,719	49,744	47,214
<b>Total liabilities and stockholders' equity</b>	<b>\$ 706,613</b>	<b>\$ 591,510</b>	<b>\$ 569,673</b>	<b>\$ 513,629</b>	<b>\$ 497,213</b>
<b>Summary of Operations:</b>					
Interest income	\$ 23,730	\$ 22,948	\$ 20,082	\$ 16,753	\$ 14,961
Interest expense	4,315	4,963	3,504	2,540	2,232
Net interest income	19,415	17,985	16,578	14,213	12,729
Provision for loans losses	1,800	425	500	475	400
Net interest income after provision for loan losses	17,615	17,560	16,078	13,738	12,329
Noninterest income	11,896	8,014	6,100	5,284	4,872
Noninterest expense	21,304	19,075	17,161	14,297	13,523
Income before income taxes	8,207	6,499	5,017	4,725	3,678
Provision for income taxes	1,252	965	698	1,438	466
<b>Net income</b>	<b>\$ 6,955</b>	<b>\$ 5,534</b>	<b>\$ 4,319</b>	<b>\$ 3,287</b>	<b>\$ 3,212</b>
<b>Earnings per share</b>	<b>\$ 5.12</b>	<b>\$ 4.08</b>	<b>\$ 3.18</b>	<b>\$ 2.42</b>	<b>\$ 2.37</b>
<b>Cash dividends per share</b>	<b>\$ 1.40</b>	<b>\$ 1.25</b>	<b>\$ 1.00</b>	<b>\$ 0.94</b>	<b>\$ 0.93</b>
<b>Average shares outstanding</b>	<b>1,357,134</b>	<b>1,357,134</b>	<b>1,357,134</b>	<b>1,357,134</b>	<b>1,357,134</b>

## In Memoriam: A Tribute to Former Chairman of the Board



James T. McCoy

On August 23, 2020, the JCB family mourned the passing of long-time board member and former board chairman James T. McCoy.

Mr. McCoy joined JCB's board of directors in February 1973 and was also a founding member of BSI's board of directors in October 1983. His forty-seven and one-half

years of service on JCB's board of directors ranks as the third longest tenured board member in JCB's 120-year history. During this time span Mr. McCoy witnessed nearly \$650 million in asset growth of the bank.

Mr. McCoy also served as BSI's and JCB's Chairman of the Board from 2005 to 2019. While there many accomplishments during his tenure, including the

construction of a new state-of-the art banking center in Columbus, under his 14-year leadership assets of the organization grew \$274 million.

Jim was a passionate individual who faithfully and dutifully served the bank where shareholders and shareholder value was always top-of-mind.

"The entire BSI and JCB family is extremely grateful for Jim's leadership during his tenure as a board member and chairman. His passion for his family, the bank and its shareholders, and the community ran deep. BSI and JCB would not be the organization it is today without his sound guidance and leadership," said BSI and JCB President, Marvin S. Veatch.

We will forever remember Mr. McCoy's legacy of leadership, respect, admiration, and loyalty to BSI and JCB.

## A Warm Welcome to JCB's Newest Board Member

On August 18, 2020, BSI and JCB welcomed its newly-elected board member, Darren A. (Andy) Royalty.

Mr. Royalty joins the BSI and JCB boards of directors as a well-known and esteemed member of the community. He is president of four Seymour, Indiana businesses including Royalty Companies of Indiana, Inc., TDAK Development, Inc., Majestic Facility Experts, Inc., and Reign Tight Roofing Systems, Inc.

Warren L. Forgey, Chairman of the Board of BSI and JCB said, "I look forward to working with Andy. His skills and experience as a business owner deepen the expertise of our Boards."

"For 120 years, our continued commitment to renewing the talent of both our board and staff has been a key to our success," said Marvin Veatch, JCB's President and CEO. "Andy will undoubtedly advance JCB's mission of fulfilling customers' dreams and goals as well as building value for shareholders, employees, customers, and communities."

Originally from Crothersville, Indiana, Mr. Royalty began his professional career as a plant manager at Regal Industries, Inc. from 1990-1995, before starting his roofing company, Royalty Companies in 1996. Andy's community involvement includes serving as the president of the Community Foundation of Jackson County board of directors, executive board member of Trinity Lutheran High School, as well as past board member of the Seymour Boys and Girls Club.



Darren A. (Andy) Royalty



## Bancorp. of Southern Indiana Officers

WARREN L. FORGEY Chairman of the Board  
MARVIN S. VEATCH President  
CHAD A. KEY Vice President/Treasurer  
MELODIE K. YARNELL Vice President/Secretary

## JCB Senior Leadership

MARVIN S. VEATCH President, Chief Executive Officer  
DANIEL F. ANDERSON Senior Vice President, Chief Wealth Management Officer  
ANDY APPLEWHITE Senior Vice President, Chief Mortgage and Consumer Lending Officer  
GARY E. GREEN Senior Vice President, Chief Information Systems Officer  
MARY ELLEN JAYNES Senior Vice President, Chief Credit Administration Officer  
CHAD A. KEY Senior Vice President, Chief Financial Officer  
JEFFREY B. NOLTING Senior Vice President, Chief Banking Officer  
MELODIE K. YARNELL Senior Vice President, Chief Risk and Management Services Officer

## Board of Directors

JOSEPH M. BLACK JR. Attorney, Standing Trustee, Chapters 12 and 13 for the Southern District of Indiana  
MARK A. DENNIS Founder and Principal Owner of Mark Dennis and Company, CPA Inc.  
WARREN L. FORGEY Chairman of the Board, Bancorp. of Southern Indiana and JCB; President and CEO, Schneck Medical Center (Retired)  
DAVID M. GEIS President, Bancorp. of Southern Indiana (Retired), President and CEO, JCB (Retired)  
SUSAN G. JUDD Community Volunteer  
DARREN A. ROYALTY Owner, Royalty Companies of Indiana  
MARSHALL E. ROYALTY Owner, Crane Hill Machine & Fabrication  
BRIAN P. RUSSELL President and Founder, Russell Development Company  
MARVIN S. VEATCH President, Bancorp. of Southern Indiana, President and CEO, JCB

## Directors Emeriti

DAVID L. BOTTORFF Worldwide Distributor Business Unit Controller, Cummins Inc. (Retired)  
JOHN D. BRITTON Seymour Community School Corp., Administrator (Retired)  
JAMES A. JOHNSON President, Midway Supply Corp. (Retired)  
CHARLES A. REBBER Former Chairman, Hoosier Parts Warehouse (Retired)

## JCB Officers

JIM D. GRAY JR. VP, Commercial Banker, Treasury Management  
JASON E. KNIGHT VP, Retail Banking Officer  
MARK J. MALONEY VP, Retail Lending  
DAVID B. RICHARDSON VP, Commercial Banker  
TIMOTHY G. RISEN VP, Commercial Banker  
MICHELLE K. SCHAEFER VP, Commercial Banker  
HOLLY A. SIPE VP, Organizational Services  
JENNIFER L. AULT AVP, Physical Security & Fraud Officer  
RICHARD A. BICKNELL AVP, Retail Real Estate Lending Officer  
JERI A. BURBRINK AVP, Retail Real Estate Lending Officer  
BRIAN G. CHASTAIN AVP, Special Assets  
ROBIN E. COLLINGSWORTH AVP, Retail Real Estate Lending Officer  
KRISTEN N. GOECKER AVP, Marketing Director  
BARBARA A. GRANT AVP, Retail Lending Administration Leader  
JOSEPH T. GREEN AVP, Facilities & Purchasing  
BRENDA JO HABENICHT AVP, Retail Real Estate Lending Officer  
BRIAN W. HAMP AVP, Investment Management & Trust Services  
BRANDON L. HUNSLEY AVP, Investment Management & Trust Services  
MARY ANNE JORDAN AVP, Senior Retail Real Estate Lending Officer

JULIE A. KLOOTE AVP, Senior Commercial Analyst  
CHRISTOPHER R. MARKS AVP, Information Security  
MARVIN R. PURDY AVP, Business Banking Relationship Manager  
KIM A. STEIN AVP, Internal Audit & BSA Officer  
NICOLE H. STURGILL AVP, Retail Loan Servicing Officer  
LESLIE A. UNRUE AVP, Deposit Services  
LINDA M. WELZ AVP, Retail Loan Operations Leader  
AMANDA M. YOUNG AVP, Retail Real Estate Lending Officer  
ASHLEY T. ABNER Officer, Commercial Banker, Treasury Management  
CLIFF W. BROCK Officer, Investment Services Executive  
CAMERON J. GLENN Officer, Controller  
JOHN P. GREENWELL Marketing Officer  
MEGAN L. GRUNDEN Retail Real Estate Lending Officer  
BRET A. KROGER Retail Real Estate Lending Officer  
GALEN D. KRUMME Officer, Investment Services Executive  
KYLE A. McCRARY Retail Real Estate Lending Officer  
KELLEY R. RICE Officer, Employee Relations  
DENISE S. SIEFKER Assistant Trust Officer  
MARY B. SPEER Retail Real Estate Lending Officer  
PAMELA V. STRINGER Officer, Retail Loan Underwriter

## **Seymour**

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\* JCB Investment Services Office Location

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