Results of Operations - In a very short amount of time, the COVID-19 pandemic has changed the way we do business. Landmark's remarkable asset quality improvement enabled us to act decisively and immediately to meet the needs of our employees, customers and communities. We continue to take significant and proactive steps to prepare for the economic fallout that is likely yet to come as a result of this worldwide pandemic. The favorable financial trends for the Bancorp continued to improve inthe first quarter of 2020, despite this economic turmoil. An analysis of core bank net income clearly reveals the significant improvement compared to last year at this time after adjusting for nonrecurring items such as the $200 thousand gain on the sale of credit cards last year and the $100 thousand contribution to the reserve for loan losses related to the pandemic. Although the duration and magnitude of this pandemic is still highly uncertain, management believes the financial position of the bank is better than ever, with high levels of capital, liquidity and asset quality metrics, which will allow us to endure this uncertain economic time. The board strengthened the bank further by authorizing a $1.0 million dividend from the Bancorp to the bank and suspending the quarterly dividend payments enabling the Bank to continue to meet the immediate needs of our Landmark community. We are here to support our customers, staff, shareholders, and-everyone in our communities through this pandemic and beyond. Net interest income and average earning assets declined year over year due to the sale of $10.3 million manufactured housing loans in June 2019.

Earnings Highlights

	1Q20	1Q19	4Q19	Change 1Q 2020 vs. 1Q19	Change 1Q 2020 vs. 4Q19
Net Income (Loss)	$ 219,719	$ 232,893	$ 211,128	-5.7%	4.1%
Earnings per common share	$ 0.09	$ 0.10	$ 0.09	-10.0%	0.0%
Annualized **return** on average assets	0.27%	0.29%	0.26%	-6.9%	3.8%
Annualized **return** on common equity	2.61%	2.94%	2.60%	-11.2%	0.4%

Net Interest Income

	1Q20	1Q19	4Q19	Change 1Q 2020 vs. 1Q19	Change 1Q 2020 vs. 4Q19
Average Earning assets	$ 309,165,822	$ 312,807,805	$ 308,013,643	-1.2%	0.4%
Net Interest Income	$ 2,363,806	$ 2,551,562	$ 2,420,326	-7.4%	-2.3%
Net Interest Margin	3.07%	3.31%	3.12%	-7.3%	-1.6%

Provision for Credit Losses/Asset Quality. The provision for credit losses was $136,000 in the first quarter of 2020, compared with an expense of $109,000 in the year earlier and a reduction of expense of $81,000 in the fourth quarter of 2019. The first quarter provision of $136,000 includes $100,000 directly related to the COVID-19 epidemic. Management applied forbearance measures across the bank's loan portfolios and continues to work with consumers and businesses that have been negatively impacted by this pandemic. While we don't currently see forbearance measures as an indication that our portfolio will experience a sharp rise in credit losses, there is still a great deal of uncertainty on the timing and the true impact this pandemic has caused to our overall economy and our existing portfolio.

Net charge offs in the loan portfolio during the recent quarter aggregated $20,000 compared with net charge offs of $77,000 in the same quarter of 2019 and net recoveries of $23,000 in the fourth quarter of 2019. Expressed as a percentage of average loans outstanding, net charge offs were 0.01% of the average loans for 2020 and 0.03% of the average loans for 2019.

Loans classified as nonaccrual totaled $587,000 or 0.23% of total loans outstanding at March 31, 2020, compared with $2,020,990 or 0.81% a year earlier and $784,000 or 0.32% of total loans outstanding at December 31, 2019. Management continues to work diligently to reduce these non-performing assets and replace them with high-quality loans when possible. Other real estate and foreclosed assets owned was reduced to $886,000 in the most recent quarter end compared to $1,478,000 a year earlier and $1,113,000 in the previous quarter. This reduction was due to the sale of the remaining purchased manufactured homes owned by the bank. Management continues to follow an orderly disposition strategy to liquidate the remaining properties as soon as reasonably possible. Remedying these troubled assets has been a top priority for management and as a result of this focus, non-performing assets have declined over 60% from the same period one year ago. This resolution of non-performing assets has been recognized as a matter of paramount importance for restoring significant and sustainable growth.

Allowance for Credit Losses. Management regularly performs detailed analyses of individual borrowers and portfolios for purposes of assessing the adequacy of the allowance for credit losses. As a result of those analyses, the allowance for credit losses totaled $3,131,00 for March 31, 2020, compared with $3,316,000 a year earlier and $3,015,00 for December 31, 2019. The allowance expressed as a percentage of outstanding loans was 1.25% at March 31, 2020 compared with 1.32% a year earlier and 1.22% in the prior quarter. Management believes the current level of ALLLR is commensurate with the overall risks associated with the loan portfolio. However, management will continue monitoring the impact of the pandemic and increase the reserve as needed.

Asset Quality Metrics

At the end of quarter	1Q20	1Q19	4Q19	Change 1Q 2020 vs. 1Q19	Change 1Q 2020 vs. 4Q19
Nonaccrual loans	$ 587,048	$ 2,020,990	$ 784,395	-71.0%	-25.2%
Real estate and other foreclosed assets	$ 885,784	$ 1,477,601	$ 1,113,303	-40.1%	-20.4%
Total accruing loans past 90 days or more	$ -	$ 233,324	$ 8,765	-100.0%	-100.0%
Consisting of:					N/A
Purchased Credit Impaired Loans past due 90 days or more	$ -	$ 204,199	$ -	-100.0%	N/A
All other bank loans accruing and past due 90 days or more	$ -	$ 29,125	$ 8,765	-100.0%	-100.0%
Total nonperforming assets	$ 1,472,832	$ 3,731,915	$ 1,906,463	-60.5%	-22.7%
Nonperforming assets as % of total assets	0.45%	1.13%	0.58%	N/A	N/A
Nonaccrual loans as % of gross loans outstanding	0.23%	0.81%	0.32%	N/A	N/A
Allowance for credit losses	$ 3,131,191	$ 3,315,780	$ 3,014,832	-5.6%	3.9%
Allowance for credit losses as % of gross loans outstanding	1.25%	1.32%	1.22%	N/A	N/A
For the period					
Provision / (recoveries) for credit losses	$ 136,461	$ 108,794	$ (80,775)	25.4%	-268.9%
Net charge-offs / (recoveries)	$ 20,103	$ 76,952	$ (23,282)	-73.9%	-186.3%
Net charge-offs / (recoveries) as % of average loans	0.01%	0.03%	-0.01%	N/A	N/A

Non-interest Income and expense. Non interest income was $544,000 in the first quarter of 2020, or an increase of $50,000 when compared to $494,000 in the year-earlier quarter. Investment securities were sold throughout the quarter and net gains on the sale totaling $87,000 were recognized in 2020 or an increase of $71,000 from the previous year. Mortgage banking revenues increased $78,000 from a year earlier; Service charges on deposit accounts have increased $17,000 from last year; LCB Advisor income decreased $17,000; and there was an additional $130,000 increase in other commercial income resulting from a new product line. In February of 2019 the bank sold the remaining credit card loans which resulted in a $200,000 gain on the sale and a $23,000 reduction in 2020 interchange income.

Non-interest Income								
							Change 1Q 2020 vs.	
		1Q20		1Q19		4Q19	1Q19	4Q19
Mortgage banking revenues	$	113,655	$	35,595	$	83,859	219.30%	35.53%
Service charges	$	69,742	$	53,189	$	57,453	31.12%	21.39%
Gain (loss) on sale of loans	$	-	$	200,236	$	-		#DIV/0!
Gain (loss) on sale of investment securities	$	87,353	$	15,568	$	-		
Other revenues from operations	$	273,364	$	189,527	$	95,753	44.24%	185.49%
Total other income (loss)	$	544,114	$	494,115	$	237,065	10.12%	129.52%

Noninterest expense in the first quarter of 2019 totaled $2,511,000 compared with $2,677,000 same quarter of 2019. Salaries and employee benefits increased $19,000 in the current year. Professional fees have declined $70,000 from previous quarter end and is a result of lower asset quality related legal fees. The reduction in FDIC insurance is related to credits received by all small, federally insured banks due to the FDIC fund reaching and exceeding its statutorily required minimum reserve ratio. The bank's improved asset quality metrics also contributed to the reduction. Other operating expenses include $128,000 of expenses associated with the sale of the remaining manufactured housing loans owned by the bank and still declined $108,000 year over year. The sale of the credit card portfolio resulted in a $24,700 expense reduction by eliminating the revenue sharing and rewards related expenses. Advertising and business development expenses were $23,000 lower in 2020 and a $30,000 gain on the sale of bank equipment in 2019 did not occur in 2020.

Non-interest Expense								
							Change 1Q 2020 vs.	
		1Q20		1Q19		4Q19	1Q19	4Q19
Salaries and employee benefits	$	1,399,131	$	1,380,147	$	1,415,855	1.38%	-1.18%
Equipment and net occupancy	$	352,894	$	336,088	$	330,281	5.00%	6.85%
FDIC assessments	$	20,018	$	62,220	$	905	-67.83%	2111.40%
Advertising and marketing	$	15,840	$	66,492	$	26,382	-76.18%	-39.96%
Printing postage and supplies	$	21,477	$	22,756	$	31,394	-5.62%	-31.59%
Other operating expenses	$	701,328	$	809,464	$	688,768	-13.36%	1.82%
Total other expense	$	2,510,687	$	2,677,167	$	2,493,585	-6.22%	0.69%

The **efficiency ratio**, or noninterest operating expenses divided by net interest income and noninterest income (exclusive of gains and losses from bank investment securities), measures the relationship of operating expenses to revenues. Landmark Community Bank's efficiency ratio was 89.01% in the first quarter of 2020, compared with 88.26% in the year-earlier quarter and 93.84% in the fourth quarter of 2019.

Balance Sheet. Landmark Bancorp Inc. had total assets of $325,096,000 at March 31, 2020, compared with $330,953,000 a year earlier. Investment securities finished the quarter at $57,598,000 an increase of almost $6,000,000 from the same quarter in 2019. Net loans fell $781,000 to $246,817,000 at March 31, 2020 from $247,598,000 a year earlier. In June 2019, the bank sold $10,300,000 in high yielding but high-risk purchased manufactured home loans. Total deposits were $270,873,000 for the recent quarter-end, a decline of 4.2% from the same quarter ending 2019. This decline is a result of a reduction in assets as well as a restructuring of the portfolio to reduce the amount of time deposits, which have been reduced by 11.9% from the prior year quarter end.

Total shareholders' equity was $33,703,000 at March 31, 2020, an increase of $1,300,000 from $32,396,000 at March 31, 2019, representing 10.37% and 9.79% of total assets, respectively. The net unrealized gain on the company's investment portfolio increased from a $190,000 loss in 2019 to a $567,000 gain in 2020, which represents a $757,000 increase in capital from the same period last year. These unrealized gains and losses are excluded from the bank's regulatory capital ratios and the bank remains well capitalized at March 31, 2020.