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## NEWS DETAILS

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# Citizens Community Bancorp, Inc. Earns \$3.6 Million, Per Share in 4Q20; Record 2020 Annual Earnings Increase of 34% from Prior Year Annual Earnings; Asset Quality Continued to Improve; 2021 Annual Cash Dividend Increases to \$0.23 Per Share

Company Release - 1/28/2021 4:30 PM ET

EAU CLAIRE, Wis., Jan. 28, 2021 (GLOBE NEWSWIRE) -- **Citizens Community Bancorp, Inc. (the "Company") (Nasdaq: CZWI)**, the parent of Citizens Community Federal N.A. (the "Bank" or "CCFBank"), today reported earnings of \$3.6 million, or \$0.32 per diluted share for the quarter ended December 31, 2020 compared to \$3.5 million, or \$0.31 per diluted share for the quarter ended September 30, 2020 and \$3.2 million, or \$0.28 per diluted share for the quarter ended December 31, 2019. Net income as adjusted (non-GAAP)<sup>1</sup> of \$3.7 million, or \$0.33 per diluted share was reported for the quarter ended December 31, 2020 compared to \$3.3 million, or \$0.30 per diluted share for the quarter ended September 30, 2020. For the fiscal year ended December 31, 2020, the Company reported record \$12.7 million, or \$1.14 per diluted share compared to earnings of \$9.5 million, or \$0.85 per diluted share for the fiscal year ended December 31, 2019.

The Company's fourth quarter operating results reflected: (1) increased net interest income largely due to increased accretion related to both reclassified credit impaired loans and the Small Business Administration's Paycheck Protection Program (SBA PPP) debt forgiveness; (2) higher loan loss provision due to the impact of loan growth and economic uncertainty; (3) a continued robust refinancing market which led to an all-time high on gains on sale of loans; (4) a modest increase in non-interest expenses due to branch closure costs and modestly higher impairment of mortgage servicing right assets and compensation and a seasonal reduction in advertising.

Book value per share was \$14.52 at December 31, 2020 compared to \$14.10 at September 30, 2020 and \$13.36 at December 31, 2019. Tangible book value (non-GAAP)<sup>5</sup> was \$11.18 at December 31, 2020 compared to \$10.75 at September 30, 2020 and \$9.89 at December 31, 2019. Book value per share increased 3.0% in fiscal 2020, a 9% increase from December 31, 2019. Tangible book value per share increased \$1.29 in fiscal 2020, a 13.0% increase from December 31, 2019. In addition to building tangible book value per share 13.0% over the past year, the Company paid an annual dividend of \$0.21 per share in fiscal 2020. For fiscal 2021, the Board of Directors approved a 10% increase in the annual cash dividend to \$0.23 per share. The dividend will be payable on February 11, 2021 to shareholders of record on February 11, 2021.

Stephen Bianchi, Chairman, President and Chief Executive Officer, in expressing his appreciation of the Citizens team, said, "I am very proud of the commitment by our colleagues to clients, to each other and to the communities we serve. Their dedication in the face of adversity helped the Bank achieve strong returns to stakeholders and positions us well for the future."

"The continued execution of our strategic priorities resulted in the following highlights; (1) a 13% increase in tangible book value, or \$1.29 per share; (2) continued asset quality improvement in the quarter with a \$3.4 million, or 23%, decrease in nonperforming assets and a decrease for the year of \$1.1 million; (3) Criticized assets declined 39% from March 31, 2020 levels; (4) originated loans, net of SBA PPP loans, grew by \$59 million or 8% on a linked basis. In addition to our efforts to build more efficient workflows using technology and lower staffing levels through attrition and three branch closures were partially reflected in the quarter as non-interest expense declined. The full cost savings will be more fully reflected in the first quarter of 2021," continued Stephen Bianchi.

"Fourth quarter commercial activity accelerated across our markets where unemployment through November was below 5% in all markets and commercial real estate markets. As expected, COVID-19 deferrals remain concentrated in the hospitality segment where occupancy rates generally have been tracking below national averages depending on the property. We have been working with our clients as the pandemic persists by requiring additional support in exchange for further deferral periods and expect the second PPP draws will be beneficial to this segment," continued Bianchi.

**December 31, 2020 Highlights:** (as of or for the 3-month period ended December 31, 2020 and year ended December 31, 2020, compared to and December 31, 2019.)

- Stockholders' equity as a percent of total assets increased to 9.74% from 9.70% during the quarter ended December 31, 2020. Tangible percent of tangible assets (non-GAAP)<sup>5</sup>, increased to 7.67% from 7.57% during the quarter ended December 31, 2020.
- Return on average assets increased to 0.80% from 0.68% during the year ended December 31, 2020. Return on average equity increase during the year ended December 31, 2020. Return on average tangible common equity<sup>5</sup> (non-GAAP) increased to 11.04% from 8.98% at December 31, 2020.
- The Bank recorded provision for loan losses of \$2.5 million for the quarter ended December 31, 2020, compared to \$1.5 million for the quarter ended September 30, 2020. The increase was largely due to organic loan growth along with qualitative factor increases related to the potential adverse economic conditions in 2020. The COVID-19 pandemic continued to result in reduced operating capacity and uncertainty regarding potential future revenue and cash flows for businesses, including bank borrowers. Economic conditions in our markets continued to improve during the last quarter of 2020. This has led to trends for businesses most impacted by the pandemic, but further improvements in their prospects will be dependent on the timing and extent and related impact on consumer behavior and business activities.
- As of December 31, 2020, the Bank's COVID-19 related modifications under Section 4013 of the CARES Act, totaled \$61 million, or 5% of gross loans at September 30, 2020. At December 31, 2020, hotel industry sector loans represent \$51.6 million of total gross loans, or 10% of gross loans at September 30, 2020. The Bank has approximately \$2.4 million of total payment deferrals expiring in the first quarter of 2021.
- The sum of special mention and substandard loans decreased \$5.5 million to \$35.2 million at December 31, 2020 from \$40.7 million at September 30, 2020, a decrease of 13%.
- The allowance for loan losses on originated loans, excluding PPP loans, increased to 1.77% at December 31, 2020 from 1.65% at September 30, 2020. PPP loans are guaranteed by the SBA, they are excluded from this reserve calculation. Additionally, loans resulting from Bank acquisitions are marked to market value at the time of their acquisition and were also excluded from this reserve calculation. The allowance for loan losses was allocated \$14.8 million to the originated loan portfolio and \$2.2 million to the acquired loan portfolio.
- During the fourth quarter, the Bank closed three branch operations located at Minnesota Lake, Minnesota, Eau Claire, Wisconsin, and Elk River, Minnesota. Branch operations were consolidated into nearby branch locations. These closures resulted in pretax net branch closure costs of \$165 thousand, which are included in the "Reconciliation of GAAP Net Income and Net Income as Adjusted (non-GAAP)" table.
- Nonperforming assets continued to decline during the quarter ended December 31, 2020 to \$11.5 million from \$14.9 million one quarter earlier.
- On November 30, 2020, the Board of Directors approved a stock repurchase program. Under this program the Company may repurchase up to 5% of its common stock, or approximately 5% of the current outstanding shares. Through December 31, 2020, the Company has repurchased 1,000,000 shares under this new stock repurchase program.

#### Balance Sheet and Asset Quality

Total assets increased \$26.5 million during the quarter to \$1.65 billion at December 31, 2020, compared to \$1.62 billion at September 30, 2020. Total deposits increased \$24.5 million during the quarter to \$1.65 billion at December 31, 2020, approximately the same as the increase in deposits of \$24.5 million.

Securities available for sale decreased \$6.7 million during the quarter ended December 31, 2020 to \$144.2 million from \$150.9 million at September 30, 2020. Meanwhile, the Bank's securities held to maturity increased \$26.0 million in the quarter. With strong deposit levels and SBA PPP loan debt forgiveness in 2021, the Bank purchased \$29 million of agency mortgage-backed certificates during the fourth quarter, in the held to maturity category.

Loans receivable increased by \$7.4 million to \$1.24 billion at December 31, 2020. The originated loan portfolio before SBA PPP loans increase by \$5.5 million during the quarter. Approximately \$5.5 million of the loan growth was represented by draws on lines of credit taken on December 31, 2020 with the proceeds used for customer's money market accounts at the Bank, and repaid on January 4, 2021. SBA's PPP loans decreased \$15 million in the quarter due to cancellations. Acquired loans decreased by \$38 million. The acquired loan portfolio asset quality improved with a reduction of \$4 million in substandard loans and prepayment of \$3 million of nonaccrual loans and the payoff of hotel loans on deferral of \$8 million.

The allowance for loan losses increased to \$17.0 million at December 31, 2020 representing 1.38% of loans receivable at December 31, 2020, compared to \$15.5 million at September 30, 2020 representing 1.21% of loans receivable at September 30, 2020. Excluding the PPP loans, which are guaranteed by the SBA, the allowance for loan losses was 1.53% at December 31, 2020 compared to 1.35% at September 30, 2020. Approximately 23% of the loan portfolio consists of loans purchased through whole bank acquisitions resulting in these loans being recorded at fair market value at acquisition. The allowance for loan losses as a percent of originated loans excluding PPP loans was 1.77% at December 31, 2020 compared to 1.65% at September 30, 2020. For the quarter ended December 31, 2020, the Bank had net charge-offs of \$293,000.

#### Allowance for Loan Losses Percentages

(in thousands, except ratios)

	December 31, 2020	September 30, 2020	June 30, 2020
Originated loans, net of deferred fees and costs	\$ 835,769	\$ 777,340	\$ 789,075
SBA PPP loans, net of deferred fees	120,711	135,177	132,800
Acquired loans, net of unamortized discount	281,101	317,622	359,300
Loans, end of period	\$ 1,237,581	\$ 1,230,139	\$ 1,281,175
SBA PPP loans, net of deferred fees	(120,711 )	(135,177 )	(132,800 )
Loans, net of SBA PPP loans and deferred fees	\$ 1,116,870	\$ 1,094,962	\$ 1,148,375
Allowance for loan losses allocated to originated loans	\$ 14,819	\$ 12,809	\$ 12,109
Allowance for loan losses allocated to other loans	2,224	2,027	1,264
Allowance for loan losses	\$ 17,043	\$ 14,836	\$ 13,373
Non-accretable difference on purchased credit impaired loans	\$ 1,087	\$ 1,661	\$ 3,355
ALL as a percentage of loans, end of period	1.38 %	1.21 %	1.04 %

ALL as a percentage of loans, net of SBA PPP loans and deferred fees	1.53	%	1.35	%	1.16	%
ALL allocated to originated loans as a percentage of originated loans, net of deferred fees and costs	1.77	%	1.65	%	1.53	%

Nonperforming assets decreased 22.7% to \$11.5 million or 0.70% of total assets at December 31, 2020 compared to \$14.9 million or 0.92% of September 30, 2020. Included in nonperforming assets at December 31, 2020 are \$7.4 million of nonperforming assets acquired during recent quarter. Originated nonperforming assets were only \$4.2 million, or 0.25% of total assets for the most recent quarter. Over the past year, nonperforming assets decreased from \$21.6 million at December 31, 2019 to \$11.5 million at December 31, 2020.

Substandard and special mention loans declined \$5.5 million, or 13%, during the quarter ended December 31, 2020. The table below shows the substandard loans by quarter during 2020. Over the past year, total criticized loans decreased 30.6% from \$50.7 million at December 31, 2019 to \$35.2 million at December 31, 2020.

	(in thousands)				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Special mention loan balances	\$ 6,672	\$ 7,777	\$ 19,958	\$ 19,387	\$ 10,000
Substandard loan balances	28,541	32,922	35,911	38,393	39,892
Criticized loans, end of period	\$ 35,213	\$ 40,699	\$ 55,869	\$ 57,780	\$ 50,000

Deposits increased \$24.5 million to \$1.295 billion at December 31, 2020 compared to \$1.271 billion at September 30, 2020. The increase was which more than offset the modest decrease of \$10 million in certificates of deposit. Deposit growth of \$5.5 million represents line of credit draw into customers' money market accounts, which were subsequently withdrawn to repay the line of credits on January 4, 2021. The decrease in certificates of deposit was due to the Company choosing not to match higher rate local retail certificate competition.

### Review of Operations

Net interest income was \$13.4 million for the fourth quarter of 2020 compared to \$11.9 million for the third quarter of 2020, and \$11.8 million for the quarter ended December 31, 2019. The net interest margin increased to 3.51% for the fourth quarter of 2020 compared to 3.34% for the third quarter of 2020 and 3.41% for the fourth quarter ended December 31, 2019.

### Net interest income and net interest margin with and without loan purchase accounting:

(in thousands, except yields and rates)

	Three months ended									
	December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020		December 31, 2019	
	Net Interest Income	Net Interest Margin								
With loan purchase accretion	\$ 13,372	3.51 %	\$ 11,909	3.11 %	\$ 12,303	3.34 %	\$ 12,671	3.64 %	\$ 11,800	3.41 %
Less non-accretable difference realized as interest from payoff of purchased credit impaired loans	(324 )	(0.08 )%	(130 )	(0.03 )%	(196 )	(0.05 )%	(1,043 )	(0.30 )%	(1,000 )	(0.30 )%
Less accelerated accretion from payoff of certain PCI loans with transferred non-accretable differences	(872 )	(0.23 )%	—	— %	(99 )	(0.03 )%	—	— %	—	— %
Less scheduled accretion interest	(252 )	(0.07 )%	(276 )	(0.07 )%	(247 )	(0.07 )%	(233 )	(0.07 )%	(233 )	(0.07 )%
Without loan purchase accretion	\$ 11,924	3.13 %	\$ 11,503	3.01 %	\$ 11,761	3.19 %	\$ 11,395	3.27 %	\$ 10,567	3.14 %

As noted above, the current quarter net interest margin was favorably impacted by reductions in purchased credit impaired loans and associated non-accretable differences. The Company realized \$1.2 million, or 31 basis points, of such accelerated accretion in the quarter ended December 31, 2020. In addition, current quarter fee accretion of \$0.98 million represented a \$0.34 million, or 10 basis point, net interest margin increase over the prior quarter's accretion of \$0.64 million. SBA PPP fee accretion results from such loans qualifying for and receiving debt forgiveness. Deferred SBA PPP fees were approximately \$3 million at December 31, 2020.

The Company continued to manage deposit interest rates. Various non-maturity deposit product yields were reduced and the Bank was able to reduce the cost of certificate of deposit accounts as the interest rates on new and renewed certificates of deposit were lower than the previous quarter. Additionally, the Bank reduced the cost of higher-costing certificates of deposit. These actions reduced the cost of deposits by 9 basis points in the quarter which more than offset the increase in the cost of the third quarter's subordinated debt issuance. The Bank has \$61 million of certificates of deposits maturing in the first quarter of 2021 with a blended interest rate of approximately 1.90% and an additional \$124 million maturing in the remaining three quarters of 2021 at a blended interest cost of approximately 0.50%. The average cost of new certificates in the fourth quarter of 2020 was approximately 0.50%.

Loan loss provisions were \$2.5 million for the quarter ended December 31, 2020 compared to \$1.50 million for the quarter ended September 30, 2020, one year earlier. There was no provision on the \$5.5 million lines of credit drawn in late December and repaid on January 4, 2021. The increase was due to organic growth, along with qualitative factor increases related to the potential adverse impact of COVID-19. We estimate the COVID-19/qualitative impact on the provisions for loan losses to be approximately \$1.3 million and \$4.8 million for the three and twelve months ended December 31, 2020. For the year ended December 31, 2020, provisions for loan losses were \$7.750 million compared to \$3.525 million for the year ended December 31, 2019.

Non-interest income decreased modestly in the quarter ended December 31, 2020 to \$4.8 million from the previous quarter ended September 30, 2020 of \$5.5 million. The decrease in the fourth quarter was largely due to a recognized gain in the third quarter on the disposition of an acquired business line and recognition of a higher annual incentive paid on debit card activity. For the year ended December 31, 2020, non-interest income increased by \$0.5 million with stronger gain on sale of loans and loan servicing income being partially offset by the sale of the Company's only Michigan branch in 2019.

Total non-interest expense increased by \$0.1 million to \$10.8 million for the quarter ended December 31, 2020. This was due to modestly higher mortgage servicing rights ("MSR") of \$0.33 million and \$0.17 million of costs related to the closure of 3 branches in mid-November. MSR impairment for the quarter ended December 31, 2020 totaled \$0.33 million compared to \$0.25 million for the quarter ended September 30, 2020. These increases were partially offset by compensation due to a smaller level of FTE and lower seasonal marketing costs. For the year ended December 31, 2020, total non-interest expense increased by \$0.5 million compared to \$42.7 million for the year ended December 31, 2019. The impact of the F&M acquisition on July 1, 2019 increased non-interest expense in addition to the items discussed above.

Provisions for income taxes remained unchanged in the fourth quarter at \$1.3 million compared to the preceding quarter. For the year ended December 31, 2020, provisions for income taxes were \$4.6 million compared to \$2.8 million for the year ended December 31, 2019, which included a \$0.3 million reduction due to a favorable tax treatment of certain acquired bank-owned life insurance. The effective tax rate for the most recent quarter was 25.9% compared to 24.5% for the quarter ended September 30, 2020.

These financial results are preliminary until the Form 10-K is filed in March 2021.

### About the Company

Citizens Community Bancorp, Inc. (NASDAQ: "CZWI") is the holding company of the Bank, a national bank based in Altoona, Wisconsin, currently operating primarily in Wisconsin and Minnesota through 25 branch locations. Its primary markets include the Chippewa Valley Region in Wisconsin, the Twin Cities and Mankato markets in Minnesota, and surrounding communities around these areas. The Bank offers traditional community banking services to businesses, Ag operators and consumers, including checking, savings and loan services.

### Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this release are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified using forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "estimates," "intend," "planned," "potential," "should," "will," "would" or the negative of those terms or other words of similar meaning. Such forward-looking statements are inherently subject to many uncertainties arising in the operations and business environment of the Company and the Bank. These uncertainties include, but are not limited to: the economic conditions generally; adverse impacts to the Company or Bank arising from the COVID-19 pandemic; the deterioration in the residential real estate markets; interest rate risk; lending risk; the sufficiency of loan allowances; changes in the fair value of our securities; competitive pressures among depository and other financial institutions; our ability to maintain our reputation; our ability to realize our deferred tax assets; our ability to maintain or increase our market share; acts of terrorism and political or military actions by the United States or other countries; legislative or regulatory changes or actions, or significant litigation, adversely affecting the Company or Bank; increases in FDIC insurance premiums; assessments by the FDIC; disintermediation risk; our inability to obtain needed liquidity; risks related to the ongoing integration of F. & M. Bancorp into the Company's operations; our ability to successfully execute our acquisition growth strategy; risks posed by acquisitions and other expansion activities; difficulties and delays in integrating the acquired business operations or fully realizing the cost savings and other benefits; our ability to raise capital to support growth or meet regulatory requirements; the possibility that our internal controls and procedures could fail or be circumvented; our ability to attract and retain key personnel; our ability to keep pace with technological change; cybersecurity risks; changes in federal or state tax laws; changes in accounting principles and their impact on financial performance; restrictions on our ability to pay dividends; and the potential volatility of our stock price. Such forward-looking statements are not guarantees of performance. Investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to rely on such forward-looking statements. Such uncertainties and other risks that may affect the Company's performance are discussed further in Part I of the Company's Form 10-K, for the year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on December 10, 2019, and in the Company's subsequent filings with the SEC. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this release or to update them to reflect events or circumstances occurring after the date of this release.

### Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, such as net income as adjusted, net income as adjusted per share, tangible book value per share, tangible common equity as a percent of tangible assets, return on average tangible common equity and return on average tangible assets, which management believes may be helpful in understanding the Company's results of operations or financial position and comparing performance over periods.

Net income as adjusted and net income as adjusted per share are non-GAAP measures that eliminate the impact of certain expenses such as closure costs and related data processing termination fees, legal costs, severance pay, accelerated depreciation expense and lease termination expense of branch deposits and fixed assets and the net impact of the Tax Cuts and Jobs Act of 2017, which management believes enhances investors' understanding of the underlying business performance and trends related to core business activities. Merger related charges represent expenses to fulfill the obligations of acquired entities without any useful benefit to the Company or to convert and consolidate customer records onto the Company platform unique to each transaction based on the contracts in existence at the merger date. Tangible book value, tangible book value per share, tangible common equity as a percent of tangible assets and return on average tangible common equity are non-GAAP measures that eliminate the impact of preferred stock and intangible assets on our financial position. Management believes these measures are useful in assessing the strength of our financial position.

Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP measure, can be found in this press release. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP. Non-GAAP measures are not necessarily comparable to non-GAAP performance measures that may be presented by other banks and financial institutions.

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## CITIZENS COMMUNITY BANCORP, INC.

### Consolidated Balance Sheets

(in thousands, except shares and per share data)

	December 31, 2020 (unaudited)	September 30, 2020 (unaudited)
<b>Assets</b>		
Cash and cash equivalents	\$ 119,440	\$ 115,474

Other interest-bearing deposits	3,752	3,752
Securities available for sale "AFS"	144,233	150,908
Securities held to maturity "HTM"	43,551	16,927
Equity securities with readily determinable fair value	200	187
Other investments	14,948	15,075
Loans receivable	1,237,581	1,230,139
Allowance for loan losses	(17,043	) (14,836
Loans receivable, net	1,220,538	1,215,303
Loans held for sale	3,075	4,938
Mortgage servicing rights	3,252	3,498
Office properties and equipment, net	21,165	21,607
Accrued interest receivable	5,652	5,829
Intangible assets	5,494	5,893
Goodwill	31,498	31,498
Foreclosed and repossessed assets, net	197	812
Bank owned life insurance ("BOLI")	23,684	23,514
Other assets	8,416	7,378
<b>TOTAL ASSETS</b>	<b>\$ 1,649,095</b>	<b>\$ 1,622,593</b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Deposits	\$ 1,295,256	\$ 1,270,778
Federal Home Loan Bank ("FHLB") and Federal Reserve Bank ("FRB") advances	123,498	124,491
Other borrowings	58,328	58,297
Other liabilities	11,449	11,704
Total liabilities	1,488,531	1,465,270
Stockholders' equity:		
Common stock— \$0.01 par value, authorized 30,000,000; 11,056,349; 11,154,645 and 11,266,954 shares issued and outstanding, respectively	111	112
Additional paid-in capital	126,704	127,778
Retained earnings	32,809	29,239
Unearned deferred compensation	(550	) (710
Accumulated other comprehensive income (loss)	1,490	904
Total stockholders' equity	160,564	157,323
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,649,095</b>	<b>\$ 1,622,593</b>

Note: Certain items previously reported were reclassified for consistency with the current presentation.

**CITIZENS COMMUNITY BANCORP, INC.**  
**Consolidated Statements of Operations**  
(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020 (unaudited)	September 30, 2020 (unaudited)	December 31, 2019 (unaudited)	December 31, 2020 (unaudited)
Interest and dividend income:				
Interest and fees on loans	\$ 15,463	\$ 14,154	\$ 14,611	\$ 59,763
Interest on investments	1,052	1,064	1,535	4,764
Total interest and dividend income	16,515	15,218	16,146	64,527
Interest expense:				
Interest on deposits	1,958	2,255	3,284	10,000
Interest on FHLB and FRB borrowed funds	428	430	508	1,814

Interest on other borrowed funds	757	624	579	2,458
Total interest expense	3,143	3,309	4,371	14,272
Net interest income before provision for loan losses	13,372	11,909	11,775	50,255
Provision for loan losses	2,500	1,500	1,400	7,750
Net interest income after provision for loan losses	10,872	10,409	10,375	42,505
Non-interest income:				
Service charges on deposit accounts	496	431	612	1,832
Interchange income	520	556	468	2,029
Loan servicing income	1,014	1,144	772	4,158
Gain on sale of loans	2,108	1,987	902	6,693
Loan fees and service charges	342	320	285	1,383
Insurance commission income	—	—	161	475
Net gains (losses) on investment securities	13	(1	) 120	110
Net gain (loss) on sale of branch	—	—	—	432
Net gain (loss) on sale of acquired business lines	—	180	—	—
Settlement proceeds	—	—	—	131
Other	277	445	464	1,205
Total non-interest income	4,770	5,062	3,784	18,448
Non-interest expense:				
Compensation and related benefits	5,440	5,538	5,720	22,321
Occupancy	1,017	993	972	3,915
Office	502	532	539	2,152
Data processing	1,210	1,145	985	4,375
Amortization of intangible assets	399	399	412	1,622
Mortgage servicing rights expense	720	603	286	3,050
Advertising, marketing and public relations	165	260	240	967
FDIC premium assessment	148	188	(60	) 584
Professional services	438	434	496	1,829
Gains (losses) on repossessed assets, net	(64	) (105	) 18	(259
Other	851	737	820	3,117
Total non-interest expense	10,826	10,724	10,428	43,673
Income before provision for income taxes	4,816	4,747	3,731	17,280
Provision for income taxes	1,246	1,267	562	4,555
Net income attributable to common stockholders	\$ 3,570	\$ 3,480	\$ 3,169	\$ 12,725
Per share information:				
Basic earnings	\$ 0.32	\$ 0.31	\$ 0.28	\$ 1.14
Diluted earnings	\$ 0.32	\$ 0.31	\$ 0.28	\$ 1.14
Cash dividends paid	\$ —	\$ —	\$ —	\$ 0.21
Book value per share at end of period	\$ 14.52	\$ 14.10	\$ 13.36	\$ 14.52
Tangible book value per share at end of period (non-GAAP)	\$ 11.18	\$ 10.75	\$ 9.89	\$ 11.18

Note: Certain items previously reported were reclassified for consistency with the current presentation.

**Reconciliation of GAAP Net Income and Net Income as Adjusted (non-GAAP)**  
(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020
GAAP pretax income	\$ 4,816	\$ 4,747	\$ 3,731	\$ 17,280
Merger related costs	—	—	104	—
Branch closure costs (1)	165	—	—	165

Audit and Financial Reporting (2)	—	—	—	—
Net gain on sale of branch (3)	—	—	—	—
Net gain on sale of acquired business lines (4)	—	(180 )	—	(432
Settlement proceeds (5)	—	—	—	(131
Pretax income as adjusted (6)	4,981	4,567	3,835	16,882
Provision for income tax on net income as adjusted (7)	1,290	1,219	579	4,457
Tax impact of certain acquired BOLI policies (8)	—	—	300	—
Total Provision for income tax	1,290	1,219	879	4,457
Net income as adjusted after income taxes (non-GAAP) (6)	\$ 3,691	\$ 3,348	\$ 2,956	\$ 12,425
GAAP diluted earnings per share, net of tax	\$ 0.32	\$ 0.31	\$ 0.28	\$ 1.14
Merger related costs, net of tax	—	—	0.01	—
Branch closure costs, net of tax	0.01	—	—	0.01
Audit and Financial Reporting	—	—	—	—
Net gain on sale of branch	—	—	—	—
Tax impact of certain acquired BOLI policies	—	—	(0.03 )	—
Net gain on sale of acquired business lines	—	(0.01 )	—	(0.03
Settlement proceeds	—	—	—	(0.01
Diluted earnings per share, as adjusted, net of tax (non-GAAP)	\$ 0.33	\$ 0.30	\$ 0.26	\$ 1.11
Average diluted shares outstanding	11,128,628	11,155,337	11,275,961	11,161,81

(1) Branch closure costs include severance pay recorded in compensation and benefits, accelerated depreciation expense and lease termination occupancy and other costs included in other non-interest expense in the consolidated statement of operations.

(2) Audit and financial reporting costs include additional audit and professional fees related to the change in our year end from September 30 to December 31, 2018.

(3) Gain on sale of branch resulted from the sale of our sole Michigan office in Rochester Hills.

(4) Gain on sale of acquired business lines resulted from (1) the sale of Wells Insurance Agency and (2) the termination and sale of the wealth line sales contract acquired in a former acquisition.

(5) Settlement proceeds includes litigation income from a JP Morgan Residential Mortgage Backed Security (RMBS) claim. This distribution represents the proceeds received in March 2017 from a JP Morgan RMBS previously owned by the Bank and sold in 2011.

(6) Net income as adjusted is a non-GAAP measure that management believes enhances the market's ability to assess the underlying business trends related to core business activities.

(7) Provision for income tax on net income as adjusted is calculated at our effective tax rate for each respective period presented.

(8) Tax impact of certain BOLI policies acquired from United Bank equal to \$300 thousand.

<b>Loan Composition (in thousands)</b>	December 31, 2020	September 30, 2020	June 30, 2020	December 2019
<b>Originated Loans:</b>				
<b>Commercial/Agricultural real estate:</b>				
Commercial real estate	\$ 351,113	\$ 322,028	\$ 314,390	\$ 302,5
Agricultural real estate	31,741	32,530	35,138	34,026
Multi-family real estate	112,731	100,148	90,617	71,877
Construction and land development	91,241	80,992	94,856	71,467
<b>C&amp;I/Agricultural operating:</b>				
Commercial and industrial	95,290	79,959	80,369	89,730
Agricultural operating	24,457	24,324	25,813	20,717
<b>Residential mortgage:</b>				
Residential mortgage	86,283	90,100	95,664	108,619
Purchased HELOC loans	6,260	6,547	6,861	8,407
<b>Consumer installment:</b>				
Originated indirect paper	25,851	28,535	32,031	39,585
Other consumer	12,056	13,221	14,175	15,546
Originated loans before SBA PPP loans	837,023	778,384	789,914	762,520
SBA PPP loans	123,702	139,166	137,330	—
Total originated loans	\$ 960,725	\$ 917,550	\$ 927,244	\$ 762,5
<b>Acquired Loans:</b>				
<b>Commercial/Agricultural real estate:</b>				
Commercial real estate	\$ 156,562	\$ 178,645	\$ 195,335	\$ 211,9

Agricultural real estate	37,054	40,613	43,054	51,337
Multi-family real estate	9,421	9,520	13,022	15,131
Construction and land development	7,276	8,346	15,276	14,943
<b>C&amp;/Agricultural operating:</b>				
Commercial and industrial	21,263	24,413	29,477	44,004
Agricultural operating	8,328	9,634	12,124	17,063
<b>Residential mortgage:</b>				
Residential mortgage	45,103	51,754	56,760	67,713
<b>Consumer installment:</b>				
Other consumer	1,157	1,409	1,639	2,640
Total acquired loans	\$ 286,164	\$ 324,334	\$ 366,687	\$ 424,7
<b>Total Loans:</b>				
<b>Commercial/Agricultural real estate:</b>				
Commercial real estate	\$ 507,675	\$ 500,673	\$ 509,725	\$ 514,4
Agricultural real estate	68,795	73,143	78,192	85,363
Multi-family real estate	122,152	109,668	103,639	87,008
Construction and land development	98,517	89,338	110,132	86,410
<b>C&amp;/Agricultural operating:</b>				
Commercial and industrial	116,553	104,372	109,846	133,734
Agricultural operating	32,785	33,958	37,937	37,780
<b>Residential mortgage:</b>				
Residential mortgage	131,386	141,854	152,424	176,332
Purchased HELOC loans	6,260	6,547	6,861	8,407
<b>Consumer installment:</b>				
Originated indirect paper	25,851	28,535	32,031	39,585
Other consumer	13,213	14,630	15,814	18,186
Gross loans before SBA PPP loans	1,123,187	1,102,718	1,156,601	1,187,20
SBA PPP loans	123,702	139,166	137,330	—
Gross loans	\$ 1,246,889	\$ 1,241,884	\$ 1,293,931	\$ 1,187
Unearned net deferred fees and costs and loans in process	(4,245 )	(5,033 )	(5,369 )	(393
Unamortized discount on acquired loans	(5,063 )	(6,712 )	(7,387 )	(9,491
Total loans receivable	\$ 1,237,581	\$ 1,230,139	\$ 1,281,175	\$ 1,177

**Nonperforming Originated and Acquired Assets**  
(in thousands, except ratios)

	December 31, 2020 and Three Months Ended	September 30, 2020 and Three Months Ended	June 30, 2020 and Three Months Ended	Dec and End
Nonperforming assets:				
Originated nonperforming assets:				
Nonaccrual loans	\$ 3,649	\$ 3,255	\$ 3,951	\$ 4
Accruing loans past due 90 days or more	415	698	1,455	946
Total originated nonperforming loans ("NPL")	4,064	3,953	5,406	5,20
Other real estate owned ("OREO")	63	352	270	441
Other collateral owned	41	56	42	28
Total originated nonperforming assets ("NPAs")	\$ 4,168	\$ 4,361	\$ 5,718	\$ 5
Acquired nonperforming assets:				
Nonaccrual loans	\$ 7,098	\$ 9,899	\$ 10,836	\$ 1
Accruing loans past due 90 days or more	171	252	425	158
Total acquired nonperforming loans ("NPL")	7,269	10,151	11,261	14,9
Other real estate owned ("OREO")	93	404	422	988
Other collateral owned	—	—	—	3
Total acquired nonperforming assets ("NPAs")	\$ 7,362	\$ 10,555	\$ 11,683	\$ 1
Total nonperforming assets ("NPAs")	\$ 11,530	\$ 14,916	\$ 17,401	\$ 2

Loans, end of period	\$ 1,237,581	\$ 1,230,139	\$ 1,281,175	\$ 1
Total assets, end of period	\$ 1,649,095	\$ 1,622,593	\$ 1,607,514	\$ 1
Ratios:				
Originated NPLs to total loans	0.33	% 0.32	% 0.42	% 0.44
Acquired NPLs to total loans	0.59	% 0.83	% 0.88	% 1.27
Originated NPAs to total assets	0.25	% 0.27	% 0.36	% 0.37
Acquired NPAs to total assets	0.45	% 0.65	% 0.73	% 1.04

**Nonperforming Total Assets**  
(in thousand, except ratios)

	December 31, 2020 and Three Months Ended	September 30, 2020 and Three Months Ended	June 30, 2020 and Three Months Ended	December and Three Months Ended
<b>Nonperforming assets:</b>				
<b>Nonaccrual loans</b>				
Commercial real estate	\$ 827	\$ 2,762	\$ 3,221	\$ 5,705
Agricultural real estate	5,084	5,252	5,979	7,568
Commercial and industrial ("C&I")	357	853	1,306	1,850
Agricultural operating	1,872	1,651	1,496	1,702
Residential mortgage	2,451	2,536	2,666	2,063
Consumer installment	156	100	119	168
Total nonaccrual loans	\$ 10,747	\$ 13,154	\$ 14,787	\$ 19,056
Accruing loans past due 90 days or more	586	950	1,880	1,104
Total nonperforming loans ("NPLs")	11,333	14,104	16,667	20,160
Foreclosed and repossessed assets, net	197	812	734	1,460
Total nonperforming assets ("NPAs")	\$ 11,530	\$ 14,916	\$ 17,401	\$ 21,620
Troubled Debt Restructurings ("TDRs")	\$ 18,477	\$ 19,778	\$ 13,119	\$ 12,594
Nonaccrual TDRs	\$ 6,735	\$ 7,199	\$ 6,992	\$ 7,198
Loans, end of period	\$ 1,237,581	\$ 1,230,139	\$ 1,281,175	\$ 1,177,3
Total assets, end of period	\$ 1,649,095	\$ 1,622,593	\$ 1,607,514	\$ 1,531,2
Ratios:				
NPLs to total loans	0.92	% 1.15	% 1.30	% 1.71
NPAs to total assets	0.70	% 0.92	% 1.08	% 1.41

**Deposit Composition**  
(in thousands)

	December 31, 2020	September 30, 2020	June 30, 2020	December 31, 2019
Non-interest bearing demand deposits	\$ 238,348	\$ 229,217	\$ 223,536	\$ 168,157
Interest bearing demand deposits	301,764	279,648	270,116	223,102
Savings accounts	196,348	191,511	185,816	156,599
Money market accounts	245,549	246,651	242,536	246,430
Certificate accounts	313,247	323,751	350,193	401,414
Total deposits	\$ 1,295,256	\$ 1,270,778	\$ 1,272,197	\$ 1,195,702

**Average balances, Interest Yields and Rates**  
(in thousands, except yields and rates)

	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months enc 2019
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	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	In In E
<b>Average interest earning assets:</b>								
Cash and cash equivalents	\$ 79,225	\$ 21	0.11 %	\$ 77,774	\$ 18	0.09 %	\$ 31,327	\$
Loans receivable	1,240,895	15,463	4.96 %	1,258,224	14,154	4.48 %	1,136,330	14
Interest bearing deposits	3,752	23	2.44 %	3,752	23	2.44 %	4,904	30
Investment securities (1)	176,802	824	1.85 %	166,622	846	2.02 %	185,920	1,
Other investments	15,015	184	4.88 %	15,145	177	4.65 %	14,209	10
Total interest earning assets (1)	\$ 1,515,689	\$ 16,515	4.33 %	\$ 1,521,517	\$ 15,218	3.98 %	\$ 1,372,690	\$
<b>Average interest bearing liabilities:</b>								
Savings accounts	\$ 187,474	\$ 87	0.18 %	\$ 183,381	\$ 98	0.21 %	\$ 152,841	\$
Demand deposits	285,001	200	0.28 %	285,993	231	0.32 %	216,021	30
Money market accounts	243,631	206	0.34 %	255,160	280	0.44 %	210,398	50
CD's	284,728	1,304	1.82 %	297,691	1,469	1.96 %	367,278	1,
IRA's	41,493	161	1.54 %	41,852	177	1.68 %	43,809	20
Total deposits	\$ 1,042,327	\$ 1,958	0.75 %	\$ 1,064,077	\$ 2,255	0.84 %	\$ 990,347	\$
FHLB advances and other borrowings	182,463	1,185	2.58 %	173,758	1,054	2.41 %	165,660	1,
Total interest bearing liabilities	\$ 1,224,790	\$ 3,143	1.02 %	\$ 1,237,835	\$ 3,309	1.06 %	\$ 1,156,007	\$
Net interest income		\$ 13,372			\$ 11,909			\$
Interest rate spread			3.31 %			2.92 %		
Net interest margin (1)			3.51 %			3.11 %		
Average interest earning assets to average interest bearing liabilities			1.24			1.23		

(1) Fully taxable equivalent (FTE). The average yield on tax exempt securities is computed on a tax equivalent basis using a 21% rate for the quarters ended December 31, 2020, September 30, 2020 and December 31, 2019. The FTE adjustment to the average yield on tax exempt securities included in the rate calculations totaled \$0, \$0 and \$8 thousand for the three months ended December 31, 2020, September 30, 2020 and December 31, 2019, respectively.

	Twelve months ended December 31, 2020			Twelve months ended December 31, 2019		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)
<b>Average interest earning assets:</b>						
Cash and cash equivalents	\$ 52,016	\$ 162	0.31 %	\$ 29,948	\$ 672	2.24 %
Loans receivable	1,234,732	59,763	4.84 %	1,074,952	54,647	5.08 %
Interest bearing deposits	3,914	96	2.45 %	5,841	137	2.35 %
Investment securities (1)	174,396	3,789	2.17 %	171,747	4,332	2.52 %

Other investments	15,081	717	4.75	%	12,442	635
Total interest earning assets (1)	\$ 1,480,139	\$ 64,527	4.36	%	\$ 1,294,930	\$ 60,441
<b>Average interest bearing liabilities:</b>						
Savings accounts	\$ 174,184	\$ 435	0.25	%	\$ 155,848	\$ 651
Demand deposits	268,311	1,065	0.40	%	204,296	1,677
Money market accounts	244,632	1,446	0.59	%	182,103	1,988
CD's	316,264	6,325	2.00	%	352,924	7,114
IRA's	42,039	729	1.73	%	42,134	744
Total deposits	\$ 1,045,430	\$ 10,000	0.96	%	\$ 937,305	\$ 12,114
FHLB advances and other borrowings	186,724	4,272	2.29	%	156,885	4,736
Total interest bearing liabilities	\$ 1,232,154	\$ 14,272	1.16	%	\$ 1,094,190	\$ 16,900
Net interest income		\$ 50,255				\$ 43,500
Interest rate spread			3.20	%		
Net interest margin (1)			3.40	%		
Average interest earning assets to average interest bearing liabilities			1.20			

(1) Fully taxable equivalent (FTE). The average yield on tax exempt securities is computed on a tax equivalent basis using a 21% rate for the twelve months ended December 31, 2020 and December 31, 2019. The FTE adjustment to net interest income calculations totaled \$1 thousand and \$120 thousand for the twelve months ended December 31, 2020 and December 31, 2019 respectively.

The following table reports key financial metric ratios based on a net income and net income as adjusted basis:

	Three Months Ended			Twelve Months				
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	
Ratios based on net income:								
Return on average assets (annualized)	0.87	%	0.85	%	0.84	%	0.80	%
Return on average equity (annualized)	8.93	%	8.93	%	8.41	%	8.29	%
Return on average tangible common equity <sup>5</sup> (annualized)	11.67	%	11.79	%	11.45	%	11.04	%
Efficiency ratio	60	%	63	%	67	%	64	%
Net interest margin with loan purchase accretion	3.51	%	3.11	%	3.41	%	3.40	%
Net interest margin without loan purchase accretion	3.13	%	3.01	%	3.26	%	3.15	%
Ratios based on net income as adjusted (non-GAAP):								
Return on average assets as adjusted <sup>2</sup> (annualized)	0.90	%	0.82	%	0.79	%	0.78	%
Return on average equity as adjusted <sup>3</sup> (annualized)	9.24	%	8.59	%	7.85	%	8.09	%
Return on average tangible common equity as adjusted <sup>5</sup> (annualized)	12.06	%	11.34	%	10.68	%	10.78	%
Efficiency ratio <sup>4</sup> as adjusted (non-GAAP)	59	%	64	%	66	%	64	%

#### Reconciliation of Return on Average Assets as Adjusted (non-GAAP)

(in thousands, except ratios)

	Three Months Ended			Twelve Months Ended				
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	
GAAP earnings after income taxes	\$ 3,570	\$ 3,480	\$ 3,169	\$ 12,725	\$ 12,425	\$ 12,114	\$ 11,800	
Net income as adjusted after income taxes (non-GAAP) (1)	\$ 3,691	\$ 3,348	\$ 2,956	\$ 12,425	\$ 12,114	\$ 11,800	\$ 11,500	
Average assets	\$ 1,634,459	\$ 1,627,497	\$ 1,492,834	\$ 1,594,053	\$ 1,594,053	\$ 1,594,053	\$ 1,594,053	
Return on average assets (annualized)	0.87	%	0.85	%	0.84	%	0.80	%

Return on average assets as adjusted (non-GAAP) (annualized)	0.90	%	0.82	%	0.79	%	0.78	%
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(1) See Reconciliation of GAAP Net Income and Net Income as Adjusted (non-GAAP)

#### Reconciliation of Return on Average Equity as Adjusted (non-GAAP)

(in thousands, except ratios)

	Three Months Ended				Twelve Months			
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020
GAAP earnings after income taxes	\$ 3,570	\$ 3,480	\$ 3,169	\$ 12,725	\$ 3,169	\$ 12,725	\$ 3,169	\$ 12,725
Net income as adjusted after income taxes (non-GAAP) (1)	\$ 3,691	\$ 3,348	\$ 2,956	\$ 12,425	\$ 2,956	\$ 12,425	\$ 2,956	\$ 12,425
Average equity	\$ 158,968	\$ 154,996	\$ 149,437	\$ 153,497	\$ 149,437	\$ 153,497	\$ 149,437	\$ 153,497
Return on average equity (annualized)	8.93	% 8.93	% 8.41	% 8.29	% 8.41	% 8.29	% 8.41	% 8.29
Return on average equity as adjusted (non-GAAP) (annualized)	9.24	% 8.59	% 7.85	% 8.09	% 7.85	% 8.09	% 7.85	% 8.09

(1) See Reconciliation of GAAP Net Income and Net Income as Adjusted (non-GAAP)

#### Reconciliation of Return on Average Tangible Common Equity and Reconciliation of Return on Average Tangible Equity, as Adjusted (non-GAAP)

(in thousands, except ratios)

	Three Months Ended				Twelve Months			
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020
Total stockholders' equity	\$ 160,564	\$ 157,323	\$ 150,553	\$ 160,564	\$ 150,553	\$ 160,564	\$ 150,553	\$ 160,564
Less: Goodwill	(31,498 )	(31,498 )	(31,498 )	(31,498 )	(31,498 )	(31,498 )	(31,498 )	(31,498 )
Less: Intangible assets	(5,494 )	(5,893 )	(7,587 )	(5,494 )	(7,587 )	(5,494 )	(7,587 )	(5,494 )
Tangible common equity (non-GAAP)	\$ 123,572	\$ 119,932	\$ 111,468	\$ 123,572	\$ 111,468	\$ 123,572	\$ 111,468	\$ 123,572
Average tangible common equity (non-GAAP)	\$ 121,752	\$ 117,466	\$ 109,829	\$ 115,313	\$ 109,829	\$ 115,313	\$ 109,829	\$ 115,313
GAAP earnings after income taxes	\$ 3,570	\$ 3,480	\$ 3,169	\$ 12,725	\$ 3,169	\$ 12,725	\$ 3,169	\$ 12,725
Net income as adjusted after income taxes (non-GAAP) (1)	\$ 3,691	\$ 3,348	\$ 2,956	\$ 12,425	\$ 2,956	\$ 12,425	\$ 2,956	\$ 12,425
Return on average tangible common equity (annualized)	11.67	% 11.79	% 11.45	% 11.04	% 11.45	% 11.04	% 11.45	% 11.04
Return on average tangible common equity as adjusted (non-GAAP) (annualized)	12.06	% 11.34	% 10.68	% 10.78	% 10.68	% 10.78	% 10.68	% 10.78

(1) See Reconciliation of GAAP Net Income and Net Income as Adjusted (non-GAAP)

#### Reconciliation of Efficiency Ratio as Adjusted (non-GAAP)

(in thousands, except ratios)

	Three Months Ended				Twelve Months Ended			
	December 31, 2020	September 30, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020
Non-interest expense (GAAP)	\$ 10,826	\$ 10,724	\$ 10,428	\$ 43,673	\$ 10,428	\$ 43,673	\$ 10,428	\$ 43,673
Merger related Costs (1)	—	—	(104 )	—	(104 )	—	(104 )	—

Branch Closure Costs (1)	(165	)	—	—	(165	)	
Audit and financial reporting (1)	—	—	—	—	—		
Non-interest expense as adjusted (non-GAAP)	10,661		10,724		10,324	43,508	
Non-interest income	4,770		5,062		3,784	18,448	
Net interest margin	13,372		11,909		11,775	50,255	
Efficiency ratio denominator (GAAP)	\$ 18,142		\$ 16,971		\$ 15,559	\$ 68,703	
Net gain on sale of branch (1)	—		—		—	—	
Net gain on acquired business lines (1)	—		(180	)	—	(432	)
Settlement proceeds (1)	—		—		—	(131	)
Efficiency ratio denominator (non-GAAP)	\$ 18,142		\$ 16,791		\$ 15,559	\$ 68,140	
Efficiency ratio (GAAP)	60	%	63	%	67	% 64	%
Efficiency ratio as adjusted (non-GAAP)	59	%	64	%	66	% 64	%

(1) See Reconciliation of GAAP Net Income and Net Income as Adjusted (non-GAAP)

#### Reconciliation of tangible book value per share (non-GAAP)

(in thousands, except per share data)

Tangible book value per share at end of period	December 31, 2020	September 30, 2020	December 31, 2019	
Total stockholders' equity	\$ 160,564	\$ 157,323	\$ 150,553	
Less: Goodwill	(31,498	)	(31,498	)
Less: Intangible assets	(5,494	)	(5,893	)
Tangible common equity (non-GAAP)	\$ 123,572	\$ 119,932	\$ 111,468	
Ending common shares outstanding	11,056,349	11,154,645	11,266,954	
Book value per share	\$ 14.52	\$ 14.10	\$ 13.36	
Tangible book value per share (non-GAAP)	\$ 11.18	\$ 10.75	\$ 9.89	

#### Reconciliation of tangible common equity as a percent of tangible assets (non-GAAP)

(in thousands, except ratios)

Tangible common equity as a percent of tangible assets at end of period	December 31, 2020	September 30, 2020
Total stockholders' equity	\$ 160,564	\$ 157,323
Less: Goodwill	(31,498	)
Less: Intangible assets	(5,494	)
Tangible common equity (non-GAAP)	\$ 123,572	\$ 119,932
Total Assets	\$ 1,649,095	\$ 1,622,593
Less: Goodwill	(31,498	)
Less: Intangible assets	(5,494	)
Tangible Assets (non-GAAP)	\$ 1,612,103	\$ 1,585,202
Less SBA PPP Loans	(123,702	)
Tangible Assets, excluding SBA PPP Loans (non-GAAP)	\$ 1,488,401	\$ 1,446,036
Total stockholders' equity to total assets ratio	9.74	% 9.70
Tangible common equity as a percent of tangible assets (non-GAAP)	7.67	% 7.57
Tangible common equity as a percent of tangible assets, excluding SBA PPP Loans (non-GAAP)	8.30	% 8.29

<sup>1</sup>Net income as adjusted and net income as adjusted per share are non-GAAP financial measures that management believes enhances investors understand the underlying business performance and trends related to core business activities. For a detailed reconciliation of GAAP to non-GAAP, see accompanying financial table "Reconciliation of GAAP Net Income and Net Income as Adjusted (non-GAAP)".

<sup>2</sup>Return on average assets as adjusted is a non-GAAP measure that management believes enhances investors' ability to better understand the performance and trends relative to average assets. For a detailed reconciliation of GAAP to non-GAAP results, see the accompanying financial Return on Average Assets as Adjusted (non-GAAP)".

<sup>3</sup>Return on average equity as adjusted is a non-GAAP measure that management believes enhances investors' ability to better understand the performance and trends relative to average equity. For a detailed reconciliation of GAAP to non-GAAP results, see the accompanying financial Return on Average Equity as Adjusted (non-GAAP)".

<sup>4</sup>The efficiency ratio as adjusted (non-GAAP) is a non-GAAP measure that management believes enhances investors' ability to better understand business performance and the Company's ability to use what it has to generate the most profit possible for shareholders relative to core business performance. For a detailed reconciliation of GAAP to non-GAAP results, see the accompanying financial table "Reconciliation of Efficiency Ratio as Adjusted (non-GAAP)".

<sup>5</sup>Tangible book value, tangible book value per share, tangible common equity as a percent of tangible assets, return on tangible common equity, and return on average tangible common equity as adjusted are non-GAAP measures that management believes enhances investors' ability to better understand the Company's performance. For a detailed reconciliation of GAAP to non-GAAP results, see the accompanying financial table "Reconciliation of tangible book value per share (non-GAAP)", "Reconciliation of tangible common equity as a percent of tangible assets (non-GAAP)", and "Reconciliation of Return on Average Tangible Common Equity as Adjusted (non-GAAP)".



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