

Dear Shareholders and Friends:

April 26, 2019

On behalf of the Board of Directors, our management team, and our employees, I am pleased to report on our financial performance for the first quarter of 2019. Our first quarter results were strong, reflecting our continued emphasis on profitable growth and our commitment to customer service. I am also excited about the opening of a full-service branch in Fivepointville, Pa, which opened in February. Results thus far have been very positive, as we look forward to servicing this market for years to come.

We attribute a great deal of our success to the execution of our strategic plan. Our strategic plan provides us with a roadmap for continued success. I am excited for the opportunities and challenges that are before us for 2019, and I am confident that our plan will guide us in meeting them. Overall, our strategic initiatives for 2019 will focus on market segmentation in order to continue meeting growth expectations, enhancing employee experience along with career development efforts, building infrastructure and support, and improving our customer experience and building our brand. Combined, these initiatives are the building blocks that support our strategic plan and will ultimately lead to our never-ending goal of providing outstanding shareholder return.

For the three months ended March 31, 2019, net income totaled \$4,405,000 which compares to net income of \$4,247,000 for the first three months of 2018, an increase of \$158,000 or 3.7%. Basic earnings per share of \$1.26 for first three months of 2019 compares to \$1.21 for the 2018 comparable period. Annualized return on equity for the three months ended March 31, 2019 and 2018 was 12.12% and 12.62%, while annualized return on assets was 1.22% and 1.24%, respectively.

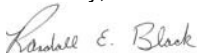
Net interest income before the provision for loan loss for the three months ended March 31, 2019 totaled \$11,915,000 compared to \$11,420,000 for the three months ended March 31, 2018, resulting in an increase of \$495,000, or 4.3%. Average loans increased \$72.9 million while average investment securities decreased \$6.4 million for the three months ended March 31, 2019 compared to the same period last year. The tax-effected net interest margin for the three months ended March 31, 2019 was 3.62% compared to 3.68% for the same period last year, which was impacted by the increase in the cost of interest-bearing liabilities of 39 bps to 1.14%. The provision for loan losses for the three months ended March 31, 2019 was \$400,000 compared to \$500,000 for the comparable period in 2018, a decrease of \$100,000. The decrease in the provision primarily reflects the lower loan growth experienced during the first three months of 2019 compared to 2018.

At March 31, 2019, total assets were \$1.45 billion, compared to \$1.43 billion at December 31, 2018 and \$1.38 billion at March 31, 2018. Available for sale securities of \$244.4 million at March 31, 2019 increased \$3.4 million from December 31, 2018. The yield on our investment portfolio increased from 2.48% to 2.69% on a tax equivalent basis. Net loans as of March 31, 2019 totaled \$1.08 billion and increased \$8.8 million from December 31, 2018. Net loan growth, typically slower in the first quarter, was negatively impacted by over \$4.0 million of larger loan pay-offs and transfers to other real estate owned as the result of a settlement with a customer in bankruptcy. The growth in 2019 has been led by our commercial and agricultural relationships, which continues the trend from 2018. The allowance for loan losses totaled \$13.1 million at March 31, 2019 which is an increase of \$200,000 from December 31, 2018. Annualized net charge-offs as a percent of total loans through March 31, 2019 was .07%. Deposits decreased \$3.5 million from December 31, 2018, to \$1.18 billion at March 31, 2019, while borrowed funds increased \$17.1 million from December 31, 2018. We experienced an increase in non-interest-bearing deposits of \$5.0 million since the end of 2018.

Stockholders' equity totaled \$142.8 million at March 31, 2019, compared to \$139.2 million at December 31, 2018, an increase of \$3.6 million. The increase was attributable to net income for the three months ended March 31, 2019 totaling \$4.4 million, offset by cash dividends for the first quarter totaling \$1.6 million and net treasury stock activity of \$330,000. As a result of changes in interest rates impacting the fair value of investment securities, the unrealized loss on available for sale investment securities, net of tax, decreased \$1.1 million from December 31, 2018. On March 5, 2019, the Board of Directors declared a cash dividend of \$0.445 per share, which was paid on March 29, 2019 to shareholders of record at the close of business on March 15, 2019. The quarterly cash dividend is an increase of 3.2% over the quarterly cash dividend of \$0.431 per share declared one year ago, as adjusted for the 1% stock dividend declared in June 2018. The Board and Management continue to focus on producing outstanding financial results, which in turn has allowed us to continue to pay an attractive cash dividend.

I would like to personally express my sincere thanks to our employees, local board members, management team and the Board of Directors for their continued efforts and dedication. Our success is dependent upon our entire team of high achieving individuals. I welcome you to share in this excitement and stop by any of our branches to see what we are all about and what we have to offer you.

Sincerely,



Randall E. Black  
Chief Executive Officer and President

**Consolidated Balance Sheet**  
(Unaudited - In thousands, except share data)

	March 31, 2019	December 31 2018	March 31, 2018
<b>ASSETS:</b>			
Total cash and cash equivalents	\$ 17,834	\$ 16,797	\$ 12,475
Interest bearing time deposits with other banks	15,498	15,498	10,532
Equity securities	527	516	188
Available-for-sale securities	244,437	241,010	251,340
Loans (net of allowance for loan losses: 2019, \$13,084; December 31, 2018, \$12,884; March 31, 2018, \$11,587)	1,077,833	1,068,999	1,020,151
Other assets	91,925	87,892	87,797
<b>TOTAL ASSETS</b>	<b>\$ 1,448,054</b>	<b>\$ 1,430,712</b>	<b>\$ 1,382,483</b>
<b>LIABILITIES:</b>			
Total deposits	\$ 1,181,654	\$ 1,185,156	\$ 1,115,153
Borrowed funds	108,263	91,194	124,121
Other liabilities	15,292	15,133	13,359
<b>TOTAL LIABILITIES</b>	<b>1,305,209</b>	<b>1,291,483</b>	<b>1,252,633</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>142,845</b>	<b>139,229</b>	<b>129,850</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,448,054</b>	<b>\$ 1,430,712</b>	<b>\$ 1,382,483</b>

**Consolidated Statement of Income**  
(Unaudited - In thousands)

	Three Months Ended March 31,	
	2019	2018
Interest income	\$ 15,017	\$ 13,383
Interest expense	3,102	1,963
Net interest income	11,915	11,420
Provision for loan losses	400	500
Net interest income after provision for loan losses	11,515	10,920
Other non-interest income	2,022	1,900
Investment securities gains (losses), net	11	6
Non-interest expense	8,322	7,832
Income before provision for income taxes	5,226	4,994
Provision for income taxes	821	747
<b>NET INCOME</b>	<b>\$ 4,405</b>	<b>\$ 4,247</b>

**Performance Ratios and Share Data (unaudited):**

Return on average assets (annualized for the three periods)	1.22%	1.24%
Return on average equity (annualized for the three month periods)	12.12%	12.62%
Return on average tangible equity (annualized for the three periods)	14.62%	15.52%
Net interest margin (tax equivalent)	3.62%	3.68%
Cash dividends paid per share	\$ 0.445	\$ 0.431
Earnings per share - basic	\$ 1.26	\$ 1.21
Earnings per share - diluted	\$ 1.26	\$ 1.21
Number of shares used in computation - basic	3,494,010	3,512,552
Number of shares used in computation - diluted	3,494,010	3,512,915
Book value per share (at end of period)	\$ 41.63	\$ 38.35
Common shares outstanding (at end of period)	3,498,834	3,481,762
Nonperforming assets to total loans (at end of period)	1.47%	1.24%

*Per share calculations give retroactive effect to stock dividends declared by the Company*