

## 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

Beer Ream Co.

### Jon C. Clapper

Clapper's Building Materials, Inc.

Clapper's Industries, Inc.

### 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

## Corporate Officers

### G. Henry Cook

President & Chief Executive Officer

Chairman of the Board

### Andrew F. Cook

Vice President

### Thomas J. Cook, Esq.

Secretary

### David J. Hudak

Treasurer & Chief Financial Officer



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Dear Shareholder,

May 19, 2020

It is with great pride that we report our first quarter performance which shows our resilience in adverse circumstance, demonstrated by net income increasing 7.25% year-over-year to \$2.5 million and earnings per share of \$0.99. The COVID-19 pandemic affected the quarter's earnings as the Bank was able to take advantage of dislocations in the markets and recognize security gains of \$1.3 million. These gains were offset by the provision for loan losses of \$1.1 million during the quarter as a proactive measure due to the slowing of the economy. The Bank's allowance to total loans rose from 1.25% at year-end to 1.33%.

There have been many new developments at Somerset Trust Company with the emergence of COVID-19. We have taken steps to ensure that there has been no interruption of service to our customers and that both customers and employees can conduct banking in a safe way. These steps include but are not limited to requiring the use of facemasks, encouraging customers to utilize our drive-up facilities and reorganizing our staff to accommodate the tremendous influx of loan requests that we have received over the past two months.

To better serve our communities in the Greensburg area during the pandemic, we added a drive-up to our branch location on East Pittsburgh Street in Greensburg. This project was completed over the course of a single weekend and speaks to the can-do attitude here at Somerset Trust Company and of our vendors.

Passed on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act allotted \$349 billion in emergency loans to support small businesses impacted by COVID-19 through the Paycheck Protection Program (PPP). This program provides federally guaranteed loans at a low interest rate, some of which can also be forgiven. This is a vital resource for local small business owners to help manage payroll and retain employees while non-essential businesses were under a mandated closure. As of the writing of this letter, Somerset Trust Company is pleased to report that we have processed nearly 1300 PPP loans which equates to \$149,749,952 in critical funding for business customers in our area. Our commercial lending team has been working tirelessly to help process these applications in order to protect countless jobs throughout our region.

On the consumer side, mortgage rates are at the lowest levels we have ever seen and have resulted in a record pace of refinance activity. Our dedicated staff members have been finding new ways to work so that we can continue to meet the needs of our customers while protecting one another. Through their efforts we are able to save families thousands of dollars in interest and in many cases reduce their payments and/or term of their loans. We are pleased to report that we are on track to reach our yearly mortgage goal within the next few weeks.

Unfortunately, as is typical in times of great confusion and concern, the bank witnessed a rise in attempted fraud activity related to the Economic Impact Payment stimulus checks. We are pleased to report that through the diligence of our customer service team and fraud specialists, we successfully prevented \$477,134.86 in fraudulent transactions.

Our Information Technologies (IT) department came up with one of the most creative ways to help our communities during these extraordinary times. With the aid of our 3D Printers, they have been producing protective face shields for essential workers and first responders. As of the writing of this letter, Somerset Trust has donated over 500 face shields to more than 40 different organizations throughout our region.

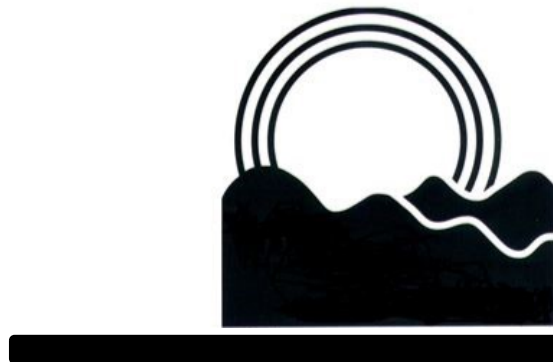
We are also pleased to report that Somerset Trust Company was once again the proud recipient of the Pennsylvania Association of Community Bankers (PACB) IMPACT Award for the second consecutive year. The IMPACT Awards are symbolic of how community banks across the Commonwealth are keeping towns and neighborhoods strong and viable for small businesses, non-profits, friends and neighbors. Somerset Trust was recognized with this honor for our part in bringing together local and regional maple producers with the SAP&DC International Trade Program. This initiative presents a huge opportunity for local maple producers to increase their sales outside of the regional marketplace.

Even though the world looks very different these days, here at Somerset Trust we have been using it as an opportunity to think outside the box and do the things we normally do, just in new ways. Somerset Trust Company remains committed to supporting the communities we serve. Helping individuals and businesses through the economic challenges of this crisis is our top priority. This is not our first economic crisis we have seen in our long history, and the bank remains strong. The past has taught us well: If our team stands together we can get through these uncertain economic times and I am very confident we will continue to thrive into the future.

Working with the government's shutdown orders these past weeks has felt like trying to do things with one hand tied behind our back. Against this background, the team at Somerset Trust Company has stepped up in amazing ways to work for the financial well-being of our communities. I cannot be prouder of the Somerset Trust Company family.

Very truly yours,

G. Henry Cook  
President & CEO



## Quarterly Report

March 31, 2020



**SOMERSET TRUST HOLDING COMPANY**

**Financial Highlights**

**(in thousands)**

	March 31	
	2020	2019
<b>ASSETS</b>		
Cash and due from banks .....	\$ 67,339	\$ 46,291
Securities .....	293,450	282,578
Loans .....	969,062	868,089
Less allowance for loan losses .....	<u>(12,825)</u>	<u>(11,116)</u>
Net loans .....	956,236	856,973
Premises and equipment, net .....	29,776	23,890
Other assets .....	52,133	55,530
Total Assets .....	<u>\$ 1,398,934</u>	<u>\$ 1,265,263</u>
<b>LIABILITIES</b>		
Total deposits .....	1,108,481	1,024,601
Borrowings .....	147,603	127,811
Other liabilities .....	<u>21,744</u>	<u>10,033</u>
Total Liabilities .....	1,277,828	1,162,445
<b>STOCKHOLDERS' EQUITY</b>		
Total Liabilities and		
Stockholders' Equity .....	<u>\$ 1,398,934</u>	<u>\$ 1,265,263</u>

	March 31	
	2020	2019
<b>INTEREST INCOME</b>		
Total interest income .....	\$ 15,603	\$ 14,834
Total interest expense .....	<u>2,888</u>	<u>2,659</u>
Net Interest Income .....	12,715	12,175
Provision for Possible Loan Losses .....	<u>1,130</u>	<u>365</u>
Net Interest Income after Provision .....	11,585	11,810
<b>OTHER INCOME</b>		
Trust department income .....	881	776
Service fees .....	1,879	1,685
Other operating income .....	645	648
Net securities gains (losses) .....	<u>1,301</u>	<u>—</u>
Total other income .....	4,706	3,109

<b>OTHER EXPENSES</b>		
Salaries and employee benefits .....	7,677	7,061
Occupancy and Equipment .....	1,613	1,597
Other operating expense .....	<u>4,277</u>	<u>3,834</u>
Total other expenses .....	<u>13,568</u>	<u>12,492</u>
<b>INCOME BEFORE INCOME TAXES</b> .....	2,724	2,426
<b>INCOME TAX EXPENSE</b> .....	<u>217</u>	<u>89</u>
<b>NET INCOME</b> .....	<u>\$ 2,506</u>	<u>\$ 2,337</u>

Earnings for the first quarter of \$2.5 million were 7.25% greater than the prior year. Year-over-year growth rates were aided by the purchase of the First Bank of Lilly during the fourth quarter of 2019. The bank's net interest margin declined to 3.88% during the quarter as the FOMC lowered rates 1.5% impacting earning assets at a faster pace than interest bearing liabilities. The bank added \$1.1 million to the reserve during the quarter as the current pandemic slowed the economy. The additional provisioning raised the ALLL to total loans ratio to 1.33% from 1.28% and the coverage ratio to 175.07%.

	March 31	
	2020	2019
<b>Per Share Data</b>		
Earnings Per Share .....	\$ 0.99	\$ 0.95
Dividends .....	0.37	0.35
<b>Performance Ratios</b>		
Return on average assets .....	0.73%	0.75%
Return on average equity .....	8.34%	10.08%
Net interest margin .....	3.88%	4.13%
Net overhead / average assets .....	2.98%	3.02%
<b>Balance Sheet Ratios</b>		
Loans to deposits .....	89.51%	85.04%
Securities to assets .....	22.26%	22.37%

<b>Asset Quality Ratios</b>		
Allowance for loan losses to		
Total loans .....	1.33%	1.28%
Non-performing loans to total loans .....	0.76%	1.07%
Non-performing assets to total assets .....	0.62%	0.86%
Coverage Ratio .....	175.07%	119.66%

<b>Capital Adequacy</b>		
Tier 1 common equity (CET1) (in thousands).....	\$ 120,658	\$ 109,359
Leverage ratio .....	8.82%	8.79%
CET1 capital ratio .....	9.26%	10.55%
Total capital ratio .....	10.26%	11.65%

	Growth Rates (in thousands)		
	3/31/2020	3/31/2019	% Change
Net income	\$ 2,506	\$ 2,337	7.25 %
Total deposits	1,108,481	1,024,601	8.19 %
Total assets	1,398,934	1,265,263	10.56 %
Total loans	969,062	868,089	11.63 %
Trust assets	645,069	704,300	(8.41)%