



For Immediate Release

Contact:

John M. Presley
Executive Chairman
865-774-4772
JPresley@BankSCB.com

or

Bobby R. Stoffle
President and CEO
865-774-4813
BStoffle@BankSCB.com

Sevier County Bancshares, Inc.

Reports Consolidated Net Income of \$99,004 and Core Earnings of \$430,311 for the First Quarter of 2020

May 5, 2020, Sevierville, Tennessee – Sevier County Bancshares, Inc. (the “Company”) (Pink Sheets: SVRH) parent company to Sevier County Bank (the “Bank”) reported today its financial results for the first quarter of 2020. For the three months ended March 31, 2020, the Company had a consolidated net income of \$99,004, or \$0.02 per share (wt. avg. outstanding (“WAO”)), compared to a consolidated net income of \$431,276, or \$0.29 per share for the same period in 2019, representing a 77% decrease in net income available to common shareholders in the first quarter of 2020 compared to the first quarter of 2019. Core earnings (excluding \$21,220 of legacy OREO income) were \$430,311, or \$0.11 per WAO share for the quarter ended March 31, 2020.

Earnings

Consolidated year to date net income for the three months ended March 31, 2020 was \$99,004, or \$0.02 per WAO share compared to consolidated net income of \$431,276, or \$0.29 per share for the same period of 2019; additionally, core earnings for the three months ended March 31, 2020 are \$430,311, or \$0.11 per WAO share compared to \$621,469, or \$0.42 per share of core earnings for the same period of 2019.

Factors contributing to the Company’s year to date consolidated net income for the three months ended March 31, 2020 include:

- Holding and other costs net of income related to legacy OREO for the three months ended March 31, 2020 resulted in income of \$21,220, compared to a \$192,377 loss for the same period of 2019, primarily from the year over year cost savings from the decrease in foreclosed asset holdings of \$9.6MM and the Dumplin Creek sale resulting in a \$23,380 disposition gain in 2020.
- Total Bank income (excluding legacy OREO Charges), which includes interest income and fee income, of \$3,471,520, compared to \$3,210,110 for the same period last year, a \$261,410 or 8% increase.
- Total Bank operating expenses (excluding loan provision) for the three months ended March 31, 2020 of \$2,952,595, compared to \$2,825,728 for the same period of 2019, a \$126,867 or 4% increase.



- Bad debt provision of \$360,000 for the three months ended March 31, 2020, compared to \$0 for the same period of 2019.

Balance Sheet

Total Assets at the Bank as of March 31, 2020, were \$333,311,927 compared to \$301,289,155 at March 31, 2019, an increase of \$32 million or 11%.

Factors contributing to the growth of the Bank and Company were:

- Total Loans increased to \$226,176,980 at March 31, 2020, from \$221,545,776 at March 31, 2019, a \$4.6 million or 2% increase.
- Investment securities increased to \$37,767,525 at March 31, 2020, compared to \$28,679,712 at March 31, 2019.
- Cash and due from Banks increased to \$54,437,485 at March 31, 2020, compared to \$27,737,288 at March 31, 2019.
- Total Deposits increased to \$299,050,898 at March 31, 2020, compared to \$282,426,922 at March 31, 2019.
- Total Company Equity Capital increased to \$27,256,415 at March 31, 2020, compared to \$17,549,219 at March 31, 2019, primarily from a \$13,000,000 equity raise during the third quarter of 2019. The capital infusion is partially offset by OREO losses and expenses at the Bank level and capital expenses.
- Total Bank Equity Capital increased to \$31,132,729 at March 31, 2020, compared to \$17,323,147 at March 31, 2019. Equity increased primarily from down-streaming from the \$13,000,000 capital raise and the \$5,000,000 Sub Debt issue by the Company, both during the third quarter of 2019, somewhat offset by the 2019 \$3.5 million loss and other costs from legacy OREO. Approximately \$15 million of the subordinated debt and equity proceeds were down-streamed by the Company to the Bank.

Asset Quality

Total OREO balance at March 31, 2020 dramatically decreased to \$977,200 compared to \$10,570,625 at March 31, 2019. Total past due loans at March 31, 2020 were \$2,971,748, or 1.31% of total loans, primarily due to one lending relationship (\$2.3 million) which was brought current by mid-April.



The following table reflects details related to asset quality and the allowance for loan losses (in thousands):

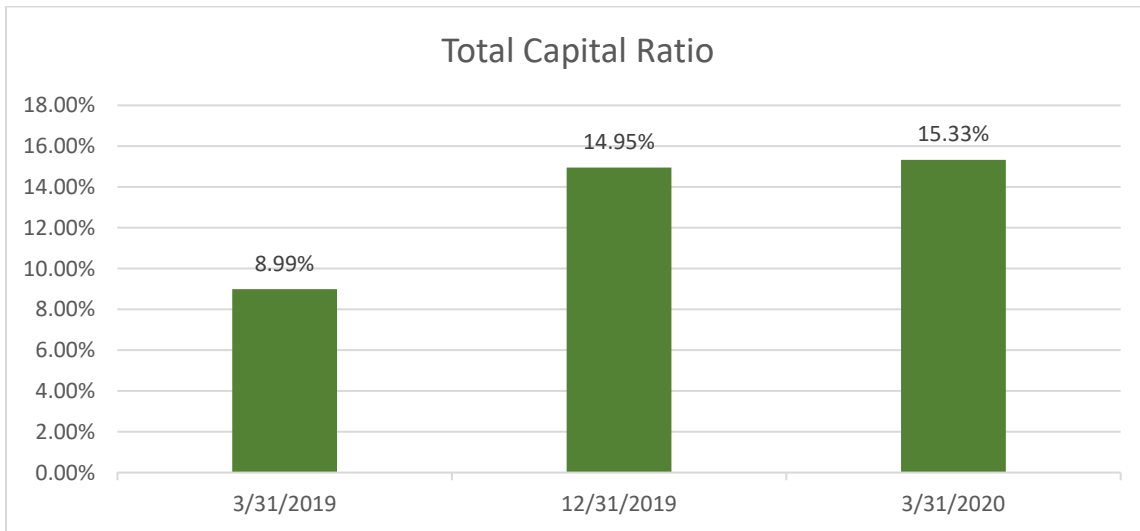
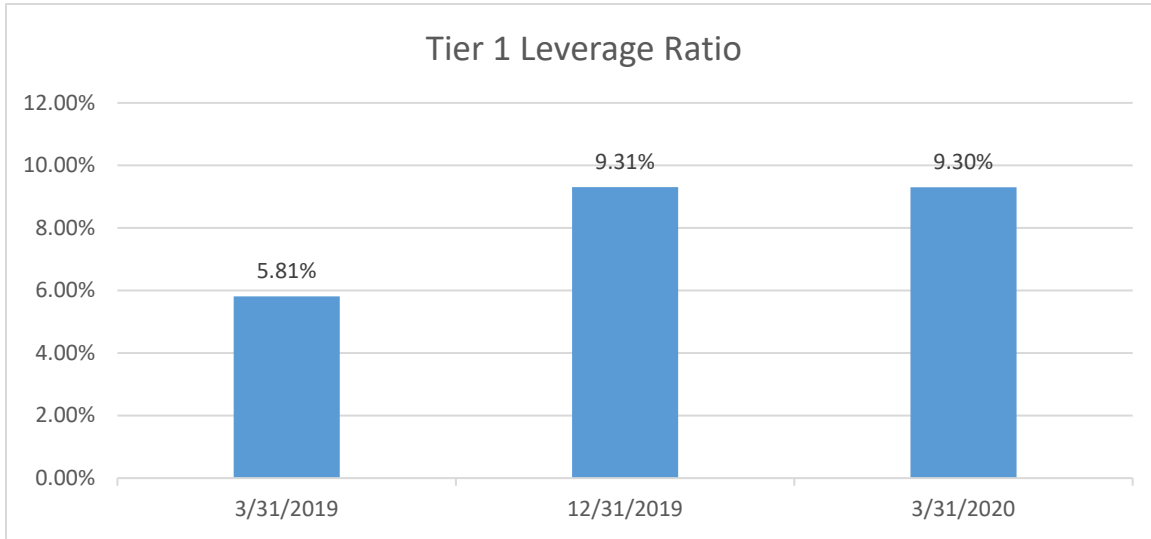
	March 31, 2020	December 31, 2019	March 31, 2019
Nonaccrual Loans	\$ 25	\$ 28	\$ 188
Loans past due 90 days and accruing interest	-	-	-
Total nonperforming loans	25	28	188
Other real estate owned	977	3,393	10,571
Total nonperforming assets	<u>\$ 1,002</u>	<u>\$ 3,421</u>	<u>\$ 10,759</u>
Key Ratios:			
Allowance for loan losses to period end loans	1.20%	1.04%	1.09%
Nonperforming assets to total loans & OREO	0.44%	1.49%	4.64%
Nonperforming assets to total assets	0.30%	1.03%	3.57%
Allowance for loan losses to nonaccrual loans	10,699.04%	8,544.96%	1,276.85%

For the Three Months Ended			
	March 31, 2020	December 31, 2019	March 31, 2019
Allowance for loan losses:			
Beginning balance	\$ 2,353	\$ 2,479	\$ 2,408
(Recovery of) provision for loan losses	360	-	-
Net Recoveries (charge-offs)	(7)	(126)	(2)
Ending Balance	<u>\$ 2,706</u>	<u>\$ 2,353</u>	<u>\$ 2,406</u>



Equity

The following tables illustrate graphically the Equity Capital narrative in the Balance Sheet discussion above.



As of March 31, 2020, the Bank is well-capitalized and in compliance with all regulatory orders for all regulatory capital ratios.



Other Significant Events

1. The Company engaged an independent third-party firm to conduct a stock valuation analysis as of December 31, 2019. The analysis resulted in a valuation of \$5.25 per share. The stock valuation is not intended to represent, and should not be interpreted as, a recommendation of any kind as to the desirability of purchasing or selling Company shares at a given price.
2. On January 30, 2020, the Bank and its fellow members in ETN-KLC, LLC, sold the Dumplin Creek foreclosed property at a modest gain.
3. During and especially near the end of March 2020, the local economy was increasingly negatively impacted by the global COVID-19 pandemic, as all non-essential businesses were closed and people encouraged to quarantine at home to slow the spread of the disease. Many businesses furloughed employees, at least temporarily offsetting years of positive employment trends and both fixed income and equity markets incurred volatility. At this time, the permanent local and global effects of COVID-19 are to be determined; however, the government has issued safeguards to lessen any permanent impact to the economy, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. Bank evaluation of the impact of the pandemic is monitored on an ongoing basis. Steps taken by Bank leadership in regard to COVID-19 include:
 - Increased frequency of applicable channels of communication focused on COVID-19 issues, including Tennessee Bankers CEO forum, Executive Team, cross-discipline Management Leadership Team, Employee Open Forums, peer bank information sharing and interdisciplinary informational on-line forums, especially as related to human resource, asset-liability management and SBA loan programs.
 - Implementation of customer and employee safety measures, including primary public customer service through drive-thru assistance and lobby access by appointment only for 6 weeks, ending May 4, remote employment where feasible and internal distancing of mission critical employees in conjunction with our Business Continuity Plan.
 - Various sanitization and distancing measures, including hand sanitizer stations at key areas throughout facilities, separation of operational areas and following CDC protocols.
 - Customer and community support consistent with regulatory and treasury guidelines, including temporary loan relief concessions and assisting customers applying for Paycheck Protection Program loans.
 - President Stoffle and Lead Director Wade participated on Governor Lee's Economic Recovery Bank Working Group.

Subsequent Events

1. Rescission of regulatory orders:
 - a. Effective April 3, 2020, the Tennessee Department of Financial Institutions (TDFI) terminated the Written Agreement with the Bank dated November 5, 2012.



- b. Effective April 6, 2020, the Federal Deposit Insurance Corporation (FDIC) terminated the Consent Order issued to the Bank on July 27, 2010,
 - c. Effective April 16, 2020, the Federal Reserve Bank of Richmond authorized rescission of the Company's Board Resolution agreement with the Federal Reserve dated July 20, 2009.
2. On May 1, 2020, the Company elected two new Directors, Mr. Doug Blalock and Mr. Svend Brooks. Directors Gary Wade and Joe Jim Summitt were re-elected to a 3-year terms.
3. On May 4, 2020, the Bank re-opened all lobbies to the public.

Readers are cautioned that this press release contains unaudited financial information and may include forward-looking statements made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current knowledge, assumptions, and analyses, which it believes are appropriate in the circumstances regarding future events, and may address issues that involve significant risks including, but not limited to: changes in interest rates; changes in accounting principles, policies, or guidelines; significant changes in general economic, competitive, and business conditions; significant changes in or additions to laws and regulatory requirements; and significant changes in securities markets. Additionally, such aforementioned uncertainties, assumptions, and estimates, may cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements.