## **Board of Directors**

G. Henry Cook Somerset Trust Company Thomas J. Cook, Esq. Somerset Trust Company Sean M. Cook Somerset Trust Company Jeffrey P. Anzovino Deluzio & Company, LLP

Vickie L. Beer CPA, Retired

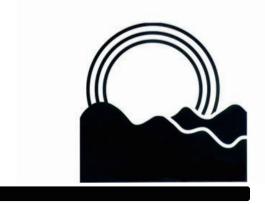
Sean C. Isgan CME Management, LLC

James G. Knepper, Jr. The Knepper Agency, Inc.

> Troy A. Miller Luther P. Miller, Inc.

Ann B. Persun Somerset Trust Company, Retired J. Scott Roberts

Sunstorm, LLC



Quarterly Report September 30, 2021

## **Corporate Officers**

G. Henry Cook Chairman of the Board Sean M. Cook President Thomas J. Cook, Esq. Secretary David J. Hudak

Treasurer & Chief Financial Officer







151 West Main Street, P.O. Box 777, Somerset, PA 15501 Phone: (814) 443-9200 Fax: (814) 443-9220 www.somersettrust.com

Dear Shareholder,

November 23, 2021

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,

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		1,106,600		1,124,550
Premises and equipment, net		33,974		30,573
Other assets	. –	55,309	· . —	54,372
Total Assets	\$ =	1,857,172	* —	1,595,622
LIABILITIES				
Total deposits		1,570,159		1,307,925
Borrowings		126,601		140,601
Other liabilities		21,762		18,837
Total Liabilities		1,718,523		1,467,363
STOCKHOLDERS' EQUITY		138,650		128,259
Total Liabilities and	_			
Stockholders' Equity	\$ _	1,857,172	\$	1,595,622
		September 30		
		2021		2020
INTEREST INCOME				
Total interest income	\$	52,970	\$	48,358
Total interest expense		5,534		8,008
Net Interest Income		47,436		40,351
Provision for Possible Loan Losses		2,830		4,347
Net Interest Income after Provision OTHER INCOME		44,606		36,004
Trust department income		2,973		2,460
Service fees		6,722		5,664
Other operating income		4,227		4,700
Net securities gains (losses)		3		1,470
Total other income		13,924	_	14,294
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		44,418		41,108
INCOME BEFORE INCOME TAXES		14,113	_	9,190
INCOME TAX EXPENSE	_	1,746		870
NET INCOME	\$ =	12,367	*	8,320

	September 30		
	 2021	2020	
Per Share Data			
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 %