

Dear Shareholders and Friends:

October 25, 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 third quarter of 2019. Our financial results for the third quarter are outstanding, representing the highest level of quarterly earnings in the history of our Company. Our financial results continue to reflect the hard work and dedication of our employees, our growth initiatives and relentless commitment to providing outstanding customer service.

I am extremely excited to expand our franchise into Delaware's affluent New Castle and Kent County markets with our recent announcement to acquire MidCoast Community Bank headquartered in Wilmington, DE. These markets are robust and healthy with economic growth, and are attractive markets with growth opportunities. Furthermore, this market is just 45 miles from our Fivepointville, Lancaster County, PA branch. This expansion will bolster our Southeastern, PA presence and position the combined Company for continued growth. This acquisition allows us to leverage our existing products, services and expertise in an attractive market while adding a very talented banking team. Additionally, we see Kent County and the surrounding secondary markets rich in agricultural lending opportunity, which will help us to diversify our growing expertise in agricultural lending, along with CRE and residential growth opportunities. We look forward to providing this new region with the support and assistance it needs to continue to grow and thrive.

For the nine months ended September 30, 2019, net income totaled \$14,447,000 which compares to net income of \$13,519,000 for the first nine months of 2018, an increase of \$928,000 or 6.9%. Basic earnings per share of \$4.10 for the first nine months of 2019 compares to \$3.82 for the first nine months last year. Annualized return on equity for the nine months ended September 30, 2019 and 2018 was 12.99% and 13.13%, while annualized return on assets was 1.33% and 1.30%, respectively.

For the three months ended September 30, 2019, net income totaled \$5,196,000 which compares to net income of \$4,581,000 for the comparable period in 2018, an increase of \$615,000 or 13.4%. Basic earnings per share of \$1.48 for three months ended September 30, 2019 compares to \$1.30 for the 2018 comparable period. Annualized return on equity for the three months ended September 30, 2019 and 2018 was 13.74% and 13.08%, respectively, while annualized return on assets was 1.43% and 1.30%, respectively.

Net interest income before the provision for loan loss for the nine months ended September 30, 2019 totaled \$37,150,000 compared to \$34,941,000 for the nine months ended September 30, 2018, resulting in an increase of \$2,209,000, or 6.3%. Average interest earning assets increased \$56.4 million for the nine months ended September 30, 2019 compared to the same period last year. Average loans increased \$63.2 million while average investment securities decreased \$10.9 million. The tax effected net interest margin for the nine months ended September 30, 2019 was 3.71% compared to 3.65% for the same period last year. The provision for loan losses for the nine months ended September 30, 2019 was \$1,150,000 compared to \$1,300,000 for the nine months ended September 30, 2018, which reflects the lower level of loan growth experienced during 2019 compared to 2018.

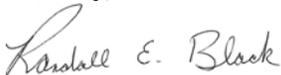
Total non-interest income was \$6,237,000 for the nine months ended September 30, 2019, which is \$479,000 more than the non-interest income of \$5,758,000 for the same period last year. The increase was driven by revenue increases in our wealth management division, which includes trust fees and brokerage and insurance commissions. Total non-interest expenses for the nine months ended September 30, 2019 totaled \$24,973,000 compared to \$23,322,000 for the same period last year, which is an increase of \$1,651,000, or 7.1%.

At September 30, 2019, total assets were \$1.48 billion, compared to \$1.43 billion at December 31, 2018 and \$1.41 billion at September 30, 2018. Net loans as of September 30, 2019 totaled \$1.10 billion and increased \$32.4 million from December 31, 2018 and \$53.4 million from September 30, 2018. Loan growth has been impacted by several large loan pay-offs and transfers to other real estate owned as the result of a settlement with a customer in bankruptcy. Deposits increased \$14.1 million from December 31, 2018, to \$1.20 billion at September 30, 2019.

Stockholders' equity totaled \$151.7 million at September 30, 2019, compared to \$139.2 million at December 31, 2018, an increase of \$12.5 million. The increase was attributable to net income for the nine months ended September 30, 2019 totaling \$14.4 million, offset by cash dividends of \$4.7 million. As a result of changes in interest rates impacting the fair value of investment securities, the unrealized gain on available for sale investment securities, net of tax, increased \$3.6 million from December 31, 2018. On September 3, 2019, the Board of Directors declared a cash dividend of \$0.450 per share, which was paid on September 27, 2019 to shareholders of record at the close of business on September 13, 2019. The quarterly cash dividend is an increase of 3.3% over the quarterly cash dividend of \$0.436 per share declared one year ago, as adjusted for the 1% stock dividend declared in June 2019.

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, as our ongoing success is dependent upon our entire team of high achieving individuals. Together, we 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