



2020 Annual Report

Mission Statement

We will grow and prosper, building long-term relationships based on top-quality service, high ethical standards and core-funded, safe and sound assets.

Purpose Statement

Our brand purpose, Responsive, Relationship Banking is how we compete, how we prosper, and how we differentiate ourselves.

Core Values

Integrity
Excellence
Leadership
Communication
Reality
Accountability
Teamwork
Consideration

Recent Awards



We have been rated 5-stars by BauerFinancial for 13 consecutive quarters (March 2018-2021)

Mountain Commerce Bancorp Financial / Earnings Overview

Financial Overview (\$000s, Except Percentages and Per Share Data) as of December 31

	2016	2017	2018	2019	2020
Total assets	\$619,141	\$746,860	\$849,195	\$906,688	\$1,109,970
Loans receivable	515,433	626,102	708,301	807,440	935,482
Allowance for loan losses	5,281	6,153	6,641	5,833	13,313
Real estate owned	8,781	7,480	7,182	4,973	\$-
Deposits	534,327	640,132	715,134	757,932	921,896
Senior debt	9,914	9,982	15,984	15,987	13,994
Subordinated debt	-	-	-	-	9,778
Equity	58,191	66,152	76,454	91,024	103,841
Nonperforming assets (NPAs)	\$10,041	\$9,040	\$7,629	\$6,653	\$1,801
NPAs / assets	1.62%	1.21%	0.90%	0.73%	0.16%
Allowance for loan losses to loans	1.02%	0.98%	0.94%	0.72%	1.42%
Allowance for loan losses to NPAs	53%	68%	87%	88%	739%
COVID-19 modifications	N/A	N/A	N/A	N/A	\$-
Shares outstanding	5,758,055	5,994,287	6,142,997	6,249,053	6,286,003
Tangible book value per share	\$10.11	\$11.04	\$12.45	\$14.57	\$16.52
Closing market price	N/A	\$17.50	\$17.72	\$22.10	\$20.50
Price to book ratio	N/A	159%	142%	152%	124%
Tangible common equity to tangible assets	9.40%	8.86%	9.00%	10.04%	9.36%
Deposits per branch	106,865	128,026	143,027	151,586	184,379

Earnings Overview (\$000s, Except Per Share Data) For the Year Ended December 31

	2016	2017	2018	2019	2020
Interest income	\$23,140	\$28,467	\$35,583	\$41,089	\$44,248
Interest expense	4,614	5,756	9,251	12,419	8,804
Net interest income	18,526	22,711	26,332	28,670	35,444
Provision for (recovery of) loan losses	158	1,006	573	(538)	7,500
Noninterest income	2,033	1,782	1,945	2,731	1,877
Noninterest expense	13,580	13,223	14,189	15,350	16,739
Income before income taxes	6,821	10,264	13,515	16,589	13,082
Income taxes	2,588	4,791	3,332	4,235	2,912
Net income	\$4,233	\$5,473	\$10,183	\$12,354	\$10,170
Diluted earnings per share	\$1.01	\$0.89	\$1.63	\$1.97	\$1.62
Pre-tax, pre-provision earnings	\$6,979	\$11,270	\$14,088	\$16,051	\$20,582
Return on average assets	0.76%	0.80%	1.26%	1.42%	0.93%
Return on average equity	9.17%	8.80%	14.35%	14.72%	10.45%
Efficiency ratio	66.05%	53.99%	50.18%	48.88%	44.55%
Net interest margin	3.79%	3.71%	3.56%	3.44%	3.39%

The President's Address



Dear Shareholders, Clients & Friends of MCB:

Adjusted 2020 Results at a Glance (%)	
Earnings Growth	26.8
ROAE	15.70
ROAA	1.40
Efficiency Ratio	43.95

When I wrote to you at this time last year, we were in the early stages of the COVID-19 pandemic. Business activity, travel, dining and many other areas of life had been curtailed and we were assessing the impact of those changes on our business.

Throughout 2020, we took many steps in response to the pandemic, including:

- Remote work for many of our employees
- Adjusting how we handled business in our lobbies
- Significant participation in the Paycheck Protection Program (PPP), through which we originated \$107.5 million in loans and received fees of \$3.5 million
- Materially increasing our allowance for loan losses from \$5.8 million to \$13.3 million
- Raising \$10 million of subordinated debt to provide additional capital protection against an economic downturn

While 2020 financial results were quite “noisy” as a result of the increased allowance for loan losses, PPP fees earned and a number of other matters, several accomplishments clearly stood out:

- Core¹ earnings grew 26.8% from \$12 million in 2019 to \$15.3 million in 2020
- Core¹ return on average assets improved from 1.38% in 2019 to 1.40% in 2020
- Core¹ return on average equity improved from 14.35% in 2019 to 15.70% in 2020
- Core¹ efficiency ratio declined to 43.95% in 2020 from 48.67% in 2019, which is among the best in the industry
- Core¹ earnings per share increased 27.1% from \$1.92 in 2019 to \$2.44 in 2020
- Pre-tax, pre-provision earnings increased to \$20.6 million in 2020 from \$16.1 million in 2019
- Loan balances grew 15.9% to \$935.5 million
- Nonperforming assets declined 72.9% from \$6.7 million in 2019 to \$1.8 million in 2020
- COVID-related modifications decreased from a high of over \$200 million during 2020 to \$0 by December 31, 2020.
- Tangible book value grew from \$14.57 at December 31, 2019 to \$16.52 by the same time in 2020
- Ranked #43 on American Banker Magazine's top 200 publicly traded community banks list – up from #96 in the prior year
- Added key members to our management team, including chief financial officer David A. Bright

Without question, 2020 was a record year for the Bank by any standard and we enter 2021 with the strongest earnings, asset quality and capital profile we have ever had. While uncertainties remain, we are optimistic that 2021 will be another record year for the Company as we continue to deliver top-tier shareholder returns. Thank you for your continued trust and support as we work to deliver the performance and results you have come to expect.

Sincerely,

William E. Edwards, III

Founder, Vice-Chairman, President and Chief Executive Officer

¹ Core results exclude realized gains and losses on investments, accretion of PPP fees, net, losses from the sale of REO, impairment of premises, and the provision for credit losses. See our Q4 2020 Press Release for more information.

To Our Shareholders:

Last year was one of significant economic and personal uncertainty for everyone on the planet. It was like nothing we had ever experienced before. Given that operating environment, we bolstered our capital with:

1. A \$10 million subordinated debt issuance;
2. Increased our loan loss reserves by adding a supplemental \$7.5 million, and
3. Cleaned up our balance sheet by eliminating all real estate owned.

Additionally, we were significant participants in the Paycheck Protection Program (PPP), helping our neighbors and community by granting more than \$107.5 million in financial assistance through PPP loans.

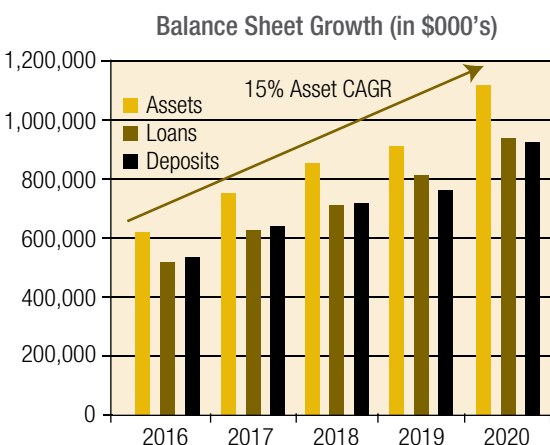
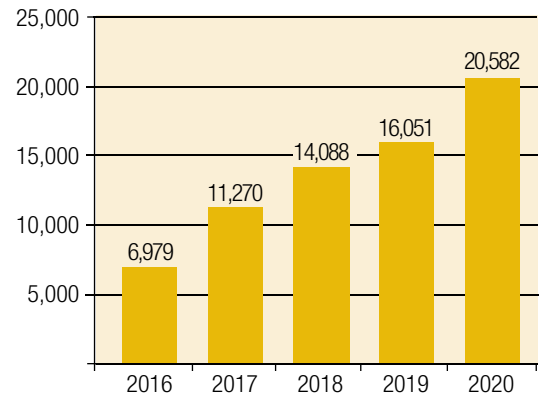
As an outcome, we enter 2021 poised with the belief that our strong asset quality and capital should result in another excellent year.

Pre-tax, Pre-provision Earnings Increased 28.2% and Reached Another Record

Net income in 2020 was \$10.2 million, or \$1.62 per diluted share, versus \$12.4 million in 2019, or \$1.97 per diluted share. Pre-tax, pre-provision earnings, however, increased 28.2% to \$20.6 million in 2020. The increase was primarily driven by an increase in net interest income of \$6.8 million, or 23.6%, from \$28.7 million for the year ended December 31, 2019 to \$35.4 million for the same period in 2020. The difference was primarily the result of an increase in average interest-earning assets and a decrease in the rate paid on interest-bearing liabilities. The Company also recognized approximately \$1.7 million in PPP loan origination fees, net of the amortization of deferred PPP loan costs, through net interest income during the year ended December 31, 2020. Noninterest

income decreased \$900 thousand from \$2.7 million during the year ended December 31, 2019 to \$1.9 million during the same period of 2020. The decrease was primarily due to a \$500 thousand decline in swap brokerage fees and a \$500 thousand write-down on the Company's previous headquarters building. Noninterest expense increased \$1.4 million from \$15.4 million for the year ended December 31, 2019 to \$16.7 million for the same period of 2020. This increase was primarily the result of a \$700 thousand increase in compensation and benefits, of which \$400 thousand related to one-time PPP bonuses, a \$300 thousand increase in the loss on sale of REO as the Company liquidated its remaining REO properties, and a \$400 thousand increase in the reserve for unfunded loan commitments.

Pre-tax, Pre-provision Earnings (in \$000's)

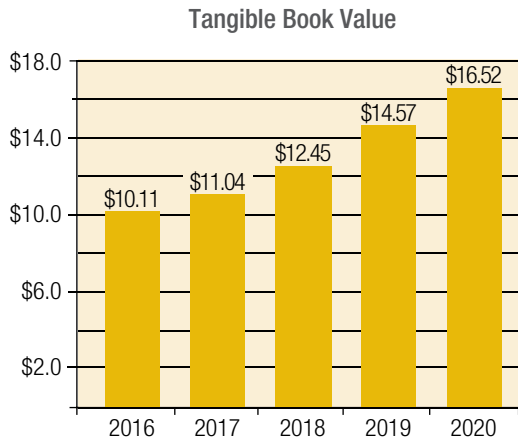


The Balance Sheet Passed \$1 Billion for the First Time

Total assets at December 31, 2020 reached \$1.11 billion, an increase of 22.4% from total assets of \$906.7 million at December 31, 2019. In fact, assets have grown at a compounded annual growth rate of over 15% from 2016 to the present. Loans also experienced significant growth of 15.8%, increasing from \$807.4 million at December 31, 2019 to \$935.5 million at December 31, 2020. During 2020, the Company originated \$107.5 million of PPP loans, of which \$81.5 million were still outstanding as of December 31, 2020.

Total deposits increased \$164 million, or 21.6%, from \$757.9 million at December 31, 2019 to \$921.9 million at December 31, 2020. The primary driver of this increase was a \$69.4 million increase in noninterest-bearing deposit balances from \$138.9 million to \$208.2 million. The Company also issued a \$50 million brokered-CD at an interest rate of 0.15% during the fourth quarter of 2020 in order to pay off its remaining Federal Reserve PPPLF borrowings.

We Continued to Deliver Strong Increases in Shareholder Value



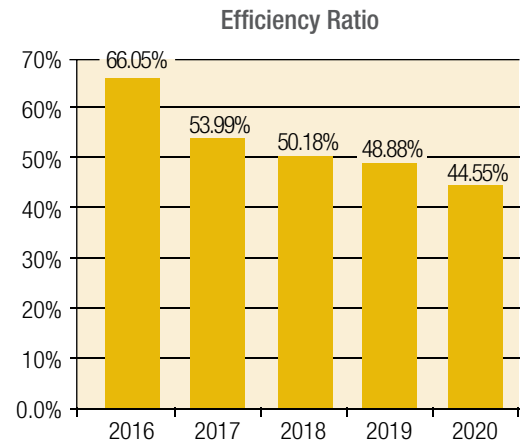
Total equity increased \$12.8 million, or 14.1%, from \$91 million at December 31, 2019 to \$103.8 million at December 31, 2020. This increase was primarily composed of net income of \$10.2 million, as well as an increase in the unrealized gain on investments available for sale. Tangible book value per share improved from \$14.57 at December 31, 2019 to \$16.52 at December 31, 2020. Since 2016, tangible book value has grown at a compounded annual rate of 13%. Equity to assets declined from

10.04% at December 31, 2019 to 9.36% at December 31, 2020 because of the significant increase in total assets, including the PPP loans. The Company and Bank remain well capitalized.

Our Industry-Leading Efficiency Ratio Continued to Improve

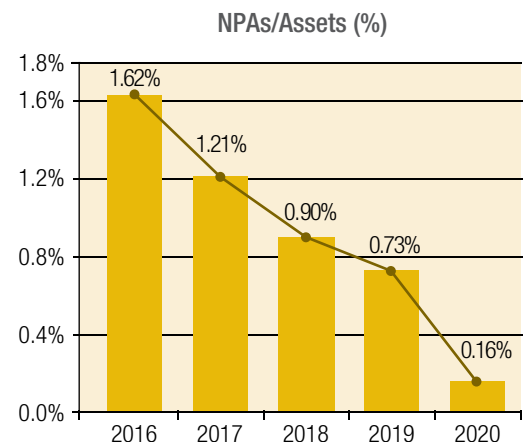
During 2020, we continued to operate one of the most efficient Banks in our peer group, with our efficiency ratio dropping to 44.55% in 2020 from 48.88% in 2019. The average efficiency ratio for all Banks with between \$1 billion and \$3 billion in assets was 61.7% as of December 31, 2020, according to data derived from BankTrends. This 17 bp difference compared to our peer group provides the Bank a significant competitive

advantage and is the primary driver for the Bank's top-tier earnings profile.



Problem Assets Hit an All-Time Low

Nonperforming loans to total loans decreased slightly from 0.21% at December 31, 2019 to 0.19% at December 31, 2020. Nonperforming assets to total assets decreased from 0.73% at December 31, 2019 to 0.16% at December 31, 2020, primarily as a result of the sale of the Company's remaining \$5 million of real estate-owned properties over the same period. Net charge-offs of \$20 thousand were recognized during 2020 compared to \$270 thousand during 2019. The allowance for loan losses to total loans increased from 0.72% at December 31, 2019 to 1.42% at December 31, 2020 (1.56% excluding PPP loans) and coverage of nonperforming loans remained strong at 739.2% at December 31, 2020.

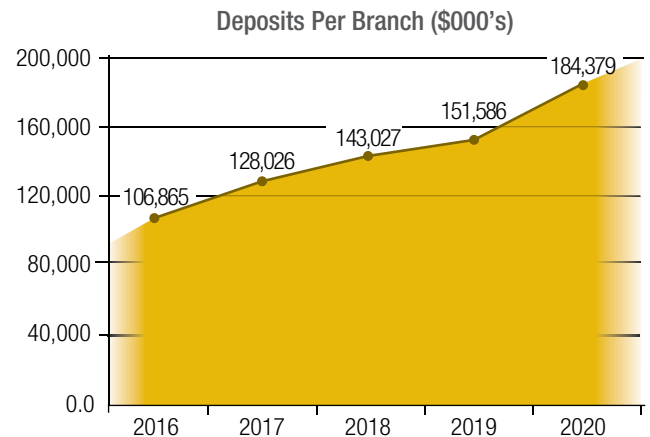




We Remain Committed to a Branch-Light, Relationship Banking Model

As the banking industry continues to evolve, we believe the largest banks are best equipped to serve the mass consumer market that does not require or desire a personal banking relationship. Community banks, however, are better equipped to serve the customer that desires a personal banking relationship. As a result, many of our customers tend to be business owners, real estate investors and high net-worth individuals. This model relies on the strength and expertise of relationship bankers as opposed to the quantity of branches. During 2020, we continued to expand our customer base without expanding our branch count. This resulted in deposits per branch

increasing \$32.8 million, or 21.6%, to \$184.4 million at December 31, 2020. By comparison, the average deposits per branch for banks with \$1 billion to \$3 billion in assets is only \$81.8 million as of December 31, 2020, based on data supplied by BankTrends.



Recognition in American Banker

In addition to earning a five-star rating (the highest possible) from BauerFinancial, we were once again named to American Banker Magazine's top 200 publicly traded community banks list, landing at #43—up from #96 in the prior year. This ranking is primarily based on the three-year average return on equity for the Bank. Delivering shareholder value

continues to be our top priority, and we have taken several steps over the past year to improve our earnings and our visibility in the investment community.

Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank - Board of Directors

William E. "Bill" Edwards, III

Founder / Vice-Chairman / President / Chief Executive Officer
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Wade H. Farmer, CPA

Partner, Blackburn Childers and Steagall, PLC
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Dwight B. Ferguson, Jr., CPA

Chairman of the Board
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank
Retired since 2009; prior thereto President & CEO of Nuclear Fuel Services, Inc.

Michael L. Hatcher, CPA

Vice-Chairman
Commercial Developer; Owner of Hatcher Properties
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Kevin W. Horne

EVP / Chief Credit Officer / Chief Operating Officer & Area President – Tri-Cities
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Wendell C. Kirk, CPA

Retired since 1990; prior thereto President & CEO of Heritage Federal Bank
Consultant - Kirk and Associates
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Tim A. Topham

EVP / Area President – Knoxville Region
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Samuel L. Widener

Owner of Winco Tile and Wincrest Angus Farm; Partner, Wincrest Properties, LP; Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Frank Wood

Owner & Chief Executive Officer of Holston Companies; includes Holston Distributing Co., Inc., Warehouse Central, LLC, Truck Central, LLC, Records Storage and Management Central, LLC
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Douglas A. Yoakley, CPA

Co-founded Pershing Yoakley and Associates, a CPA firm in Knoxville; serves as wealth management consultant for PYA Waltman Capital
Director of Mountain Commerce Bancorp, Inc. and Mountain Commerce Bank

Mountain Commerce Bank Officers

Senior Officers

William E. "Bill" Edwards, III

Founder / Vice-Chairman / President / Chief Executive Officer

Kevin W. Horne

EVP / Chief Credit Officer / Chief Operating Officer & Area President – Tri-Cities

David A. Bright, CPA

EVP / Chief Financial Officer

Tim A. Topham

EVP / Area President – Knoxville Region

Tom Jensen

EVP / City Executive – Knoxville Region

Marie Patterson, CPA

SVP / Director of Accounting

Phillip Wampler

SVP / Chief Compliance Officer

Tracy Jones

SVP / Director of Operations / Electronic Banking Officer

Todd Jones

SVP / Director of Investments & Financial Planning

Vicki Weaver

SVP / Director of Human Resources

Donnie Blair

SVP / Dir. of Technology & Information Security / Information Security Officer

V.V. Elliott

FVP / Director of Loan Operations

Other Officers

Stephanie Barnes, SVP / Relationship Manager

Andrew Barrett, SVP / Relationship Manager

Bill Beard, SVP / Senior Credit Review Officer

Bobby Brown, SVP / Relationship Manager

Connie French, SVP / Relationship Manager

Michael Saporito, SVP / Relationship Manager

Terry Weltman, SVP / Controller

Regenia B. Ellis, FVP / Corporate Secretary / Executive Assistant

Kara Honeycutt, FVP / Senior Credit Analyst

Jerry Beal, VP / Relationship Manager

Bryan Bentley, VP / Portfolio Manager

Rualette Bowen, VP / Branch Manager – Bristol Highway

Jason Burleson, VP / Relationship Manager

Brice Chapman, VP / Relationship Manager

Daniel Cheng, VP / Senior Credit Analyst

Tammy Clevinger, VP / Credit Administration Officer

Kelli Cooper, VP / BSA/AML Officer

Nellie Dunn, VP / Treasury Service Manager

Melissa Haines, VP / Branch Administrator / Security Officer

Kelsey Innis, VP / Branch Manager – Bearden

Tony Johnson, VP / Portfolio Manager

Wesley Lemon, VP / Assistant Controller

Tim Tull, VP / Relationship Manager

Cindy Widener, VP / Relationship Manager

Kristi Wilson, VP / Portfolio Manager

Erik B. Wilson, VP / Senior Portfolio Manager

Staci Wilkerson, VP / Relationship Manager

Kim Alexander, AVP / Senior Operations Specialist

Allie Bixler, AVP / Private Banking Specialist

Shane Broyles, AVP / Loan Officer

Stacy Connatser, AVP / Relationship Manager

Kristie Gross, AVP / Senior Loan Coordinator

Charlie Hodges, AVP / Network Administrator

Nikki Hogston, AVP / Branch Manager – Unicoi

Brad Pollock, AVP / Special Assets Manager

Nancy Price, AVP / Senior Operations Specialist

Helene Rodzevicius, AVP / Portfolio Manager

Neisha Clouse, Bank Officer / Loan Operations Specialist

Katherin Conley, Bank Officer / Branch Manager – Cedar Bluff

Pam Farmer, Bank Officer / Loan Operations Specialist

Casie Hempenstall, Bank Officer / Branch Manager – Erwin North Main

Sandy Lamb, Bank Officer / Document Review Specialist

Samuel Stevenson, Bank Officer / Credit Analyst / Portfolio Manager

Mountain Commerce Bancorp, Inc. Officers

William E. "Bill" Edwards, III
Founder / Vice-Chairman / President /
Chief Executive Officer

Regenia B. Ellis
FVP / Corporate Secretary

Kevin W. Horne
EVP / Chief Credit Officer / Chief
Operating Officer

David A. Bright, CPA
EVP / Chief Financial Officer

Branch Locations

Bearden (Main Office)
6101 Kingston Pike
Knoxville, TN 37919
Phone: (865) 694-5725

Bristol Highway
3122 Bristol Highway
Johnson City, TN 37601
Phone: (423) 232-5129

Cedar Bluff
320 N. Cedar Bluff Road, Suite 101
Knoxville, TN 37923
Phone: (865) 694-5704

Erwin N Main
400 North Main Avenue
Erwin, TN 37650
Phone: (423) 735-5331

Unicoi Branch
4200 Unicoi Drive
Unicoi, TN 37692
Phone: (423) 735-5380

Boone Ridge Operations Center
121 Boone Ridge Drive, Suite 1002
Johnson City, TN 37615
Phone: (423) 262-5820

Corporate Information

Corporate Office
6101 Kingston Pike
P.O. Box 52942
Knoxville, TN 37919

Independent Public Accounting Firm
Dixon Hughes Goodman LLP
500 Ridgefield Court
P.O. Box 3049
Asheville, NC 28802

Legal Counsel
Bass Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201

Shareholder Inquiries
Mountain Commerce Bancorp, Inc.
Stock Investor Relations
Attn: David A. Bright, EVP / Chief Financial Officer
6101 Kingston Pike
Knoxville, TN 37919
Phone: (865) 694-5731

Email: ir@mcb.com

www.mcb.com

1-866-622-1910 (866-MCB-1910)

Stock Symbol
MCBI

As a Mountain Commerce Bancorp shareholder, we encourage you to access your account(s) online at www.astfinancial.com. Here you can easily initiate a number of transactions and inquiries as well as access important details about your portfolio and general stock transfer information.

- Update your mailing address
- Access statement information
- Print a duplicate 1099 tax form
- Consolidate accounts
- Download stock transfer forms
- Request a replacement dividend check

You may also access this information via the Interactive Voice Response (IVR) system by calling (800) 937-5449. Outside of the US, dial 718-921-8386 | 866-703-9077.

By mail, contact our Transfer Agent at the address below:

Transfer Agent and Registrar
Mountain Commerce Bancorp, Inc.
c/o American Stock Transfer (AST)
6201 15th Avenue
Brooklyn, NY 11219

www.astfinancial.com

For current financial disclosure and Real-Time Level 2 quotes for Mountain Commerce Bancorp, Inc. "MCBI" visit www.otcm Markets.com

