

2017 ANNUAL REPORT

MOVING AT THE SPEED OF LIFE



**Town and
Country** 
Financial Corporation



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MISSION AND CORE VALUES



MOVING AT THE SPEED OF LIFE

Dear Shareholders,

The pace of change in our business is hastening, and that's good for us. The banks that will succeed are those capable of adapting to change and keeping up with the expectations of customers and clients. Whether it's buying a home, obtaining capital for a business or taking care of other banking needs, customers rightly expect their bank to keep pace and keep current. We are doing just that.

Our industry is changing rapidly. What hasn't changed is that individuals and families still want to buy homes, and business owners still need capital. What has changed is the way in which they obtain their needed financial services. Technology has evolved, affecting almost every aspect of banking. While many banks look back and hope for a return to "normal," we embrace the change with a sense of optimism for both our customers and us. We believe what truly sets us apart is the expertise and the execution we provide our clients, particularly when we're moving at the speed of their life.

During 2017, we have taken many steps to further improve upon our expertise and our execution from our customers' perspective. In the mortgage banking space, our staff already know that "we close every loan on time, every time." Especially when a customer is going through the stressful process of buying a home, nothing less is acceptable. But we don't rest on our laurels. We invested again in 2017—in new systems, training, people and other resources to keep that promise into the future.

We have also taken steps to improve the value of our commercial banking business. Most importantly,

we have added several seasoned commercial bankers throughout our markets to continue to deliver the type of expertise that our business clients value. We are also making investments in our systems and processes to improve our competitiveness in this area as well. There is plenty of uncertainty in business already—we strive to provide certainty. We have big goals—for our customers and ourselves. **When we move at the speed of life, we know our customers succeed.**

We are proud of our many accomplishments during 2017. Our acquisitions from 2016 were further integrated into the corporation and achieved the financial and performance results planned. We added expert bankers to our teams, rounding out our presence in Morgan, Madison and St. Clair counties. We opened our new branch in Decatur in April 2017, after several years of successful growth in that market. We also expanded into the McLean County market through a new Loan Production Office (LPO) in Bloomington-Normal, led by seasoned bankers.

We posted record financial results. Our core net income for the year was \$5.1 million—the first time our company has exceeded \$5 million in profits. When including certain gains and losses, tax adjustments and other one-time items, our reported profits were \$5.6 million. Our return on equity ratio exceeded 10% for the second year in a row, with a core ROE of 10.1% in 2017. Our earnings per share were \$1.98, an increase of 19% over 2016.

Our total shareholder return was nearly 13%, when including the dividend of \$0.16 per share and the increase in book value per share of \$2.01 during

2017. Our reported book value per share ended the year at \$18.85.

And, we accomplished these results while also maintaining our quality balance sheet and improving our capital positions over the prior year. Our total nonperforming loan ratio was 0.46%, and our coverage ratio was 235% at December 31, 2017. For Town and Country Bank, the tier 1 and total risk-based capital ratios were 11.7% and 12.7%, respectively, compared to 11.5% and 12.5% the prior year.

We are very optimistic about our future results. For the first time in many years, the tides have changed for the outlook of banking regulation. Instead of legislators and regulators creating more mindless paperwork and complexity with basic banking products, there is finally an effort afoot to relieve the regulatory burden that community banks face so that we can free up more resources to do what we do best—help improve the financial lives of customers and support the economic well-being of our communities. We are excited about the improvement in our local and national economies. Our bank saw a significant improvement in business activity and loan demand, particularly in the latter part of 2017, that we hope foretells of further prosperity for everyone. Recent and forecasted rate hikes provide both opportunities and challenges for our bank. But we are excited as rising rates are part of a growing economy, which we hope signals a return to the type of economic growth rates for which we know our country and local markets are capable. (cont.)



Micah R. Bartlett, President & CEO
David E. Kirschner, Executive Chairman

“The most important part of life is the people with whom we get to engage.”



(Letter to shareholders cont.)

The most important part of life—personal life or business life—is the people with whom we get to engage. We feel honored and proud to have the great fortune to work with real professionals. There were a few well-deserved retirements in 2017, and we have an awesome mix of long-tenured employees along with many new faces added to our growing company. We honed our new leadership team, pictured herein, and established clear priorities, accountabilities and management systems to align our company’s efforts and resources with our business goals.

We all share the strong desire to accomplish our company’s mission: empowering the financial well-being of our communities, one person at a time. And we all came together in 2017 to discover and articulate the core values that run deep in our company and provide the bedrock of our culture:

Teamwork: Working together to achieve a common purpose.

Achievement: Results oriented; success through goals; celebrate excellence and accomplishment.

Positive Thinking: We see the good/opportunity in everything, with optimism and upbeat attitudes.

Passion: We tackle our role based on the direction and purpose of the company.

Life moves fast, and too often life is too short. It is with great sadness that we mourn the loss of our colleague Sheri Pulliam, Senior Trust Officer. Sheri passed away in early 2018. She was extremely intelligent and one of the most knowledgeable individuals we’ve ever come across in the areas of ERISA, retirement plans, trusts and investments. While we already miss her professional contributions to our company, the real loss is her friendship. She was a very down-to-earth individual and was respected and beloved by both her customers and her coworkers. She will always hold a special place in our hearts and in our banking family.

Thank you for your interest and investment in this company. Every year we look back with honesty and pride about what has been accomplished and look forward with optimism. There is an excitement at Town and Country—for our future and for what we know we can still yet accomplish for our customers and ourselves. We thank our loyal shareholders for allowing us to continue moving at the speed of life.

Sincerely,

Micah R. Bartlett
President & CEO

David E. Kirschner
Executive Chairman



BOARD OF DIRECTORS

From left: Bart Solon, John Cobb, John Staudt, Micah Bartlett, David Kirschner, Mark Roberts, Jr., Don Evans and Lou Dixon



EXECUTIVE LEADERSHIP

From left: Jason Barth, Joe Pauk, Micah Bartlett, Grant Franklin and Dana Dow

Customer Spotlight: WC Media

IT'S MORE THAN JUST BUSINESS

For Nick and Danielle Giacomini, it was always personal. After college the two decided to pursue their personal passion of becoming business owners. Always fascinated with advertising, the now married couple started a small media company in Springfield. Fast forward twenty-two years and WC Media is a full-service, out-of-home advertising agency that reaches across the Midwest with traditional and digital billboards. “We listened then and continue to listen to our customers,” said Nick and Danielle. Their needs and our passion have built our company into what it is today.”

As business continued to expand, the Giacominis needed a financial partner that not only understood their industry but also believed in their vision, could match their commitment to excellence and appreciated the heart and soul that goes into a family business.

The couple were already relying on Town and Country Bank for their personal banking needs. It just made sense to consider them for their corporate accounts.

“Their fair proposal, attention to our needs and belief in our company was all it took to gain our attention,” said Nick and Danielle. However, it was our initial meeting with Steve Gnuse, EVP & Community Bank President for Sangamon

County, which left a lasting impression in our minds. During that meeting, Steve shared a billboard book with us he had been reading to better understand our business. It was that dedication and approach that gave us the confidence to move our business to Town and Country Bank.”

Five years later, the partnership is stronger than ever. Two of the couple’s four children are even learning the ropes of the business. The personal attention, convenient locations and client-centered service gives the family the ability to focus on daily operations without worry. The confidence Town and Country has in their vision as well as their support allows inventory to expand and business to grow. But it’s the community feeling, the relationship and personal touch that feels like family, that Nick and Danielle value most. They’ve partnered with a group of people who truly believe in their business and will continue to walk with them, side by side.

“Town and Country is our neighbor; they know all of our employees by name and respond to our needs very quickly,” said Nick and Danielle. “Steve has even been known to hand deliver banking documents to our office manager. It’s very comforting to know Town and Country Bank is supporting us every step of the way.”





Full Speed Ahead

In 2017, Town and Country Financial Corporation moved at the speed of life. Simply, because you did. Fast-paced lives, multiple priorities and evolving technology calls for more convenient and efficient banking. To that end, we made large strides to expand our presence and services, create more efficient technology and strengthen our commitment to the community.

As we settled into the new branches acquired in recent years, Town and Country continued to build the brand in the new market areas, such as Metro East. In addition, we entered a new market in 2017 by opening a Loan Production Office (LPO) in the Bloomington-Normal area of Illinois. Initially, this office will focus on business and mortgage lending in McLean and surrounding counties. To better coordinate this growth and success, we grew our team of Community Bank Presidents for all markets we serve. These seasoned professionals are responsible for commercial banking and community relations within their market.

On the home real estate front, Town and Country Banc Mortgage Services continues to be a leader in mortgage lending. We can lend in 46 of the 50 states, which helps meet the growing needs of our current and prospective customers. And for small businesses, we hired a program manager to continue expanding our lending services. As a Small Business Administration (SBA) Preferred Lender and community bank, we are dedicated to helping local small businesses succeed.

We also kept an eye on evolving banking technology and made several upgrades to better meet customers' needs and modernize the banking experience, including:

- **Online Mortgage Application** – Customers can apply for a mortgage through individualized mortgage lender web pages, keeping the relationship personal.

- **Mortgage E-Statements** – We upgraded our systems so customers can now opt to receive their mortgage statements online.
- **Mastercard® Debit Cards** – We made the switch to Mastercard debit cards so our customers can take advantage of additional benefits like price protection, theft protection and satisfaction guarantees.
- **Mobile banking** continued to grow, and we saw increased interest around our bank-on-the-go options, including:
 - Online Banking
 - Online Bill Pay
 - Mobile Banking
 - Text Banking
 - Mobile Deposit
 - Person-to-Person Payments
 - Bank-to-Bank Transfers

And finally, one special point of pride from 2017 was the work and outreach of our affiliate Town and Country Community Development Corporation (TCCDC). This organization was developed to help improve our community, and we are carrying out this work in various ways, most notably with our Affordable Housing Financing Program and involvement with the Enos Park Neighborhood Improvement Association. TCCDC assisted Enos Park in the development and application of a Home Rehabilitation Program, aimed at improving the appearance, weatherization, energy efficiency and value of homes while promoting home ownership and contributing to the viability of the neighborhood.

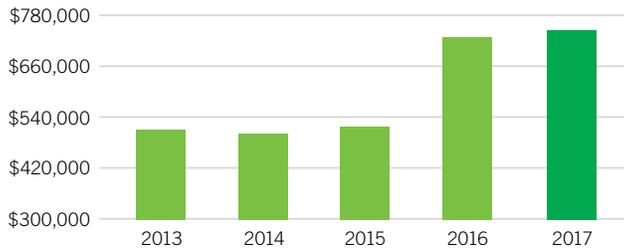
FINANCIAL SUMMARY

in thousands except per share, shares outstanding and ratio data

As of or for the year ended December 31,	2017	2016	2015	2014	2013
Selected income statement items					
Net interest income	\$21,530	\$19,882	\$15,437	\$14,929	\$14,071
Income from mortgage banking activities	5,550	5,756	4,464	3,371	4,451
Other non-interest income (excluding non-core items)	4,950	4,645	3,666	3,295	3,344
Total net revenue	32,030	30,283	23,567	21,595	21,866
Provision for credit losses	1,020	1,230	1,030	215	566
Noninterest expense (excluding non-core items)	24,378	22,901	17,551	17,254	17,221
Income before income tax expense and non-core items	6,632	6,152	4,986	4,126	4,080
Income tax expense (2017 excludes tax benefit from tax change)	1,530	1,559	1,542	1,330	1,384
Core Net Income	5,102	4,593	3,444	2,796	2,696
Net income from non-core items	543	129	459	215	383
Net income	5,645	4,722	3,903	3,011	3,079
Preferred stock dividend	-	9	50	50	50
Net income available to common stockholders	\$5,645	\$4,713	\$3,853	\$2,961	\$3,029
Detail non-core items (after tax):					
Gain on sale of securities	\$163	\$600	\$795	\$215	\$383
Other non-core items	(20)	(471)	(336)	-	-
Tax benefit from tax change	400	-	-	-	-
Per common share					
Basic earnings per share	\$1.98	\$1.66	\$1.37	\$1.06	\$1.08
Cash dividends declared per share	\$0.16	\$0.12	\$0.12	\$0.12	\$0.12
Book value per share	\$18.85	\$16.84	\$15.59	\$15.44	\$14.21
Weighted-average common shares outstanding (net of treasury shares)	2,850,599	2,845,204	2,819,097	2,792,704	2,792,704
Selected ratios					
Return on common equity	11.10%	10.32%	8.66%	7.15%	7.92%
Return on assets	0.76%	0.69%	0.77%	0.60%	0.61%
Common equity tier 1 (TCB only)	11.7%	11.5%	11.4%	NA	NA
Tier 1 leverage ratio (TCB only)	8.7%	8.4%	9.3%	9.5%	9.5%
Total risk-based capital ratio (TCB only)	12.7%	12.5%	12.5%	13.1%	12.8%
Selected balance sheet data (period-end)					
Total assets	\$749,238	\$738,892	\$520,344	\$498,968	\$508,018
Securities	172,389	189,871	106,827	107,832	113,623
Net loans including loans available for sale	501,874	476,657	364,761	350,980	344,481
Mortgage loans sold with servicing retained	623,058	583,598	447,649	405,811	394,137
Deposits	592,385	584,054	402,702	397,516	411,615
Total stockholders' equity	53,861	47,910	44,347	43,118	39,678
Credit quality					
Allowance for loan loss	\$5,355	\$5,161	\$4,278	\$3,504	\$3,508
Nonperforming loans (NA + 90 DPD)	\$2,279	\$3,150	\$2,166	\$608	\$1,228
OREO	\$515	\$195	\$380	\$522	\$1,440
Allowance for loan loss to total loans, excluding loans held for sale	1.07%	1.09%	1.18%	1.03%	1.04%
Coverage (allowance for loan loss to nonperforming loans)	235%	164%	197%	577%	286%
Net charge-offs	\$825	\$347	\$257	\$219	\$252
Net charge-off rate (to average loans)	0.17%	0.08%	0.07%	0.07%	0.08%

MANAGEMENT'S DISCUSSION AND ANALYSIS

ASSETS
\$ in 000s



Assets were \$749 million at December 31, 2017, up slightly from the prior year end.

LOANS OUTSTANDING AND AS A PERCENTAGE OF TOTAL ASSETS
\$ in 000s



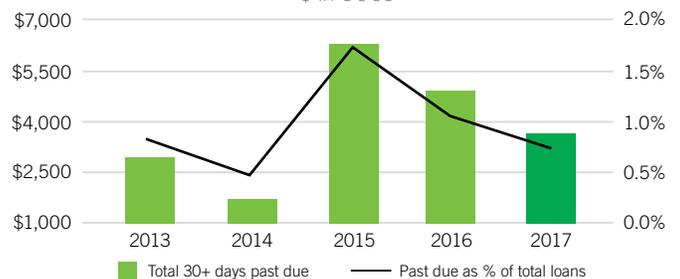
Net loans were \$502 million compared with \$477 million at December 31, 2016, largely reflecting commercial loan growth, both years including loans held for sale. The company's loan to asset ratio was 67% at the end of 2017, up slightly from 65% a year ago.

COMMERCIAL LOANS
\$ in 000s



Commercial loans totaled \$380 million at December 31, 2017 up 6% compared to the prior year end. Commercial loans comprise 76% of all loans at the end of 2017.

LOANS PAST DUE 30+ DAYS
\$ in 000s



The total of all loans 30 plus days past due, including nonperforming loans, fell to \$3.7 million and 0.74% of loans at December 31, 2017. Loans that are held for sale are excluded from the calculation.

ASSET QUALITY
\$ in 000s



Nonperforming loans were \$2.3 million at December 31, 2017, or 0.46% of total loans, improving from \$3.1 million, or 0.67% at the prior year-end. The level of nonperforming loans relative to the total loan portfolio is in line with historical levels and below that of our peers.

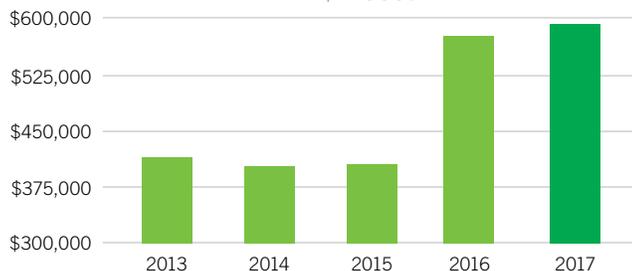
NET CHARGE-OFFS
\$ in 000s



Net charge offs were \$825 thousand, or 0.17% of average loans compared with \$347 thousand and 0.08% in 2016. Our overall asset quality remains strong.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

DEPOSITS
\$ in 000s



Deposits were \$592 million at the end of 2017 compared to \$584 million at the end of 2016. In 2017 two branches were closed that resulted in a \$4.4 million decline in deposit accounts. Brokered deposits increased by \$11.9 million to fund loan growth and maintain liquidity. We continue to be focused on retaining and growing our strong core deposit base.

MORTGAGE BANKING ACTIVITY
\$ in 000s



Serviced mortgage loans increased by 7% in 2017 to \$623 million from \$584 million at the end of 2016, including the continued success of our Community Mortgage Partner program.

STOCKHOLDERS' EQUITY
\$ in 000s



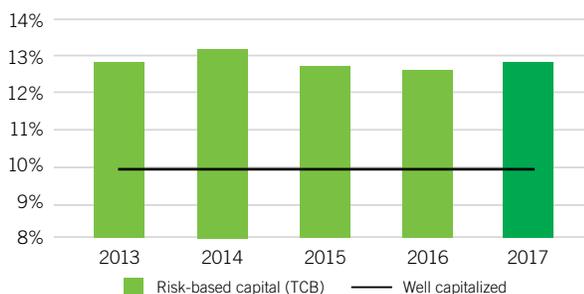
Common stockholders equity was \$54 million at December 31, 2017, an increase of 12% over the prior year end.

NET INCOME
\$ in 000s



Core net income for the full year was \$5.1 million, up 12% as compared with \$4.6 million in 2016. Reported net income for the current year was \$5.6 million, up 20% compared with \$4.7 million in 2016. These results reflected continued success in integrating our recent acquisitions and growing our franchise in our new and legacy markets.

TOTAL CAPITAL RATIO
(TCB only)



The Risk-based Capital ratio for Town and Country Bank as of December 31, 2017 was 12.70% just up slightly from 12.48% as end of year in 2016.

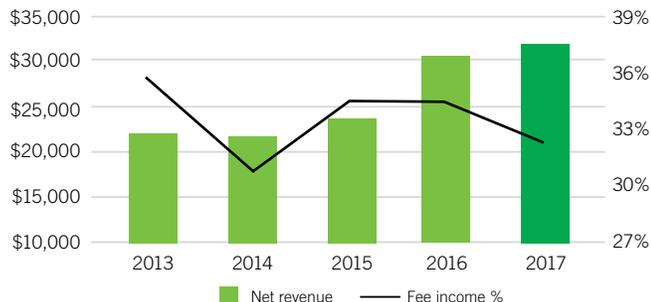
BASIC EARNINGS PER SHARE



Earnings per share increased 19%, from \$1.66 in 2016 to \$1.98 in 2017.

Town and Country Financial Corporation is a diversified financial services company offering loan, investment, trust, deposit and cash management services to businesses, organizations and families through Town and Country Bank and its wholly owned subsidiary, Town and Country Banc Mortgage Services, Inc. Town and Country Community Development Corporation, a subsidiary of the holding company, was created for the purpose of improving the economic health and future of the communities we serve and those nearby.

REVENUE
\$ in 000s



Net revenue was \$32 million, up 6% from the year ago. Security gains totaled \$270 thousand in 2017 compared with \$988 thousand in 2016. Operating fee income as a percentage of total operating net revenue was 33%, slightly below 2016.

NET INTEREST INCOME AND THE NET INTEREST MARGIN
\$ in 000s



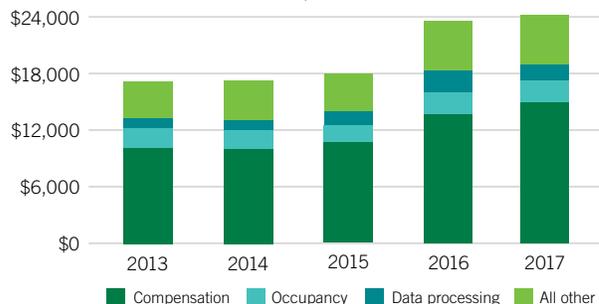
Net interest income was up 8% in 2017 as compared with 2016. The net interest margin (tax equivalent) improved in 2017 to 3.34% from 3.26% in 2016.

FEE REVENUE COMPONENTS, EXCLUDING SECURITY GAINS
\$ in 000s



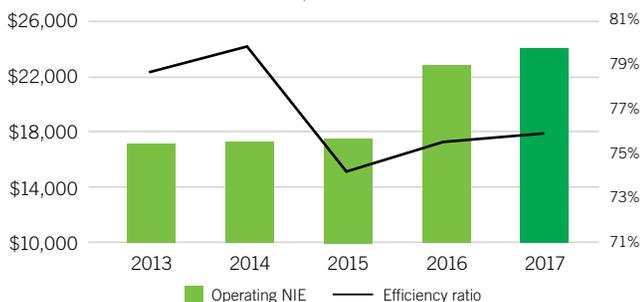
Noninterest (fee) income was \$10.8 million, when excluding security gains, and was slightly up from a year ago. Income from mortgage banking activities was down \$206 thousand due to less loans sold in the year.

NONINTEREST EXPENSE COMPONENTS
\$ in 000s



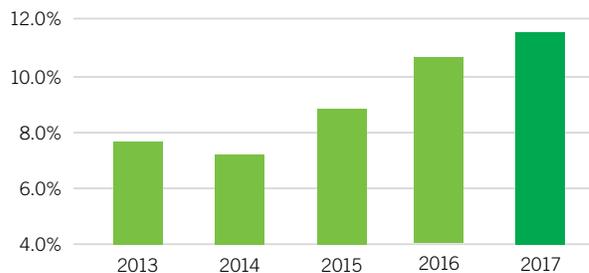
Noninterest expense was up slightly to \$24.6 million in 2017 compared to \$23.7 million in 2016. The increase was driven by additions to staff as we continue to increase our larger banking network.

OPERATING EXPENSE TO REVENUE
\$ in 000s



Operating expense was 76% of net revenue for 2017 unchanged from 2016.

RETURN ON EQUITY



The Company's return on average common equity was 11.10% in 2017, compared to 10.32% in 2016.

2017

BY THE NUMBERS



12

LOCATIONS
in 8 counties



749

MILLION
in assets



3,215

VOLUNTEER HOURS
allowed to our 186 employees



995

MORTGAGE LOANS CLOSED
in 46 U.S. states and territories



87,410

BILLS PAID ONLINE BY
OUR CUSTOMERS



10.19

MILLION DOLLARS
deposited via our mobile app

MISSION

Empowering the financial well-being of our communities, one person at a time.

CORE VALUES



TEAMWORK

We work together to achieve a common purpose.



ACHIEVEMENT

We are results-oriented and achieve success through reaching and exceeding our goals. We strive for excellence and celebrate our accomplishments.



POSITIVE THINKING

We exhibit an optimistic attitude and strive to maintain a fun and upbeat work environment. We choose to see the good in situations and influence others to do the same.



PASSION

We perform our work duties with passion. We understand the importance of our role in relation to the direction and purpose of the organization.

With passion, positive thinking and teamwork we will achieve financial empowerment for our customers.



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