





# 2020 Annual Report

## 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:

- Core<sup>1</sup> earnings grew 26.8% from \$12 million in 2019 to \$15.3 million in 2020
- Core<sup>1</sup> return on average assets improved from 1.38% in 2019 to 1.40% in 2020
- Core<sup>1</sup> return on average equity improved from 14.35% in 2019 to 15.70% in 2020
- Core<sup>1</sup> efficiency ratio declined to 43.95% in 2020 from 48.67% in 2019, which is among the best in the industry
- Core<sup>1</sup> 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

<sup>1</sup> 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.

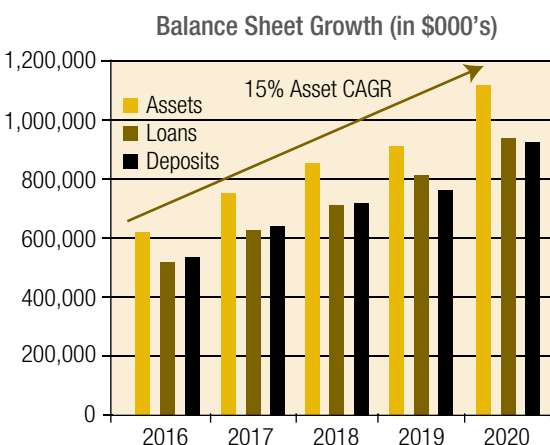
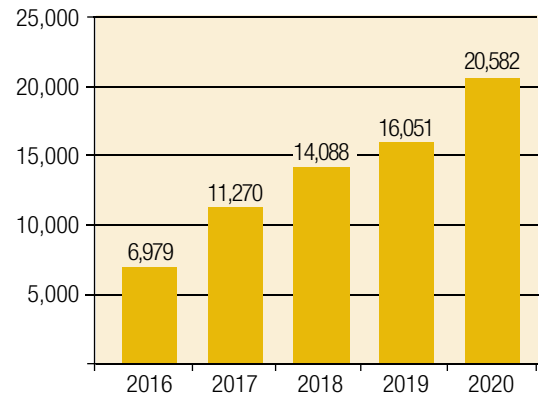
As an outcome, we enter 2021 poised with the belief that our strong asset quality and capital should result in another excellent year.

## 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)

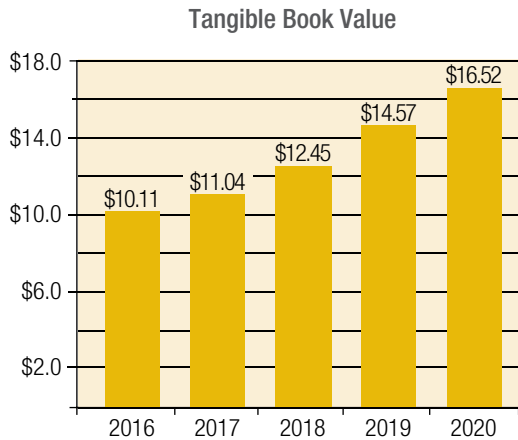


## The Balance Sheet Passed \$1 Billion for the First Time

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



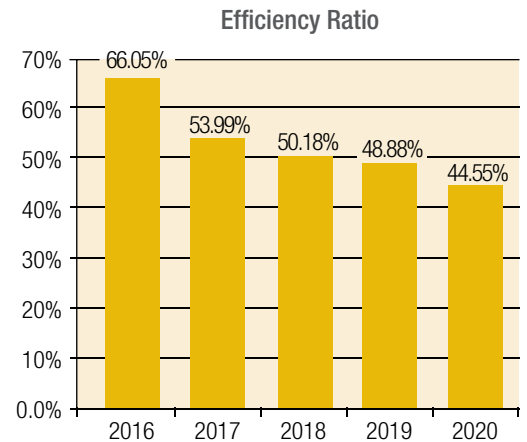
Total equity increased \$12.8 million, or 14.1%, from \$91 million at December 31, 2019 to \$103.8 million at December 31, 2020. This increase was primarily composed of net income of \$10.2 million, as well as an increase in the unrealized gain on investments available for sale. Tangible book value per 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

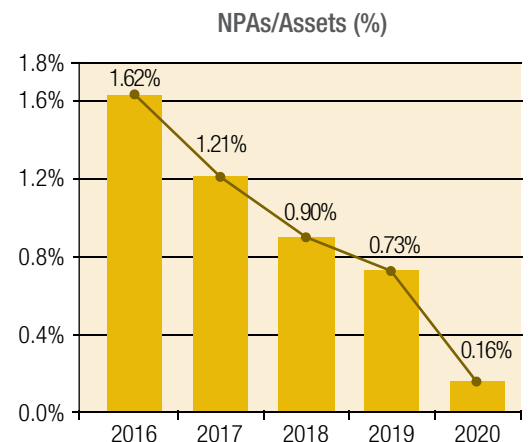
During 2020, we continued to operate one of the most efficient Banks in our peer group, with our efficiency ratio dropping to 44.55% in 2020 from 48.88% in 2019. The average efficiency ratio for all Banks with between \$1 billion and \$3 billion in assets was 61.7% as of December 31, 2020, according 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.

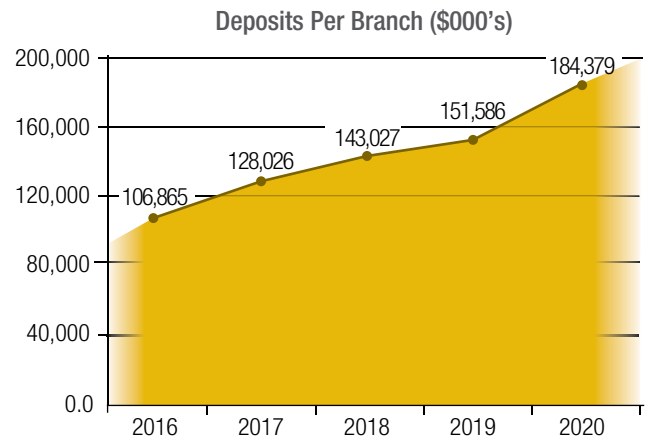




## We Remain Committed to a Branch-Light, Relationship Banking Model

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](mailto:ir@mcb.com)  
  
[www.mcb.com](http://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](http://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](http://www.astfinancial.com)

For current financial disclosure and Real-Time Level 2 quotes for Mountain Commerce Bancorp, Inc. "MCBI" visit [www.otcm Markets.com](http://www.otcm Markets.com)

