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Somerset Trust Company

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Thomas J. Cook, Esq.

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Treasurer & Chief Financial Officer



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Dear Shareholder,

November 24, 2020

Third quarter headlines were dominated by COVID-19 as the pandemic continued to have wide ranging impacts on both societal norms and the macroeconomic environment. With this unique backdrop, we are proud to report that we continue to show resilience and strong performance. Net income for the third quarter came in at \$2.8 million and year-to-date net income at \$8.3 million. We continue to grow net interest income and other operating income year over year, but the increase in provision expenses has mostly offset that income growth. The provision expenses were necessary because of the uncertainty surrounding how consumers and businesses would be impacted by the pandemic. Like other banks, we granted consumers and businesses loan modifications (payment deferral, interest only, etc) when they experienced COVID-19 related hardships. At our peak in late May, we had nearly \$260 million of loans under some form of modification. This situation has improved dramatically since May and as of early November, we only have just over \$20 million of loans under some form of modification. While very much dependent on the state of the pandemic, we are hopeful that this trend will continue.

The ability to apply for the CARES Act Payroll Protection Program ended in early August and we are proud to have originated over 1,500 loans totaling nearly \$164 million and helping save over 18,500 jobs. With the origination phase now over, our focus has shifted toward forgiveness of these loans. The forgiveness process will have its own challenges and our lending team remains committed to supporting businesses as we help them navigate through this process.

With interest rates staying at historic lows during the third quarter, our residential mortgage group continues to process loans at a record pace. We closed over 375 Mortgages in the third quarter and for each loan that was closed, another application was received. Our Mortgage group continues to inspire us with their dedication to providing exception service while helping homeowners throughout the area lock in historically low rates. Nearly one in every three applications comes from a brand-new customer to the bank and we welcome those new relationships and look forward to growing them in the future.

We continue to expand our branch footprint and officially opened our Scottdale branch in the third quarter. We received a warm reception in the Scottdale community and are looking forward to being their community bank for decades to come. The next branch in our queue is Frostburg, Maryland. As is the story in many communities throughout our region, Frostburg has seen two banks leave town with no one to replace them. We will be opening our first of two planned locations in Frostburg before the end of the year and we can already feel the excitement from the people and businesses in the Frostburg community. We have several other branches in the works, but various delays have pushed our open dates back into 2021. These include our entrance into the Perryopolis market and moving into larger, more permanent buildings in Hopwood and Greensburg.

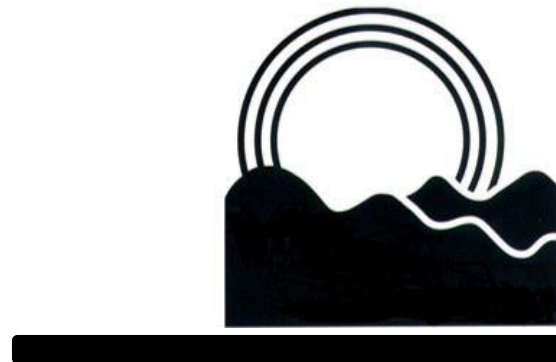
For over 40 years, we have been hosting customer appreciation lunches and dinners in tents and fire halls across our region. The whole purpose of these events is simply to serve a meal to customers and thank them for their loyalty. With safety concerns and restrictions on in-person gatherings this year, we had to adapt and get creative in order to still have a customer appreciation event. Thanks to the help and cooperation of several local businesses, we were able to set up tents and operate a drive-through, where customers picked up a fresh meal and got to see their local branch teams as they passed through. Over the course of four weeks, we were able to give out just under 10,000 meals, which nearly doubled our total numbers from last year.

As of this writing, we've scaled our branches back from full operation to more limited operation where branch lobby access is restricted. While we feel in-person service is highly preferable, the rising number of COVID cases in our area is alarming and we need to continue to ensure the health and safety of coworkers and customers. As we continue to adapt to changing circumstances, we do so holding our core values at the center of our decision making. These values have guided us for over 131 years and through many challenging times. We have faith that they will see us through these times as well.

Very truly yours,

A handwritten signature in black ink that reads "S M C".

Sean M. Cook
President



Quarterly Report

September 30, 2020



SOMERSET TRUST HOLDING COMPANY
Financial Highlights
(in thousands)

| | September 30 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Cash and due from banks | \$ 56,800 | \$ 37,954 |
| Securities | 329,327 | 298,848 |
| Loans | 1,139,418 | 908,538 |
| Less allowance for loan losses | (14,868) | (11,340) |
| Net loans | <u>1,124,550</u> | <u>897,198</u> |
| Premises and equipment, net | 30,573 | 25,810 |
| Other assets | 54,372 | 53,222 |
| Total Assets | <u>\$ 1,595,622</u> | <u>\$ 1,313,033</u> |
| LIABILITIES | | |
| Total deposits | 1,307,925 | 1,045,895 |
| Borrowings | 140,272 | 138,822 |
| Other liabilities | 18,837 | 13,589 |
| Total Liabilities | <u>1,467,034</u> | <u>1,198,306</u> |
| STOCKHOLDERS' EQUITY | | |
| Total Liabilities and Stockholders' Equity | <u>\$ 1,595,622</u> | <u>\$ 1,313,033</u> |
| September 30 | | |
| | 2020 | 2019 |
| INTEREST INCOME | | |
| Total interest income | \$ 48,358 | \$ 45,874 |
| Total interest expense | 8,008 | 8,270 |
| Net Interest Income | <u>40,351</u> | <u>37,605</u> |
| Provision for Possible Loan Losses | 4,347 | 1,875 |
| Net Interest Income after Provision | <u>36,004</u> | <u>35,730</u> |
| OTHER INCOME | | |
| Trust department income | 2,460 | 2,413 |
| Service fees | 5,664 | 5,629 |
| Other operating income | 4,700 | 2,430 |
| Net securities gains (losses) | 1,470 | 661 |
| Total other income | <u>14,294</u> | <u>11,133</u> |
| OTHER EXPENSES | | |
| Salaries and employee benefits | 23,138 | 21,306 |
| Occupancy and Equipment | 5,061 | 4,436 |
| Other operating expense | 12,909 | 11,845 |
| Total other expenses | <u>41,108</u> | <u>37,587</u> |
| INCOME BEFORE INCOME TAXES | <u>9,190</u> | <u>9,276</u> |
| INCOME TAX EXPENSE | <u>870</u> | <u>720</u> |
| NET INCOME | <u>\$ 8,320</u> | <u>\$ 8,556</u> |

Per Share Data

| | September 30 2020 | September 30 2019 |
|--------------------------|----------------------|----------------------|
| Earnings Per Share | \$ 3.30 | \$ 3.49 |
| Dividends | 1.11 | 1.07 |

Performance Ratios

| | | |
|-------------------------------------|--------|---------|
| Return on average assets | 0.74 % | 0.90 % |
| Return on average equity | 9.05 % | 11.10 % |
| Net interest margin | 3.74 % | 4.14 % |
| Net overhead / average assets | 2.53 % | 2.84 % |

Balance Sheet Ratios

| | | |
|----------------------------|---------|---------|
| Loans to deposits | 88.29 % | 85.98 % |
| Securities to assets | 20.82 % | 22.95 % |

Asset Quality Ratios

| | | |
|---|----------|----------|
| Allowance for loan losses to Total loans | 1.40 % | 1.29 % |
| Non-performing loans to total loans | 0.62 % | 0.74 % |
| Non-performing assets to total assets | 0.51 % | 0.60 % |
| Coverage Ratio | 227.07 % | 174.72 % |

Capital Adequacy

| | | |
|---|------------|------------|
| Tier 1 common equity (CET1) (in thousands)..... | \$ 124,685 | \$ 113,512 |
| Leverage ratio | 8.33 % | 8.91 % |
| CET1 capital ratio | 10.08 % | 9.66 % |
| Total capital ratio | 11.31 % | 10.65 % |

Growth Rates (in thousands)

| | 9/30/2020 | 9/30/2019 | % Change |
|----------------|-----------|-----------|----------|
| Net income | \$ 8,320 | \$ 8,556 | (2.76) % |
| Total deposits | 1,307,925 | 1,045,895 | 25.05 % |
| Total assets | 1,595,622 | 1,313,033 | 21.52 % |
| Total loans | 1,139,418 | 908,538 | 25.41 % |
| Trust assets | 628,598 | 645,300 | (2.59) % |