

**DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL**

	2018			2017			2016		
	Average Balance ⁽³⁾	Revenue/Expense	Yield/Rate	Average Balance ⁽³⁾	Revenue/Expense	Yield/Rate	Average Balance ⁽³⁾	Revenue/Expense	Yield/Rate
ASSETS									
Interest-earning assets:									
Loans, net of unearned ⁽¹⁾⁽²⁾⁽⁴⁾	\$ 506,473	\$ 26,258	5.18%	\$ 498,846	\$ 25,159	5.04%	\$ 470,763	\$ 23,556	5.00%
Investment securities AFS:									
Taxable ⁽⁵⁾	64,766	1,794	2.77%	50,434	1,023	2.03%	57,708	1,062	1.84%
Exempt from federal income tax ⁽²⁾	36,293	1,206	3.32%	44,637	1,685	3.77%	47,659	1,908	4.00%
Equity securities	371	9	2.43%	685	16	2.34%	680	20	2.94%
Interest-bearing deposits in other banks	4,299	88	2.05%	3,000	34	1.13%	5,678	26	.46%
Federal funds sold	7	-	-	8	-	-	2	-	-
Total interest-earning assets/interest income	612,209	29,355	4.80%	597,610	27,917	4.67%	582,490	26,572	4.56%
Cash and due from banks	5,978			6,112			6,114		
Premises and equipment	9,864			9,408			9,264		
Other assets, less allowance for loan losses	33,650			34,988			35,064		
Total Assets	<u>\$ 661,701</u>			<u>\$ 648,118</u>			<u>\$ 632,932</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Interest-bearing checking	\$ 86,532	\$ 312	.36%	\$ 79,366	\$ 252	.32%	\$ 77,045	\$ 183	.24%
Money markets	76,791	335	.44%	79,468	244	.31%	82,120	229	.28%
Savings	92,456	250	.27%	85,227	222	.26%	75,453	168	.22%
Time deposits	151,729	1,707	1.13%	162,703	1,289	.79%	184,850	1,438	.78%
Short-term borrowings	31,409	115	.37%	36,457	129	.35%	30,895	79	.26%
Other borrowed funds	45,032	1,115	2.48%	32,422	810	2.50%	24,740	653	2.64%
Total interest-bearing liabilities/interest expense	483,949	3,834	.79%	475,643	2,946	.62%	475,103	2,750	.58%
Noninterest-bearing deposits	94,158			91,110			81,125		
Other liabilities	7,356			7,291			6,065		
Total Liabilities	585,463			574,044			562,293		
Stockholders' Equity	76,238			74,074			70,639		
Total Liabilities and Stockholders' Equity	<u>\$ 661,701</u>			<u>\$ 648,118</u>			<u>\$ 632,932</u>		
Net interest income/interest spread		<u>\$ 25,521</u>	<u>4.01%</u>		<u>\$ 24,971</u>	<u>4.05%</u>		<u>\$ 23,822</u>	<u>3.98%</u>
Margin Analysis:									
Interest income/earning assets		\$ 29,355	4.80%		\$ 27,917	4.67%		\$ 26,572	4.56%
Interest expense/earning assets		3,834	.63%		2,946	.49%		2,750	.47%
Net interest income/earning assets		<u>\$ 25,521</u>	<u>4.17%</u>		<u>\$ 24,971</u>	<u>4.18%</u>		<u>\$ 23,822</u>	<u>4.09%</u>
Ratio of average interest-earning assets to average interest-bearing liabilities			126.50%			125.64%			122.60%

(1) Nonaccrual loans are included in other assets.

(2) Income on tax-exempt assets is calculated on a taxable equivalent basis using a federal income tax rate of 34% for 2016 and 2017 and 21% for 2018.

(3) Average balances are calculated using daily balances.

(4) Interest on loans includes fee income.

(5) Includes equity investments in FHLB and Atlantic Community Bankers Bank ("ACBB").

Certain amounts for prior years have been reclassified in order to conform to current presentation.

RECONCILIATION TO GAAP

	2018		2017		2016	
	Interest	Yield/Rate	Interest	Yield/Rate	Interest	Yield/Rate
Net interest income (tax-equivalent basis)	\$ 25,521	4.01%	\$ 24,972	4.05%	\$ 23,822	3.98%
Tax-equivalent basis adjustment	(373)		(742)		(817)	
Net interest income	\$ 25,148		\$ 24,230		\$ 23,005	
Net interest margin (tax-equivalent basis)		4.17%		4.18%		4.09%

RATE/VOLUME ANALYSIS OF CHANGES IN NET INTEREST INCOME

	2018 Compared to 2017			2017 Compared to 2016		
	Total	Caused by		Total	Caused by	
	Variance	Rate ⁽¹⁾	Volume	Variance	Rate ⁽¹⁾	Volume
Interest income:						
Loans (gross)	\$ 1,099	\$ 715	\$ 384	\$ 1,603	\$ 198	\$ 1,405
Investment securities AFS:						
Taxable	771	480	291	(39)	96	(135)
Exempt from federal income tax ⁽²⁾	(479)	(164)	(315)	(223)	(102)	(121)
Equity Securities	(7)	0	(7)	(4)	(4)	0
Interest-bearing deposits	54	39	15	8	20	(12)
Total interest-earning assets	1,438	1,070	368	1,345	208	1,137
Interest expense:						
Interest-bearing checking	60	37	23	69	63	6
Money markets	91	99	(8)	15	22	(7)
Savings	28	9	19	54	32	22
Time deposits	418	505	(87)	(149)	24	(173)
Short-term borrowings	(14)	4	(18)	50	36	14
Other borrowed funds	305	(10)	315	157	(46)	203
Total interest-bearing liabilities	888	644	244	196	131	65
Net change in net interest income	\$ 550	\$ 426	\$ 124	\$ 1,149	\$ 77	\$ 1,072

⁽¹⁾ Changes in interest income or expense not arising solely as a result of volume or rate variances are allocated to rate variances due to the interest sensitivity of assets and liabilities.

⁽²⁾ Income on interest-earning assets is calculated on a taxable equivalent basis using a federal income tax rate of 34% for 2016 and 2017 and 21% for 2018.

SUMMARY OF SELECTED FINANCIAL DATA

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Summary of operations					
Interest income	\$ 28,982	\$ 27,175	\$ 25,755	\$ 24,701	\$ 25,251
Interest expense	3,834	2,946	2,750	2,607	3,064
Net interest income	25,148	24,229	23,005	22,094	22,187
Provision for loan losses	500	700	1,000	3,000	2,900
Net interest income after provision for loan losses	24,648	23,529	22,005	19,094	19,287
Other income	4,420	4,525	4,212	4,328	4,551
Other expenses	20,328	19,159	18,136	19,342	17,070
Income before income taxes	8,740	8,895	8,081	4,080	6,768
Income taxes	747	3,488	1,731	445	1,237
Net income	<u>\$ 7,993</u>	<u>\$ 5,407</u>	<u>\$ 6,350</u>	<u>\$ 3,635</u>	<u>\$ 5,531</u>
Per common share					
Earnings - basic*	\$ 3.22	\$ 2.19	\$ 2.57	\$ 1.49	\$ 2.28
Earnings - diluted*	\$ 3.19	\$ 2.17	\$ 2.56	\$ 1.48	\$ 2.27
Cash dividends*	\$ 1.14	\$ 1.05	\$ 1.01	\$ 1.01	\$ 1.01
Book value*	\$ 31.97	\$ 30.16	\$ 28.94	\$ 27.61	\$ 27.21
Balance sheet data - end of year					
Total assets	\$ 694,695	\$ 655,473	\$ 641,486	\$ 613,352	\$ 611,433
Loans	\$ 523,289	\$ 510,334	\$ 495,329	\$ 471,364	\$ 466,612
Investment securities available for sale	\$ 116,947	\$ 91,739	\$ 94,614	\$ 94,374	\$ 98,656
Deposits	\$ 532,383	\$ 498,232	\$ 508,051	\$ 489,076	\$ 492,134
Stockholders' Equity	\$ 79,530	\$ 74,505	\$ 71,470	\$ 68,155	\$ 66,388
Performance					
Return on average assets	1.21%	.83%	1.00%	.60%	.91%
Return on average equity	10.48%	7.30%	8.99%	5.35%	8.56%
Dividend payout ratio	35.40%	47.95%	39.38%	68.16%	44.44%
Average equity to average assets ratio	11.52%	11.43%	11.16%	11.16%	10.63%
Asset quality					
Nonperforming assets to total assets	1.36%	1.93%	2.32%	2.87%	3.43%
Allowance for loan losses to total loans	1.55%	1.49%	1.72%	1.76%	1.68%
Net charge offs to average loans	(.01%)	.33%	.16%	.55%	.79%
Allowance for loan losses to nonaccrual loans	198.41%	138.08%	104.07%	82.37%	54.40%
Allowance for loan losses to nonperforming loans	185.76%	111.22%	98.83%	78.36%	52.19%

* Values from 2014 to 2016 have been restated to include the effect of the three for two stock split on 8/11/17