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Somerset Trust Company

Thomas J. Cook, Esq.

Somerset Trust Company

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Sean M. Cook

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Thomas J. Cook, Esq.

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David J. Hudak

Treasurer & Chief Financial Officer



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November 23, 2021

Dear Shareholder,

I'm pleased to report the bank experienced another strong quarter of performance. Net income is up over 48% year over year. This increase is driven by several factors across different categories which include higher non-interest income, lower loan loss provisioning, and lower interest expense. The most significant driver though is the increase in interest income. This increase seems remarkable considering the historically low interest rate environment that exists today. It's important to note that this increase is not driven by higher rates, but rather the recognition of SBA fees related to the forgiveness of Payroll Protection Program (PPP) loans. Our cumulative totals for all rounds of PPP (2020 and 2021) included the origination of over 2,800 PPP loans totaling over \$252 million, which helped save over 19,000 jobs. We continue to work with customers in applying for forgiveness and as of 9/30/2021, we were able help obtain forgiveness for nearly 90% of these loans totaling over \$203 million. The extraordinary efforts of our team to originate these loans can't be overstated and the efforts surrounding the forgiveness are equally impressive.

Approximately 3 years ago, the bank began an experiment to determine whether we could effectively originate commercial loans in the northern Virginia and Washington D.C. market. The initiative began with a single lender and the establishment of a loan production office in northern Virginia. After 3 years of building a portfolio, the lender in charge of the initiative has proven that we can lend in that market without compromising our credit and underwriting standards. This exciting realization has inspired us to grow our presence in the market and upgrade our loan production office to a fully functional branch. We found an excellent location for the branch and we've applied for and received regulatory approval for the new location in Vienna, Virginia. The building that we found needs some remodeling, but with work already started, we're hoping for a first quarter 2022 open date. The evolution of this experiment to a fully operational branch has us all very excited to take our community banking business model to a new and very different market.

I truly enjoy the opportunity to share commentary on how the bank is performing every quarter with shareholders. However, after over a year of receiving various forms of feedback, I'm under the impression that the interest of having a quarterly shareholder letter included with the financial numbers is waning. While the interest in this quarterly commentary is declining, there is still a very high level of interest for the annual shareholder letter. In response to this feedback, I will plan on continuing to provide the annual letter with the annual report, but will provide quarterly reports with only the numbers and not this letter. Please don't hesitate to reach out and let me know if a quarterly letter is still needed going forward, otherwise I'll proceed with the suggested change.

Best regards,

A handwritten signature in dark ink, appearing to read "S M C", is written over a light gray background.

Sean M. Cook
President



SOMERSET TRUST HOLDING COMPANY

**Financial Highlights
(in thousands)**

	September 30	
	2021	2020
ASSETS		
Cash and due from banks	\$ 186,511	\$ 56,800
Securities	474,778	329,327
Loans	1,125,640	1,139,418
Less allowance for loan losses	(19,039)	(14,868)
Net loans	<u>1,106,600</u>	<u>1,124,550</u>
Premises and equipment, net	33,974	30,573
Other assets	<u>55,309</u>	<u>54,372</u>
Total Assets	\$ <u><u>1,857,172</u></u>	\$ <u><u>1,595,622</u></u>
LIABILITIES		
Total deposits	1,570,159	1,307,925
Borrowings	126,601	140,601
Other liabilities	<u>21,762</u>	<u>18,837</u>
Total Liabilities	<u>1,718,523</u>	<u>1,467,363</u>
STOCKHOLDERS' EQUITY	138,650	128,259
Total Liabilities and		
Stockholders' Equity	\$ <u><u>1,857,172</u></u>	\$ <u><u>1,595,622</u></u>
	September 30	
	2021	2020
INTEREST INCOME		
Total interest income	\$ 52,970	\$ 48,358
Total interest expense	<u>5,534</u>	<u>8,008</u>
Net Interest Income	<u>47,436</u>	<u>40,351</u>
Provision for Possible Loan Losses	<u>2,830</u>	<u>4,347</u>
Net Interest Income after Provision	<u>44,606</u>	<u>36,004</u>
OTHER INCOME		
Trust department income	2,973	2,460
Service fees	6,722	5,664
Other operating income	4,227	4,700
Net securities gains (losses)	<u>3</u>	<u>1,470</u>
Total other income	<u>13,924</u>	<u>14,294</u>
OTHER EXPENSES		
Salaries and employee benefits	24,869	23,138
Occupancy and Equipment	5,459	5,061
Other operating expense	14,090	12,909
Total other expenses	<u>44,418</u>	<u>41,108</u>
INCOME BEFORE INCOME TAXES	<u>14,113</u>	<u>9,190</u>
INCOME TAX EXPENSE	<u>1,746</u>	<u>870</u>
NET INCOME	\$ <u><u>12,367</u></u>	\$ <u><u>8,320</u></u>

Unaudited

Per Share Data

	September 30	
	2021	2020
Earnings Per Share	\$ 4.90	\$ 3.30
Dividends	1.14	1.11

Performance Ratios

Return on average assets	0.94 %	0.74 %
Return on average equity	12.50 %	9.07 %
Net interest margin	3.73 %	3.74 %
Net overhead / average assets	2.31 %	2.53 %

Balance Sheet Ratios

Loans to deposits	78.45 %	88.29 %
Securities to assets	24.60 %	20.82 %

Asset Quality Ratios

Allowance for loan losses to		
Total loans	1.65 %	1.40 %
Non-performing loans to total loans	0.86 %	0.62 %
Non-performing assets to total assets	0.56 %	0.51 %
Coverage Ratio	192.05 %	227.07 %

Capital Adequacy

Tier 1 common equity (CET1) (in thousands).....	\$ 136,233	\$ 124,505
Leverage ratio	7.74 %	8.32 %
CET1 capital ratio	10.81 %	10.58 %
Total capital ratio	12.07 %	11.83 %

Growth Rates (in thousands)

	9/30/2021		9/30/2020		% Change
Net income	\$ 12,367		\$ 8,320		48.64 %
Total deposits	1,570,159		1,307,925		20.05 %
Total assets	1,857,172		1,595,622		16.39 %
Total loans	1,125,640		1,139,418		(1.21)%
Trust assets	725,084		628,598		15.35 %