

July 14, 2014

Dear Shareholder,

I am pleased to report that the Board of Directors declared the enclosed dividend of \$0.26 per share on June 10, 2014 for holders of record as of June 30, 2014. This quarterly dividend reflects an increase of 36.8% from the July 2013 payment.

Earnings for the quarter ended June 30, 2014 were a record \$4.5 million, or \$1.25 per share. Through six months, net income was also at record levels totaling \$8.4 million, or \$2.36 per share. First half earnings for 2014 increased \$0.11 per share, or 5.0%, from the 2013 period. Through six months, operating revenues increased 0.7% in 2014 to \$27.3 million while operating expenses increased 7.1% and the improving credit environment led to a 60.6% decline in the provision for loan and lease losses. Return on average assets and return on average equity were 1.37% and 16.43%, respectively.

For the second quarter average assets increased to \$1.23 billion, an increase of \$81.4 million, or 7.1%, from the second quarter of 2013. Total loans, net of the allowance for loan and lease losses increased to \$940.1 million by June 30, 2014, an increase of \$34.2 million from March 31, 2014 and an increase of \$78.3 million from June 30, 2013. During the quarter, deposits declined by \$38.6 million to \$978.2 million due primarily to seasonal factors. Deposits have increased over the past twelve months to \$69.6 million. Book equity increased 14.5% to \$105.9 million, or \$29.68 per share, over the past 12 months resulting in higher regulatory capital ratios.

As always, we appreciate your business and support.

A handwritten signature in cursive script, appearing to read "Gene Miles".

Gene Miles
President & CEO