

COUNTY BANCORP, INC. ANNUAL REPORT



In their shoes, in extraordinary times



COUNTY
BANCORP, INC.

Parent company of Investors Community Bank

Investors.ICBK.com

In their shoes, in extraordinary times

To say that 2020 was an unusual year would be an understatement. It was a year like no other, where just about everything changed ... including how we responded to and served our customers. We're proud to say that through it all, we remained true to our brand promise to walk in our customers shoes, even in these extraordinary times. Following is a summary of some of the ways we did that, and the impact on our organization.

Pandemic Response

While COVID-19 changed the world in 2020, the team at Investors Community Bank responded very well to this unanticipated challenge. Our pandemic plan for disaster recovery worked exceptionally well in serving our clients and we are very proud of how our team responded to this unexpected challenge. You'll see some of those highlights woven throughout this annual report.

2020 Performance

Despite the pandemic, we weathered the year well and finished strong. Here are some of the highlights:

- We increased our off-balance sheet loans, primarily in the agricultural space, by \$60.8 million. These loans are a mix of loan participations and government guaranteed loan sales, which drove our non-interest income. To put the magnitude of these loan sales into perspective, at year end 2020 we had \$812.6 million in sold or participated loans. These activities resulted in non-interest income of \$14.2 million in 2020, compared to \$13.4 million in 2019.
- We increased our client deposits by \$80.4 million in 2020, successfully executing on a major strategic initiative announced in the previous fiscal year. Much of this growth came in the form of non-interest or low-interest cost deposits, such as checking accounts and money market funds.
- We reversed approximately \$1 million of the \$2 million COVID-19 loan loss provision we took in 2020, due to a significant improvement in economic conditions.
- Additionally, we originated \$109 million of SBA PPP loans to support our commercial and ag customers in early 2020. As forgiveness of these loan occurred, primarily in the fourth quarter, we recognized the fees related to this program.
- Finally, we saw modest improvement in our credit quality for 2020. Our adverse classified ratio improved from 39.85% to 39.43%. As we navigated the early stages of the pandemic, we also provided payment relief to clients through some form of payment deferrals to mitigate the impacts of economic uncertainty. We are happy to say that at year end 2020, only 1.7% of our loan portfolio remained in some form of payment deferral.

While COVID-19 adversely impacted our performance in 2020, its impact was primarily felt in two large items, both of which fell in the first quarter. First, we experienced a goodwill write off of approximately \$5 million (which is a non-cash item). Consistent with other publicly traded banks, we decided to

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Welcome



Andrew Steimle
Chairman of the Board
County Bancorp, Inc.



Timothy Schneider
President, County Bancorp, Inc.;
CEO, Investors Community Bank

This report includes "forward-looking statements." Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that the forward-looking information presented in this document is not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking information contained here. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "plan," "seek," "comfortable with," "will," "expect," "intend," "estimate," "anticipate," "believe," "continue" or the negative thereof or variations thereon or similar terminology. Factors that may cause actual results to differ materially from those made or suggested by the forward-looking statements contained herein include those identified in County Bancorp, Inc.'s most recent annual report on Form 10-K and other filings with the Securities and Exchange Commission. Any forward-looking information presented herein is made only as of the date of publication of this annual report, and we do not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events or otherwise.

In their shoes, in extraordinary times (continued)

write off this amount given the difference between the market valuation of the asset and our book value. Secondly, due to the pandemic and the uncertainty impacting credit portfolios, all banks provided for a “COVID-19 Loan Loss Provision.” We applied factor analysis to the most critically impacted industries at the time and provided for approximately \$2 million of additional reserve. Both items impacted our 2020 performance.

Additionally, our bank (like most others) saw a decline in net interest income due to the Fed cutting interest rates in response to COVID-19.

Moving to capital allocation, we raised \$22 million of additional subordinated debt in 2020. We initially choose to raise this debt as a hedge against continued economic uncertainty and volatility. However, this move also strengthened our offensive positioning as the economic impacts from COVID-19 became quantifiable.

Further, we were one of the few regional banks in the country to continue our stock buyback plan during the pandemic, capitalizing on the disconnect between our long-term value and short-term economic impacts. We repurchased 567,118 shares during 2020, all at less than book value – enhancing long-term value for you, the shareholder. We also increased our quarterly dividend in the fourth quarter of 2020 from \$0.07 to \$0.10 per common share – another indication of our commitment continuously driving shareholder value.

2021: Looking Forward

- As we proceed through 2021, we feel much better about the direction of the economy. Unemployment in Wisconsin is around 4%. Commodity prices improved during 2020 and we expect continued strength in 2021 for our dairy producers. Couple these developments with the roll out of the vaccine, and it gives us confidence for a healthy and positive 2021.
- We will continue to drive for more client deposits in 2021 to transform the complexion of the liability side of our balance sheet. We continue to see solid success from our bankers on the ag, commercial and retail side driving this activity.
- Turning to credit quality, we are optimistic that we will see solid improvement in our credit metrics, particularly the adverse classified asset ratio and our non-performing assets, as we perform our annual reviews in the first half of 2021.
- We expect the interest rate environment to continue to remain low in 2021. Accordingly, we, along with the entire banking industry, will face an

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How we “walked in their shoes” during the COVID-19 pandemic

WI Dairy Promotion Program:

This program takes unprocessed milk from farmers, has it processed then delivers it to food banks. The bank donated \$10,000 to the cause plus our executive team and board personally supported it in the amount of \$17,000.

Food Bank Donations: We donated \$28,500 to area food banks in our communities.

Wisconsin Dairy Promotion Small Business Grant Program: We partnered with the cities of Manitowoc and Two Rivers, Manitowoc Public Utilities, The Chamber of Manitowoc County, and another community bank to offer \$500,000 total through a Small Business COVID-19 Relief Fund grant. Investors contributed in \$50,000 toward the grant program.

Grants: Through a partnership with The Federal Home Loan Bank of Chicago, we provided a total of \$41,000 in grants to nonprofit and small business customers impacted by COVID-19.

Fueling the Frontline: To show support of our community’s frontline workers and bank restaurant customers, we had food delivered to hospital systems in Manitowoc County as well as law enforcement in all of our branch markets through this program.



In their shoes, in extraordinary times (continued)

uphill battle in returning our net interest margin to pre-pandemic levels. Nonetheless, we continue to remain disciplined in our approach to pricing loans and deposits to stabilize our net interest income in 2021.

- We are seeing solid pipelines for loans from both our commercial and agricultural teams. In addition, we have been increasing our investment portfolio to supplement the loan growth, to assist in maintaining our net interest income.
- We recently announced an extension of our common stock repurchase plan in the first quarter of 2021 and will continue to use this as part of our disciplined and balanced capital allocation approach.



We are exceptionally proud of how our team responded to the COVID-19 challenges. Your bank continues to strive for long-term shareholder value. As always, if you have any questions please feel free to reach out to us.

Handwritten signature of Andrew Steimle in black ink.

Andrew Steimle

Handwritten signature of Timothy Schneider in black ink.

Timothy Schneider

PPP: How we “walked in their shoes” during the COVID-19 pandemic

When the Paycheck Protection Program first launched, we used innovation, dedication and leadership to determine what processes and procedures we needed to serve our customers. From quickly pulling a core team together to finding a technology partner to assist and working all hours of the day, we were a leader in the process in our market.

After the first phase of PPP concluded, we had funded 916 loans totaling \$106,370,900 and supporting 14,300 jobs. We also added 130+ new customers to the bank, whose previous financial institutions were not able to serve them.

Our dedication continues with the launch of PPP-2 in 2021, and we continue to serve customers through this phase.

ABOUT COUNTY BANCORP, INC.

CBI Annual Meeting	Virtual meeting on Tuesday, May 18, 2021, 2 PM. Details in the annual meeting notice and proxy.
Corporate Headquarters	2400 S. 44th St., PO Box 700, Manitowoc WI 54221-0700, (920) 686-9998, 1-888-686-9998
Transfer Agent	First Illinois Shareholder Services, 225 N. Water St., Decatur, IL 62523, 1-888-740-5512
Stock Listing	County Bancorp, Inc. common stock is traded on the Nasdaq Global Market under the symbol ICBK.
Shareholder Website	Investors.ICBK.com
Investor Relations	Shareholders, analysts, the news media and others desiring general information about the company or its subsidiaries may contact Glen Stiteley, CFO, at (920) 686-5658 or gstiteley@ICBK.com.



Selected Financial Highlights*

COUNTY BANCORP, INC. AND SUBSIDIARIES

For the Year Ended December 31, 2020 and 2019

	For the Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
<i>(Dollars in thousands except per share data)</i>		
Selected Income Statement Data:		
Interest income	\$55,475	\$66,332
Interest expense	<u>18,499</u>	<u>25,550</u>
Net interest income	36,976	40,782
Provision for loan losses	<u>2,984</u>	<u>423</u>
Net interest income after provision for loan losses	33,992	40,359
Non-interest income	14,250	13,393
Non-interest expense	39,645	32,684
Income tax expense	<u>3,118</u>	<u>4,616</u>
Net income	<u>\$5,479</u>	<u>\$16,452</u>
Per Common Share Data:		
Basic	\$0.79	\$2.37
Diluted	\$0.79	\$2.36
Cash dividends per common share	\$0.31	\$0.20
Book value per share	\$26.42	\$24.32
Tangible book value per share**	\$26.42	\$23.58
Weighted average common shares - basic	6,477,173	6,747,581
Weighted average common shares - diluted	6,505,198	6,768,925
Common shares outstanding, end of period	6,197,965	6,734,132
Performance Ratios:		
Return on average assets	0.38%	1.13%
Return on average common shareholders' equity**	3.15%	10.31%
Equity to assets ratio	11.67%	12.46%
Net interest margin	2.68%	2.93%
Interest rate spread	2.37%	2.58%
Non-interest income to average assets	0.98%	0.92%
Non-interest expense to average assets	2.74%	2.25%
Net overhead ratio	1.75%	1.33%
Efficiency ratio**	66.09%	57.49%
Dividend payout ratio	39.24%	8.47%
Asset Quality Ratios:		
Nonperforming loans to total loans	4.18%	2.99%
Allowance for loan losses to:		
Total loans	1.49%	1.47%
Nonperforming loans	35.58%	49.30%
Net charge-offs to average loans	0.32%	0.15%
Nonperforming assets to total assets	2.90%	2.65%
Capital Ratios:		
Shareholders' common equity to assets	11.12%	11.90%
Total risk-based capital (bank)	16.83%	18.70%
Leverage ratio (bank)	14.06%	14.68%
Tangible common equity to tangible assets**	11.12%	11.56%

*Additional financial information is available upon request or can be viewed at Investors.ICBK.com

**This is a non-GAAP measure. Refer to our Form 10-K filed with the SEC on March 12, 2021 for a reconciliation to the most comparable GAAP measurement.

Consolidated Balance Sheets

COUNTY BANCORP, INC. AND SUBSIDIARIES

December 31, 2020 and 2019

	As of December 31,	
	<u>2020</u>	<u>2019</u>
	<i>(Dollars in thousands except per share data)</i>	
ASSETS		
Cash and cash equivalents	\$19,084	\$108,457
Interest earning cash at other financial institutions	416	20,554
Securities available for sale, at fair value	352,854	158,733
FHLB stock	5,758	1,628
Loans held for sale	35,976	2,151
Loans, net of allowance for loan losses of \$14,808 as of December 31, 2020; \$15,267 as of December 31, 2019	981,477	1,020,506
Premises and equipment, net	14,898	13,603
Loan servicing rights	18,396	12,509
Other real estate owned, net	1,077	5,521
Cash surrender value of bank owned life insurance	31,275	18,302
Deferred tax asset, net	—	1,453
Goodwill	—	5,038
Core deposit intangible, net	54	225
Accrued interest receivable and other assets	<u>11,093</u>	<u>10,099</u>
Total assets	<u>\$1,472,358</u>	<u>\$1,378,779</u>
LIABILITIES		
Deposits:		
Noninterest-bearing	\$163,202	\$138,489
Interest-bearing	<u>877,624</u>	<u>962,953</u>
Total deposits	1,040,826	1,101,442
Other borrowings	49,006	794
Advances from FHLB	129,000	44,400
Subordinated debentures, net	67,111	44,858
Deferred tax liability, net	2,302	—
Accrued interest payable and other liabilities	<u>12,337</u>	<u>15,256</u>
Total liabilities	<u>1,300,582</u>	<u>1,206,750</u>
SHAREHOLDERS' EQUITY		
Preferred stock - \$1,000 stated value; 15,000 shares authorized; 8,000 shares issued	8,000	8,000
Common stock - \$0.01 par value; 50,000,000 authorized; 7,212,727 shares issued and 6,197,965 shares outstanding as of December 31, 2020; 7,178,052 shares issued and 6,734,132 shares outstanding as of December 31, 2019	29	28
Surplus	55,346	54,122
Retained earnings	118,712	113,111
Treasury stock, at cost, 1,014,762 and 443,920 shares at December 31, 2020 and 2019, respectively	(17,606)	(5,030)
Accumulated other comprehensive gain	<u>7,295</u>	<u>1,798</u>
Total shareholders' equity	<u>171,776</u>	<u>172,029</u>
Total liabilities and shareholders' equity	<u>\$1,472,358</u>	<u>\$1,378,779</u>

Consolidated Statements of Operations

COUNTY BANCORP, INC. AND SUBSIDIARIES

For the Years Ended December 31, 2020 and 2019

	For the Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
	<i>(Dollars in thousands except per share data)</i>	
INTEREST AND DIVIDEND INCOME		
Loans, including fees	\$48,906	\$59,706
Taxable securities	5,550	4,586
Tax-exempt securities	536	257
Federal funds sold and other	<u>483</u>	<u>1,783</u>
Total interest and dividend income	<u>55,475</u>	<u>66,332</u>
INTEREST EXPENSE		
Deposits	13,463	21,457
FHLB advances and other borrowings	1,405	1,350
Subordinated debentures	<u>3,631</u>	<u>2,743</u>
Total interest expense	<u>18,499</u>	<u>25,550</u>
Net interest income	36,976	40,782
Provision for loan losses	<u>2,984</u>	<u>423</u>
Net interest income after provision for loan losses	<u>33,992</u>	<u>40,359</u>
NON-INTEREST INCOME		
Services charges	469	550
Crop insurance commission	1,245	1,107
Gain on sale of loans, net	278	146
Loan servicing fees	10,255	9,998
Gain on sale of securities	671	341
Other	<u>1,332</u>	<u>1,251</u>
Total non-interest income	<u>14,250</u>	<u>13,393</u>
NON-INTEREST EXPENSE		
Employee compensation and benefits	21,306	19,112
Occupancy	1,277	1,402
Information processing	2,630	2,482
Professional fees	2,019	1,670
Depreciation and amortization	1,188	1,303
Write-down of other real estate owned	1,508	626
Cost of operation of other real estate owned, net	(86)	873
Goodwill impairment	5,038	—
Investment tax credit impairment	—	1,149
Other	<u>4,765</u>	<u>4,067</u>
Total non-interest expense	<u>39,645</u>	<u>32,684</u>
Income before income taxes	8,597	21,068
Income tax expense	<u>3,118</u>	<u>4,616</u>
NET INCOME	<u>\$5,479</u>	<u>\$16,452</u>
NET INCOME PER SHARE		
Basic	\$0.79	\$2.37
Diluted	\$0.79	\$2.36
Dividends paid per share	\$0.31	\$0.20

Investors Community Bank Officers

(as of 3/24/2021)

Trever J. Athorp	Vice President – Ag & Business Banking Officer
Nicole M. Bahn	Vice President – Senior Special Assets Officer
Tony J. Betley	Vice President – Sr. Ag Banking Officer
Mark R. Binversie	President
Julie Blaha	Banking Services Support Manager
Kevin Coffeen	Vice President - Sr. Ag Banking Officer
David A. Coggins	Executive Vice President – Chief Banking Officer
Elsa C. Condon	Vice President - Ag Banking Officer
Anne Denissen	Vice President - Treasury Management
William C. Deppiesse	Vice President – Sr. Business Banking Officer
Thomas D. Detienne	Vice President – Market President – SE Region
Kristina Dewitt	Vice President - Consumer & Mortgage
David J. Diedrich	Vice President – Sr. Business Banking Officer
Matthew Fehrmann	Vice President - Technology Solutions
John R. Fillingim	Executive Vice President – Chief Credit Officer
Steven J. Fleming	Vice President – Ag Banking Officer
Jennifer L. Foote	Senior Vice President – Risk & Compliance
Curtis L. Gerrits	Vice President – Ag Banking Officer
Tracy Gomoluch	Assistant Vice President - Ag Credit Manager
William C. Hodgkiss	Senior Vice President – Business Banking
Brian J. Hoskens	Vice President – Sr. Ag Banking Officer
Michael J. Hostak	Vice President – Information Security Officer
Jeffrey L. Jagodinsky	Vice President – Business Banking Officer
Frank Joachim	Vice President - Assistant Treasurer
Matthew K. Kasdorf	Senior Vice President - Deputy Chief Credit Officer
Julian La Mue	Vice President - Market President - Green Bay
Cari A. Larsen	Vice President – Controller
Matthew R. Lemke	Executive Vice President – Chief Retail & Deposit Officer
Mark D. Ludtke	Assistant Vice President – Ag Banking Officer
Mark C. Maurer	Vice President – Sr. Business Banking Officer
Timothy S. McTigue	Senior Vice President – Agricultural Banking
Jennifer M. Menzynski	Assistant Vice President - Sr. Appraisal Manager
Mark A. Miller	Executive Vice President – Chief Risk Officer & Bank Counsel
Thomas J. Pennings	Vice President – Sr. Business Banking Officer
Renee A. Petersen	Vice President – Electronic Banking
Sarah E. Peterson	Vice President – Credit Administration
Carrie Pleasant	Assistant Vice President - Banking Services Manager I
Sandra M. Retzki	Vice President – Sr. Business Banking Officer
Craig C. Rogan	Vice President - Ag Banking Officer
JoAnn M. Rutta	Assistant Vice President – Banking Services Manager II
Alison Schaus	Assistant Vice President - Assistant Controller
Amy L. Schmitting	Assistant Vice President - Deposit Operations Manager
Christopher J. Schneider	Vice President – Sr. Ag Banking Officer
Timothy J. Schneider	Chief Executive Officer
Scott V. Schroeter	Assistant Vice President - Ag Banking Officer
Robert A. Seal	Vice President – Business Banking Officer
Roger P. Sinkula	Assistant Vice President – Ag Banking Officer
Sharon A. Slager	Assistant Vice President – Governmental Guarantee Loan Program
James J. Smidel	Assistant Vice President – Ag Banking Officer
Karl C. Spaay	Assistant Vice President - Business Credit Manager
Brooke R. Sprang	Senior Vice President – Human Resources
Katelin R. Steege	Vice President – Credit Officer
Mark J. Sterr	Vice President – Sr. Business Banking Officer
Kristy L. Stiefvater	Assistant Vice President - Business Banking Officer
Glen L. Stiteley	Executive Vice President – Chief Financial Officer
Debbie L. Suettinger	Assistant Vice President – Sr. Benefits & Compensation Specialist
Rose K. Thompson	Assistant Vice President - Banking Services Manager II
Susan M. Van De Hey	Vice President – Loan Operations
Jason Wery	Assistant Vice President - Banking Services Manager II
Laura A. Wiegert	Senior Vice President – Marketing & Corporate Communications
Cyrene N. Wilke	Senior Vice President – Operations & Technology

Senior Management of County Bancorp, Inc.

Andrew J. Steimle, Chairman of the Board

Timothy J. Schneider, President

Glen L. Stiteley, Chief Financial Officer and Treasurer

Mark A. Miller, Secretary and Securities Compliance Officer

William C. Censky, Chair Emeritus

Board of Directors - County Bancorp, Inc. / Investors Community Bank

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Investors Community Bank

William C. Censky
Investors Community Bank (Ret.)

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Nutrition Professionals, Inc.

Jacob B. Eisen
ConnexPay LLC

Edson P. Foster, Jr.
Foster Needle Co., Inc. (Ret.)

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Financial Services of Northeast Wisconsin, Inc.

Wayne D. Mueller
Investors Community Bank (Ret.)

Patrick J. Roe
First Comm. Financial Partners, Inc. (Ret.)

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Investors Community Bank

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Gary J. Ziegelbauer
Triangle Distributing, Inc.

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Ebel Consulting, LLC

Richard Okray
Okray Family Farms, Inc.

Bill Mullins, Mullins Cheese, Inc.

LouAnn Schulfer
Schulfer & Associates Wealth Management

Kenneth Turzinski, TYRI Americas



We were saddened by the recent passing of John Buzza (Buzza, Dreier & Johnson LLC), who was a member of our Central Wisconsin Regional Consulting Board. John was a valued contributor to this group, and he will be missed.

