

Our branches continue operating with pandemic safeguards in place such as mask requirements, limited occupancy, and protective barriers. We are encouraging clients with routine transactions like deposits and check cashing to be served through our drive-thrus, ATM's, or mobile application. For more complex issues such as new accounts, financial consultations, and servicing needs, we are encouraging clients to schedule an appointment. Appointment scheduling can be accomplished by phone or online via our website. Both clients and bankers have benefited by having more scheduled appointments. Clients are often better and more quickly served as preparatory work can occur in advance of their visit. This could be one of the most positive things to come out of the current operating environment. We believe that this situation presents us with an opportunity to increase both our branch efficiency and service levels.

During the quarter we completed the transition of our trust and investment business to Fidelity Bank. The transition was a great success with over 90% of our accounts transferring to Fidelity. James Aten continues to be the point of contact with these clients. Going forward, we will earn a shared portion of revenue from these accounts and the new business that we generate.

As we look to the future, we are met with uncertainty. How will the pandemic progress? When will it be resolved? What will be the result of the November elections? What will be the business challenges going forward? Although we don't have all of those answers, I am confident that with the support of our clients, communities, employees, and shareholders, JBT will rise to the challenge and continue to serve our stakeholders well – just as we have for the past 147 years. Whether you count yourself in one or all four of those groups, we thank you for your support.



Troy A. Peters  
President & CEO

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# 3RD QUARTER REPORT

SEPTEMBER 30 2020



JONESTOWN BANK & TRUST CO.

## LETTER TO SHAREHOLDERS

I am pleased to report that the Board of Directors has declared a third quarter dividend of \$0.20 per share for shareholders of record as of October 23, 2020 and payable on October 30, 2020. During these challenging times, we are proud to be able to deliver a portion of profits to our shareholders. The Bank has produced nine-month earnings of \$3,063,660 or \$1.26 per share, down 23.8% from \$4,021,102 or \$1.66 per share in the prior year.

The primary driver of our reduced income is the \$2,039,000 provision for loan losses that we have made so far this year. This is a 143% increase over the same period last year. The ultimate economic impact for many of our loan clients remains in question. We are particularly watching our commercial clients in hospitality-related industries. During the quarter we rolled out our Client Assistance Program II (CAP II) that allows borrowers to defer three months of payments without a fee. As of September 30th, 12.2% or \$72.9 million of our loans have entered this program. The make-up of these borrowers skews heavily towards hotels and individual automotive borrowers. Most of the hotel loans are now into their second round (sixth month) of payment deferral. We anticipate offering further relief for this industry as the pandemic continues its devastating effect on travel and lodging. Most consumer borrowers that exhausted the three-month deferral offered through the original CAP I program have regained their footing and are honoring their agreed upon payment arrangements. We are working very closely with our borrowers and will continue to do so through this challenging cycle.

A second headwind tapering net income is the tightening of the net interest margin. With the FOMC signaling low interest rates for the foreseeable future, perhaps into 2023, there is increasing downward pressure on our margin. Deposit rates are at historic lows and as loans reprice, it is difficult to maintain a desired spread.

Aside from the aforementioned issues, the Bank is having a very good year. Deposit growth is very strong and up 15.0% YTD. Loan growth is also on a record setting pace of 13.6% YTD. Mortgage income has performed well above expectation as we are experiencing a strong home purchase and refinance market. When looking at these metrics, it appears that there is a large segment of our client base that has cash reserves and is optimistic about the future.

*Continued >*

## Balance Sheet

as of September 30, 2020

(Dollars in thousands)

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash and due from banks	\$ 52,518	\$ 35,208
Securities	32,354	40,877
Loans receivable net of the allowance for loan loss	605,579	524,108
Premises/equipment, net	10,142	8,734
Other assets	19,640	20,736
<b>Total Assets</b>	<b>\$ 720,233</b>	<b>\$ 629,663</b>

## Liabilities and Shareholders' Equity

<b>Liabilities</b>		
Non-interest bearing deposits	\$ 80,718	\$ 53,183
Interest bearing deposits	538,585	478,855
<b>Total Deposits</b>	<b>619,303</b>	<b>532,038</b>
Long-term debt	34,767	33,199
Other liabilities	5,285	7,585
<b>Total Liabilities</b>	<b>659,355</b>	<b>572,822</b>

## Shareholders' Equity

Common stock: Par value \$2.00 per share, 6,000,000 authorized shares, issued and outstanding 2,426,842 shares	4,854	4,833
Surplus	7,258	7,062
Undivided profits	48,416	45,186
Accumulated other comprehensive income	350	(240)
<b>Total Shareholders' Equity</b>	<b>60,878</b>	<b>56,841</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 720,233</b>	<b>\$ 629,663</b>

## Selected Financial Data

<b>September 30,</b>	<b>2020</b>	<b>2019</b>
Return on assets	0.60%	0.88%
Return on equity	6.85%	9.79%
Book value	\$25.09	\$23.52
Earnings per share	\$1.26	\$1.66

## Income Statement

for the 9 Months Ending September 30, 2020

(Dollars in thousands except per share amounts)

<b>Interest Income</b>	<b>2020</b>	<b>2019</b>
Loans receivable	\$ 18,894	\$ 18,789
Taxable securities	503	579
Tax-exempt securities	93	156
Other	199	526
<b>Total Interest Income</b>	<b>19,689</b>	<b>20,050</b>

## Interest Expense

Deposits	2,876	3,741
Borrowed funds	535	693
Total interest expense	3,411	4,434
<b>Net Interest Income</b>	<b>16,278</b>	<b>15,616</b>
Provision for loan losses	2,039	840
<b>Net Interest Income After Provision for Loan Losses</b>	<b>14,239</b>	<b>14,776</b>

## Other Income

Trust department income	55	275
Service charges on deposits	852	935
Other income	1,945	1,726
Total other income	2,852	2,936

## Other Expenses

Salaries/employee benefits	7,068	7,039
Occupancy	982	888
Equipment	731	510
Marketing	238	293
Other operating expenses	4,387	4,136
Total other expenses	13,406	12,866
<b>Income Before Income Taxes</b>	<b>3,685</b>	<b>4,846</b>
Federal income taxes	622	825
<b>Net income</b>	<b>\$ 3,063</b>	<b>\$ 4,021</b>
<b>Net income per Share</b>	<b>\$1.26</b>	<b>\$1.66</b>