# Section 1: 10-Q (FORM 10-Q AT 03/31/19)

**United States**
**Securities and Exchange Commission**
**Washington, D.C. 20549**

## Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended March 31, 2019**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

**Commission file number 0-20914**

# OHIO VALLEY BANC CORP.

(Exact name of registrant as specified in its charter)

| **Ohio** | **31-1359191** |
|---|---|
| (State of Incorporation) | (I.R.S. Employer Identification No.) |
| **420 Third Avenue, Gallipolis, Ohio** | **45631** |
| (Address of principal executive offices) | (ZIP Code) |

**(740) 446-2631**
(Issuer's telephone number, including area code)
_____________________

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | | |
|---|---|---|---|---|
| Large accelerated filer | ☐ | | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | (Do not check if a smaller reporting company) | Smaller reporting company | ☒ |
| Emerging growth company | ☐ | | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** ☐ **No** ☒

Securities registered pursuant to Section 12(b) of the Act:

| **Common shares, without par value** | **OVBC** | **The NASDAQ Stock Market LLC (The NASDAQ Global Market)** |
|---|---|---|
| (Title of each class) | (Trading Symbol) | (Name of each exchange on which registered) |

The number of common shares of the registrant outstanding as of May 10, 2019 was 4,758,659.

**OHIO VALLEY BANC CORP.**
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## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**OHIO VALLEY BANC CORP.**
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**
(dollars in thousands, except share and per share data)

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Cash and noninterest-bearing deposits with banks | $ 13,128 | $ 13,806 |
| Interest-bearing deposits with banks | 59,769 | 57,374 |
| Total cash and cash equivalents | 72,897 | 71,180 |
| | | |
| Certificates of deposit in financial institutions | 2,065 | 2,065 |
| Securities available for sale | 110,281 | 102,164 |
| Securities held to maturity (estimated fair value: 2019 - $16,124; 2018 - $16,234) | 15,590 | 15,816 |
| Restricted investments in bank stocks | 7,506 | 7,506 |
| | | |
| Total loans | 780,644 | 777,052 |
| Less: Allowance for loan losses | (8,013) | (6,728) |
| Net loans | 772,631 | 770,324 |
| | | |
| Premises and equipment, net | 15,535 | 14,855 |
| Premises and equipment held for sale, net | 280 | ---- |
| Other real estate owned, net | 470 | 430 |
| Accrued interest receivable | 2,808 | 2,638 |
| Goodwill | 7,371 | 7,371 |
| Other intangible assets, net | 349 | 379 |
| Bank owned life insurance and annuity assets | 29,571 | 29,392 |
| Operating lease right-of-use asset, net | 1,214 | ---- |
| Other assets | 6,305 | 6,373 |
| Total assets | $ 1,044,873 | $ 1,030,493 |
| | | |
| **LIABILITIES** | | |
| Noninterest-bearing deposits | $ 233,804 | $ 237,821 |
| Noninterest-bearing deposits held for sale | 8,657 | ---- |
| Interest-bearing deposits | 600,691 | 608,883 |
| Interest-bearing deposits held for sale | 18,552 | ---- |
| Total deposits | 861,704 | 846,704 |
| | | |
| Other borrowed funds | 37,577 | 39,713 |
| Subordinated debentures | 8,500 | 8,500 |
| Operating lease liability | 1,214 | ---- |
| Accrued liabilities | 15,526 | 17,702 |
| Total liabilities | 924,521 | 912,619 |
| | | |
| **COMMITMENTS AND CONTINGENT LIABILITIES (See Note 5)** | ---- | ---- |
| | | |
| **SHAREHOLDERS' EQUITY** | | |
| Common stock ($1.00 stated value per share, 10,000,000 shares authorized; 2019 - 5,418,398 shares issued; 2018 - 5,400,065 shares issued) | 5,418 | 5,400 |
| Additional paid-in capital | 50,162 | 49,477 |
| Retained earnings | 81,042 | 80,844 |
| Accumulated other comprehensive loss | (558) | (2,135) |
| Treasury stock, at cost (659,739 shares) | (15,712) | (15,712) |
| Total shareholders' equity | 120,352 | 117,874 |
| Total liabilities and shareholders' equity | $ 1,044,873 | $ 1,030,493 |

See accompanying notes to consolidated financial statements

**OHIO VALLEY BANC CORP.**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**
(dollars in thousands, except per share data)

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| **Interest and dividend income:** | | |
| Loans, including fees | $ 11,912 | $ 11,249 |
| Securities | | |
| Taxable | 618 | 566 |
| Tax exempt | 84 | 93 |
| Dividends | 113 | 109 |
| Interest-bearing deposits with banks | 319 | 685 |
| Other Interest | 12 | 7 |
| | 13,058 | 12,709 |
| **Interest expense:** | | |
| Deposits | 1,342 | 892 |
| Other borrowed funds | 235 | 235 |
| Subordinated debentures | 94 | 72 |
| | 1,671 | 1,199 |
| **Net interest income** | 11,387 | 11,510 |
| **Provision for loan losses** | 2,377 | 756 |
| Net interest income after provision for loan losses | 9,010 | 10,754 |
| **Noninterest income:** | | |
| Service charges on deposit accounts | 503 | 502 |
| Trust fees | 64 | 60 |
| Income from bank owned life insurance and annuity assets | 178 | 176 |
| Mortgage banking income | 69 | 64 |
| Electronic refund check / deposit fees | ---- | 1,228 |
| Debit / credit card interchange income | 914 | 861 |
| Gain (loss) on other real estate owned | ---- | (13) |
| Other | 118 | 198 |
| | 1,846 | 3,076 |
| **Noninterest expense:** | | |
| Salaries and employee benefits | 5,536 | 5,702 |
| Occupancy | 453 | 441 |
| Furniture and equipment | 263 | 254 |
| Professional fees | 672 | 508 |
| Marketing expense | 270 | 262 |
| FDIC insurance | 3 | 143 |
| Data processing | 535 | 714 |
| Software | 411 | 396 |
| Foreclosed assets | 106 | 55 |
| Amortization of intangibles | 31 | 36 |
| Other | 1,288 | 1,297 |
| | 9,568 | 9,808 |
| Income before income taxes | 1,288 | 4,022 |
| Provision for income taxes | 95 | 656 |
| **NET INCOME** | $ 1,193 | $ 3,366 |
| Earnings per share | $ .25 | $ .71 |
| Dividends per share | $ .21 | $ .21 |

See accompanying notes to consolidated financial statements

**OHIO VALLEY BANC CORP.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**
(dollars in thousands)

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net Income | $ 1,193 | $ 3,366 |
| | | |
| Other comprehensive income: | | |
| Change in unrealized loss on available for sale securities | 1,996 | (1,566) |
| Related tax (expense) benefit | (419) | 329 |
| Total other comprehensive income (loss), net of tax | 1,577 | (1,237) |
| | | |
| Total comprehensive income | $ 2,770 | $ 2,129 |

See accompanying notes to consolidated financial statements

**OHIO VALLEY BANC CORP.**
**CONSOLIDATED STATEMENTS OF CHANGES**
**IN SHAREHOLDERS' EQUITY (UNAUDITED)**
(dollars in thousands, except share and per share data)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) | Treasury Stock | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance at December 31, 2018 | $ 5,400 | $ 49,477 | $ 80,844 | $ (2,135) | $ (15,712) | $ 117,874 |
| Net income | ---- | ---- | 1,193 | ---- | ---- | 1,193 |
| Other comprehensive income, net | ---- | ---- | ---- | 1,577 | ---- | 1,577 |
| Common stock issued to ESOP, 8,333 shares | 8 | 320 | ---- | ---- | ---- | 328 |
| Common stock issued through dividend reinvestment, 10,000 shares | 10 | 365 | ---- | ---- | ---- | 375 |
| Cash dividends, $.21 per share | ---- | ---- | (995) | ---- | ---- | (995) |
| Balance at March 31, 2019 | $ 5,418 | $ 50,162 | $ 81,042 | $ (558) | $ (15,712) | $ 120,352 |
| | | | | | | |
| Balance at December 31, 2017 | $ 5,362 | $ 47,895 | $ 72,694 | $ (878) | $ (15,712) | $ 109,361 |
| Net income | ---- | ---- | 3,366 | ---- | ---- | 3,366 |
| Other comprehensive (loss), net | ---- | ---- | ---- | (1,237) | ---- | (1,237) |
| Common stock issued to ESOP, 7,294 shares | 7 | 288 | ---- | ---- | ---- | 295 |
| Common stock issued through dividend reinvestment, 10,223 shares | 10 | 403 | ---- | ---- | ---- | 413 |
| Cash dividends, $.21 per share | ---- | ---- | (987) | ---- | ---- | (987) |
| Balance at March 31, 2018 | $ 5,379 | $ 48,586 | $ 75,073 | $ (2,115) | $ (15,712) | $ 111,211 |

See accompanying notes to consolidated financial statements

**OHIO VALLEY BANC CORP.**
**CONDENSED CONSOLIDATED STATEMENTS OF**
**CASH FLOWS (UNAUDITED)**
(dollars in thousands)

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Net cash provided by operating activities: | $ 1,358 | $ 5,668 |
| Investing activities: | | |
| Proceeds from maturities of securities available for sale | 3,881 | 3,958 |
| Purchases of securities available for sale | (10,035) | (9,921) |
| Proceeds from maturities of securities held to maturity | 215 | 214 |
| Net change in loans | (4,717) | 902 |
| Proceeds from sale of other real estate owned | ---- | 349 |
| Purchases of premises and equipment | (1,246) | (473) |
| Net cash used in investing activities | (11,902) | (4,971) |
| Financing activities: | | |
| Change in deposits | 15,017 | 62,812 |
| Proceeds from common stock through dividend reinvestment | 375 | 413 |
| Cash dividends | (995) | (987) |
| Proceeds from Federal Home Loan Bank borrowings | ---- | 8,000 |
| Repayment of Federal Home Loan Bank borrowings | (1,508) | (896) |
| Change in other long-term borrowings | (628) | (118) |
| Change in other short-term borrowings | ---- | (332) |
| Net cash provided by financing activities | 12,261 | 68,892 |
| Change in cash and cash equivalents | 1,717 | 69,589 |
| Cash and cash equivalents at beginning of period | 71,180 | 74,573 |
| Cash and cash equivalents at end of period | $ 72,897 | $ 144,162 |
| Supplemental disclosure: | | |
| Cash paid for interest | $ 1,434 | $ 1,061 |
| Cash paid for amounts included in the measurement of operating lease liabilities | 66 | ---- |
| Transfers from loans to other real estate owned | 40 | 131 |
| Operating lease right-of-use asset | 1,280 | ---- |
| Operating lease liability | 1,280 | ---- |

See accompanying notes to consolidated financial statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying consolidated financial statements include the accounts of Ohio Valley Banc Corp. ("Ohio Valley") and its wholly-owned subsidiaries, The Ohio Valley Bank Company (the "Bank"), Loan Central, Inc. ("Loan Central"), a consumer finance company, Ohio Valley Financial Services Agency, LLC ("Ohio Valley Financial Services"), an insurance agency, and OVBC Captive, Inc. (the "Captive"), a limited purpose property and casualty insurance company. The Bank has one wholly-owned subsidiary, Ohio Valley REO, LLC ("Ohio Valley REO"), an Ohio limited liability company, to which the Bank transfers certain real estate acquired by the Bank through foreclosure for sale by Ohio Valley REO. Ohio Valley and its subsidiaries are collectively referred to as the "Company". All material intercompany accounts and transactions have been eliminated in consolidation.

These interim financial statements are prepared by the Company without audit and reflect all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at March 31, 2019, and its results of operations and cash flows for the periods presented. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operating results to be anticipated for the full fiscal year ending December 31, 2019. The accompanying consolidated financial statements do not purport to contain all the necessary financial disclosures required by U.S. generally accepted accounting principles ("US GAAP") that might otherwise be necessary in the circumstances. The Annual Report of the Company for the year ended December 31, 2018 contains consolidated financial statements and related notes which should be read in conjunction with the accompanying consolidated financial statements.

The consolidated financial statements for 2018 have been reclassified to conform to the presentation for 2019. These reclassifications had no effect on the net income or shareholders' equity.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS: The accounting and reporting policies followed by the Company conform to US GAAP established by the Financial Accounting Standards Board ("FASB"). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

INDUSTRY SEGMENT INFORMATION: Internal financial information is primarily reported and aggregated in two lines of business, banking and consumer finance.

EARNINGS PER SHARE: Earnings per share are computed based on net income divided by the weighted average number of common shares outstanding during the period. The weighted average common shares outstanding were 4,748,474 and 4,711,608 for the three months ended March 31, 2019 and 2018, respectively. Ohio Valley had no dilutive effect and no potential common shares issuable under stock options or other agreements for any period presented.

ADOPTION OF NEW ACCOUNTING STANDARD UPDATES ("ASU"): On January 1, 2019, the Company adopted ASU 2016-02, "Leases", which requires the recognition of the right-of-use ("ROU") assets and related operating and finance lease liabilities on the balance sheet. As permitted by ASU 2016-02, the Company applied the optional transition method and elected the adoption date of January 1, 2019. As a result, the consolidated balance sheet prior to January 1, 2019 was not restated and continues to be reported under the old guidance, which did not require the recognition of operating leases on the balance sheet. Therefore, the consolidated balance sheet for 2019 is not comparative to 2018.

As permitted by ASU 2016-02, the Company elected the package of practical expedients that permits the Company to not reassess (1) whether a contract is or contains a lease, (2) the classification of existing leases, and (3) initial direct costs for any existing leases. As a result, leases entered into prior to January 1, 2019 were accounted for under the old guidance and were not reassessed. For lease contracts entered into on or after January 1, 2019, the Company will assess whether the contract is or contains a lease based on (1) whether the contract involves the use of a distinct, identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of asset, and (3) whether the Company has the right to direct the use of asset.

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The adoption of ASU 2016-02 had a substantial impact to our consolidated balance sheet, primarily from the recognition of the operating lease ROU assets and the liability for operating leases. Operating leases consist primarily of branch buildings and office space for both the Bank and Loan Central. The Company has no finance leases. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities were both recognized based on the present value of future lease payments, discounted with an incremental borrowing rate for the same term as the underlying lease. The present value of future minimum lease payments also includes any options noted within the lease terms to extend the lease when it is reasonably certain the Company will exercise that option. The Company elected to keep leases with an initial term of 12 months or less off of the consolidated balance sheet and recognize those lease payments in the consolidated statements of income on a straight-line basis over the lease term. Leases that contain variable lease payments, including payments based on an index or rate, are initially measured using the index or rate in effect at the commencement date. Additional payments based on the change in an index or rate are recorded as a period expense when incurred. Upon adoption, the Company recorded an adjustment of $1,280 to operating ROU assets and the related lease liability. For additional information on leases, see Note 8.

Beginning January 1, 2019, the Company adopted ASU No. 2017-08, "Premium Amortization on Purchased Callable Debt Securities Receivables", which requires the amortization of the premium on callable debt securities to the earliest call date. The amortization period for callable debt securities purchased at a discount was not be impacted by the ASU. This ASU did not have a material impact on the Company's consolidated financial position or results of operations.

ACCOUNTING GUIDANCE TO BE ADOPTED IN FUTURE PERIODS: In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses". ASU 2016-13 requires entities to replace the current "incurred loss" model with an "expected loss" model, which is referred to as the current expected credit loss ("CECL") model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted, for annual periods and interim periods within those annual periods, beginning after December 15, 2018. A CECL steering committee has developed a CECL model and is evaluating the source data, various credit loss methodologies and model results in relation to the new ASU guidance. Management expects to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. Management expects the adoption will result in a material increase to the allowance for loan losses balance. At this time, the impact is being evaluated.

**NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the Company's valuation methodologies used to measure and disclose the fair values of its financial assets and liabilities on a recurring or nonrecurring basis:

**Securities:** The fair values for securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations.

**Impaired Loans:** At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

**Other Real Estate Owned:** Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. In some instances, fair value adjustments can be made based on a quoted price from an observable input, such as a purchase agreement. Such adjustments would be classified as a Level 2 classification.

Appraisals for both collateral-dependent impaired loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of management reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with management's own assumptions of fair value based on factors that include recent market data or industry-wide statistics.

## NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

On an as-needed basis, the Company reviews the fair value of collateral, taking into consideration current market data, as well as all selling costs that typically approximate 10%.

**Interest Rate Swap Agreements:** The fair value of interest rate swap agreements is determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves (Level 2).

**Assets and Liabilities Measured on a Recurring Basis**
Assets and liabilities measured at fair value on a recurring basis are summarized below:

| | Fair Value Measurements at March 31, 2019 Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | |
| U.S. Government sponsored entity securities | ---- | $ 16,689 | ---- |
| Agency mortgage-backed securities, residential | ---- | 93,592 | ---- |
| Interest rate swap derivatives | ---- | 237 | ---- |
| Interest rate swap derivatives | ---- | (237) | ---- |

| | Fair Value Measurements at December 31, 2018 Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | |
| U.S. Government sponsored entity securities | ---- | $ 16,630 | ---- |
| Agency mortgage-backed securities, residential | ---- | 85,534 | ---- |
| Interest rate swap derivatives | ---- | 101 | ---- |
| Interest rate swap derivatives | ---- | (101) | ---- |

There were no transfers between Level 1 and Level 2 during 2019 or 2018.

**Assets and Liabilities Measured on a Nonrecurring Basis**
Assets and liabilities measured at fair value on a nonrecurring basis are summarized below:

| | Fair Value Measurements at March 31, 2019, Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | |
| Impaired loans: | | | |
| Residential real estate | ---- | ---- | $ 1,206 |
| Commercial real estate: | | | |
| Owner-occupied | ---- | ---- | 156 |
| Nonowner-occupied | ---- | ---- | 263 |
| Commercial and industrial | ---- | ---- | 1,898 |
| | | | |
| Other real estate owned: | | | |
| Commercial real estate: | | | |
| Construction | ---- | 228 | ---- |

**NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

| | Fair Value Measurements at December 31, 2018, Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | |
| Impaired loans: | | | |
| Commercial real estate: | | | |
| Nonowner-occupied | ---- | ---- | $ 264 |
| Other real estate owned: | | | |
| Commercial real estate: | | | |
| Construction | ---- | 228 | ---- |

At March 31, 2019, the Company's recorded investment of impaired loans measured for impairment using the fair value of collateral for collateral-dependent loans totaled $3,784, with a corresponding valuation allowance of $261. This resulted in an increase of $163 to provision expense during the three months ended March 31, 2019, with no additional charge-offs recognized. This is compared to no provision expense on such loans during the three months ended March 31, 2018, and no additional charge-offs recognized. At December 31, 2018, the recorded investment of impaired loans measured for impairment using the fair value of collateral for collateral-dependent loans totaled $362, with a corresponding valuation allowance of $98, resulting in an increase of $4 in provision expense during the year ended December 31, 2018, with no corresponding charge-offs recognized.

Other real estate owned that was measured at fair value less costs to sell at March 31, 2019 and December 31, 2018 had a net carrying amount of $228, which is made up of the outstanding balance of $2,217, net of a valuation allowance of $1,989. There were no corresponding write downs during the three months ended March 31, 2019 and 2018.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at March 31, 2019 and December 31, 2018:

| March 31, 2019 | Fair Value | Valuation Technique(s) | Unobservable Input(s) | Range | (Weighted Average) |
|---|---|---|---|---|---|
| Impaired loans: | | | | | |
| Residential real estate | $ 1,206 | Sales approach | Adjustment to comparables | 0.2% to 20% | 11.2% |
| Commercial real estate: | | | | | |
| Owner-occupied | 156 | Sales approach | Adjustment to comparables | 7.8% to 478% | 124.4% |
| Nonowner-occupied | 263 | Sales approach | Adjustment to comparables | 6.8% to 66.7% | 18.0% |

| December 31, 2018 | Fair Value | Valuation Technique(s) | Unobservable Input(s) | Range | (Weighted Average) |
|---|---|---|---|---|---|
| Impaired loans: | | | | | |
| Commercial real estate: | | | | | |
| Nonowner-occupied | $ 264 | Sales approach | Adjustment to comparables | 6.8% to 66.7% | 18.0% |

**NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The carrying amounts and estimated fair values of financial instruments at March 31, 2019 and December 31, 2018 are as follows:

| | Carrying Value | Fair Value Measurements at March 31, 2019 Using: | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets:** | | | | | |
| Cash and cash equivalents | $ 72,897 | $ 72,897 | $ ---- | $ ---- | $ 72,897 |
| Certificates of deposit in financial institutions | 2, 065 | ---- | 2,065 | ---- | 2,065 |
| Securities available for sale | 110,281 | ---- | 110,281 | ---- | 110,281 |
| Securities held to maturity | 15,590 | ---- | 7,664 | 8,460 | 16,124 |
| Loans, net | 772,631 | ---- | ---- | 771,559 | 771,559 |
| Accrued interest receivable | 2,808 | ---- | 406 | 2,402 | 2,808 |
| | | | | | |
| **Financial liabilities:** | | | | | |
| Deposits, including held for sale | 861,704 | 242,894 | 619,302 | ---- | 862,196 |
| Other borrowed funds | 37,577 | ---- | 36,224 | ---- | 36,224 |
| Subordinated debentures | 8,500 | ---- | 6,897 | ---- | 6,897 |
| Accrued interest payable | 1,492 | 3 | 1,489 | ---- | 1,492 |

| | Carrying Value | Fair Value Measurements at December 31, 2018 Using: | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets:** | | | | | |
| Cash and cash equivalents | $ 71,180 | $ 71,180 | $ ---- | $ ---- | $ 71,180 |
| Certificates of deposit in financial institutions | 2,065 | ---- | 2,065 | ---- | 2,065 |
| Securities available for sale | 102,164 | ---- | 102,164 | ---- | 102,164 |
| Securities held to maturity | 15,816 | ---- | 7,625 | 8,609 | 16,234 |
| Loans, net | 770,324 | ---- | ---- | 766,784 | 766,784 |
| Accrued interest receivable | 2,638 | ---- | 312 | 2,326 | 2,638 |
| | | | | | |
| **Financial liabilities:** | | | | | |
| Deposits | 846,704 | 237,821 | 607,593 | ---- | 845,414 |
| Other borrowed funds | 39,713 | ---- | 37,644 | ---- | 37,644 |
| Subordinated debentures | 8,500 | ---- | 7,054 | ---- | 7,054 |
| Accrued interest payable | 1,255 | 3 | 1,252 | ---- | 1,255 |

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

<u>Loans:</u> The fair values of loans as of March 31, 2019 and December 31, 2018 follow the guidance in ASU 2016-01, which prescribes an "exit price" approach in estimating and disclosing fair value of financial instruments resulting in a Level 3 classification. The fair value calculation at that date discounted estimated future cash flows using rates that incorporated discounts for credit, liquidity, and marketability factors.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**NOTE 3 – SECURITIES**

The following table summarizes the amortized cost and fair value of securities available for sale and securities held to maturity at March 31, 2019 and December 31, 2018 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive (loss) and gross unrecognized gains and losses:

| **Securities Available for Sale** | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| March 31, 2019 | | | | |
| U.S. Government sponsored entity securities | $ 16,677 | $ 91 | $ (79) | $ 16,689 |
| Agency mortgage-backed securities, residential | 94,310 | 389 | (1,107) | 93,592 |
| Total securities | $ 110,987 | $ 480 | $ (1,186) | $ 110,281 |
| December 31, 2018 | | | | |
| U.S. Government sponsored entity securities | $ 16,837 | $ 8 | $ (215) | $ 16,630 |
| Agency mortgage-backed securities, residential | 88,030 | 92 | (2,588) | 85,534 |
| Total securities | $ 104,867 | $ 100 | $ (2,803) | $ 102,164 |

| **Securities Held to Maturity** | Amortized Cost | Gross Unrecognized Gains | Gross Unrecognized Losses | Estimated Fair Value |
|---|---|---|---|---|
| March 31, 2019 | | | | |
| Obligations of states and political subdivisions | $ 15,587 | $ 546 | $ (12) | $ 16,121 |
| Agency mortgage-backed securities, residential | 3 | ---- | ---- | 3 |
| Total securities | $ 15,590 | $ 546 | $ (12) | $ 16,124 |
| December 31, 2018 | | | | |
| Obligations of states and political subdivisions | $ 15,813 | $ 502 | $ (84) | $ 16,231 |
| Agency mortgage-backed securities, residential | 3 | ---- | ---- | 3 |
| Total securities | $ 15,816 | $ 502 | $ (84) | $ 16,234 |

The amortized cost and estimated fair value of debt securities at March 31, 2019, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay the debt obligations prior to their contractual maturities. Securities not due at a single maturity are shown separately.

| | Available for Sale | | Held to Maturity | |
|---|---|---|---|---|
| **Debt Securities:** | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Due in one year or less | $ ---- | $ ---- | $ 926 | $ 927 |
| Due in over one to five years | 16,677 | 16,689 | 6,431 | 6,601 |
| Due in over five to ten years | ---- | ---- | 8,230 | 8,593 |
| Due after ten years | ---- | ---- | ---- | ---- |
| Agency mortgage-backed securities, residential | 94,310 | 93,592 | 3 | 3 |
| Total debt securities | $ 110,987 | $ 110,281 | $ 15,590 | $ 16,124 |

**NOTE 3 – SECURITIES (Continued)**

The following table summarizes securities with unrealized losses at March 31, 2019 and December 31, 2018, aggregated by major security type and length of time in a continuous unrealized loss position:

| **March 31, 2019** | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Securities Available for Sale | | | | | | |
| U.S. Government sponsored entity securities | $ ---- | $ ---- | $ 5,935 | $ (79) | $ 5,935 | $ (79) |
| Agency mortgage-backed securities, residential | ---- | ---- | 59,641 | (1,107) | 59,641 | (1,107) |
| Total available for sale | $ ---- | $ ---- | $ 65,576 | $ (1,186) | $ 65,576 | $ (1,186) |

| | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrecognized Loss | Fair Value | Unrecognized Loss | Fair Value | Unrecognized Loss |
| Securities Held to Maturity | | | | | | |
| Obligations of states and political subdivisions | $ ---- | $ ---- | $ 1,380 | $ (12) | $ 1,380 | $ (12) |
| Total held to maturity | $ ---- | $ ---- | $ 1,380 | $ (12) | $ 1,380 | $ (12) |

| **December 31, 2018** | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Securities Available for Sale | | | | | | |
| U.S. Government sponsored entity securities | $ 1,981 | $ (1) | $ 8,679 | $ (214) | $ 10,660 | $ (215) |
| Agency mortgage-backed securities, residential | 8,564 | (43) | 62,619 | (2,545) | 71,183 | (2,588) |
| Total available for sale | $ 10,545 | $ (44) | $ 71,298 | $ (2,759) | $ 81,843 | $ (2,803) |

| | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrecognized Loss | Fair Value | Unrecognized Loss | Fair Value | Unrecognized Loss |
| Securities Held to Maturity | | | | | | |
| Obligations of states and political subdivisions | $ 484 | $ (3) | $ 1,312 | $ (81) | $ 1,796 | $ (84) |
| Total held to maturity | $ 484 | $ (3) | $ 1,312 | $ (81) | $ 1,796 | $ (84) |

There were no sales of investment securities during the three months ended March 31, 2019 and 2018. Unrealized losses on the Company's debt securities have not been recognized into income because the issuers' securities are of high credit quality as of March 31, 2019, and management does not intend to sell, and it is likely that management will not be required to sell, the securities prior to their anticipated recovery. Management does not believe any individual unrealized loss at March 31, 2019 and December 31, 2018 represents an other-than-temporary impairment.

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES**

| Loans are comprised of the following: | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Residential real estate | $ 302,391 | $ 304,079 |
| Commercial real estate: | | |
| Owner-occupied | 64,553 | 61,694 |
| Nonowner-occupied | 127,105 | 117,188 |
| Construction | 31,848 | 37,478 |
| Commercial and industrial | 114,755 | 113,243 |
| Consumer: | | |
| Automobile | 66,999 | 70,226 |
| Home equity | 23,215 | 22,512 |
| Other | 49,778 | 50,632 |
| | 780,644 | 777,052 |
| Less: Allowance for loan losses | (8,013) | (6,728) |
| | | |
| Loans, net | $ 772,631 | $ 770,324 |

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2019 and 2018:

| March 31, 2019 | Residential Real Estate | Commercial Real Estate | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|
| Allowance for loan losses: | | | | | |
| Beginning balance | $ 1,583 | $ 2,186 | $ 1,063 | $ 1,896 | $ 6,728 |
| Provision for loan losses | 813 | 393 | 473 | 699 | 2,378 |
| Loans charged off | (329) | (141) | (233) | (658) | (1,361) |
| Recoveries | 12 | 14 | 12 | 230 | 268 |
| Total ending allowance balance | $ 2,079 | $ 2,452 | $ 1,315 | $ 2,167 | $ 8,013 |

| March 31, 2018 | Residential Real Estate | Commercial Real Estate | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|
| Allowance for loan losses: | | | | | |
| Beginning balance | $ 1,470 | $ 2,978 | $ 1,024 | $ 2,027 | $ 7,499 |
| Provision for loan losses | 594 | (581) | 316 | 427 | 756 |
| Loans charged-off | (60) | (1) | (4) | (522) | (587) |
| Recoveries | 55 | 27 | 37 | 209 | 328 |
| Total ending allowance balance | $ 2,059 | $ 2,423 | $ 1,373 | $ 2,141 | $ 7,996 |

The following table presents the balance in the allowance for loan losses and the recorded investment of loans by portfolio segment and based on impairment method as of March 31, 2019 and December 31, 2018:

| March 31, 2019 | Residential Real Estate | Commercial Real Estate | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|
| Allowance for loan losses: | | | | | |
| Ending allowance balance attributable to loans: | | | | | |
| Individually evaluated for impairment | $ 89 | $ 95 | $ 71 | $ 6 | $ 261 |
| Collectively evaluated for impairment | 1,990 | 2,357 | 1,244 | 2,161 | 7,752 |
| Total ending allowance balance | $ 2,079 | $ 2,452 | $ 1,315 | $ 2,167 | $ 8,013 |
| | | | | | |
| Loans: | | | | | |
| Loans individually evaluated for impairment | $ 1,745 | $ 11,278 | $ 7,443 | $ 6 | $ 20,472 |
| Loans collectively evaluated for impairment | 300,646 | 212,228 | 107,312 | 139,986 | 760,172 |
| Total ending loans balance | $ 302,391 | $ 223,506 | $ 114,755 | $ 139,992 | $ 780,644 |

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

| December 31, 2018 | Residential Real Estate | Commercial Real Estate | Commercial and Industrial | Consumer | Total |
|---|---|---|---|---|---|
| Allowance for loan losses: | | | | | |
| Ending allowance balance attributable to loans: | | | | | |
| Individually evaluated for impairment | $ ---- | $ 98 | $ ---- | $ ---- | $ 98 |
| Collectively evaluated for impairment | 1,583 | 2,088 | 1,063 | 1,896 | 6,630 |
| Total ending allowance balance | $ 1,583 | $ 2,186 | $ 1,063 | $ 1,896 | $ 6,728 |
| | | | | | |
| Loans: | | | | | |
| Loans individually evaluated for impairment | $ 1,667 | $ 3,835 | $ 7,116 | $ ---- | $ 12,618 |
| Loans collectively evaluated for impairment | 302,412 | 212,525 | 106,127 | 143,370 | 764,434 |
| Total ending loans balance | $ 304,079 | $ 216,360 | $ 113,243 | $ 143,370 | $ 777,052 |

The following tables present information related to loans individually evaluated for impairment by class of loans as of March 31, 2019 and December 31, 2018:

| March 31, 2019 | Unpaid Principal Balance | Recorded Investment | Allowance for Loan Losses Allocated |
|---|---|---|---|
| With an allowance recorded: | | | |
| Residential real estate | $ 1,295 | $ 1,295 | $ 89 |
| Commercial real estate: | | | |
| Owner-occupied | 156 | 156 | ---- |
| Nonowner-occupied | 358 | 358 | 95 |
| Commercial and industrial | 1,968 | 1,968 | 71 |
| Consumer: | | | |
| Home equity | 6 | 6 | 6 |
| With no related allowance recorded: | | | |
| Residential real estate | 450 | 450 | ---- |
| Commercial real estate: | | | |
| Owner-occupied | 3,356 | 3,356 | ---- |
| Nonowner-occupied | 8,830 | 7,408 | ---- |
| Construction | 332 | ---- | ---- |
| Commercial and industrial | 5,475 | 5,475 | ---- |
| Total | $ 22,226 | $ 20,472 | $ 261 |

| December 31, 2018 | Unpaid Principal Balance | Recorded Investment | Allowance for Loan Losses Allocated |
|---|---|---|---|
| With an allowance recorded: | | | |
| Commercial real estate: | | | |
| Nonowner-occupied | $ 362 | $ 362 | $ 98 |
| With no related allowance recorded: | | | |
| Residential real estate | 1,667 | 1,667 | ---- |
| Commercial real estate: | | | |
| Owner-occupied | 2,527 | 2,527 | ---- |
| Nonowner-occupied | 2,368 | 946 | ---- |
| Construction | 336 | ---- | ---- |
| Commercial and industrial | 7,116 | 7,116 | ---- |
| Total | $ 14,376 | $ 12,618 | $ 98 |

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

The following tables present information related to loans individually evaluated for impairment by class of loans for the three months ended March 31, 2019 and 2018:

| | Three months ended March 31, 2019 | | |
|---|---|---|---|
| | Average Impaired Loans | Interest Income Recognized | Cash Basis Interest Recognized |
| With an allowance recorded: | | | |
| Residential real estate | $ 1,255 | $ 7 | $ 7 |
| Commercial real estate: | | | |
| Owner-occupied | 78 | 2 | 2 |
| Nonowner-occupied | 360 | ---- | ---- |
| Commercial and industrial | 984 | 36 | 36 |
| Consumer: | | | |
| Home equity | 3 | ---- | ---- |
| With no related allowance recorded: | | | |
| Residential real estate | 451 | 4 | 4 |
| Commercial real estate: | | | |
| Owner-occupied | 2,862 | 52 | 52 |
| Nonowner-occupied | 4,177 | 112 | 112 |
| Construction | ---- | 5 | 5 |
| Commercial and industrial | 5,258 | 84 | 84 |
| Total | $ 15,428 | $ 302 | $ 302 |

| | Three months ended March 31, 2018 | | |
|---|---|---|---|
| | Average Impaired Loans | Interest Income Recognized | Cash Basis Interest Recognized |
| With an allowance recorded: | | | |
| Commercial real estate: | | | |
| Nonowner-occupied | $ 371 | $ 1 | $ 1 |
| With no related allowance recorded: | | | |
| Residential real estate | 1,550 | 20 | 20 |
| Commercial real estate: | | | |
| Owner-occupied | 2,491 | 34 | 34 |
| Nonowner-occupied | 3,521 | 20 | 20 |
| Construction | ---- | 5 | 5 |
| Commercial and industrial | 8,673 | 124 | 124 |
| Total | $ 16,606 | $ 204 | $ 204 |

The recorded investment of a loan is its carrying value excluding accrued interest and deferred loan fees.

Nonaccrual loans and loans past due 90 days or more and still accruing include both smaller balance homogenous loans that are collectively evaluated for impairment and individually classified as impaired loans.

The Company transfers loans to other real estate owned, at fair value less cost to sell, in the period the Company obtains physical possession of the property (through legal title or through a deed in lieu). As of March 31, 2019 and December 31, 2018, other real estate owned for residential real estate properties totaled $134. In addition, nonaccrual residential mortgage loans that are in the process of foreclosure had a recorded investment of $1,177 and $2,375 as of March 31, 2019 and December 31, 2018, respectively.

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

The following table presents the recorded investment of nonaccrual loans and loans past due 90 days or more and still accruing by class of loans as of March 31, 2019 and December 31, 2018:

| March 31, 2019 | Loans Past Due 90 Days And Still Accruing | Nonaccrual |
|---|---|---|
| Residential real estate | $ 235 | $ 6,848 |
| Commercial real estate: | | |
| Owner-occupied | ---- | 425 |
| Nonowner-occupied | ---- | 851 |
| Construction | ---- | 332 |
| Commercial and industrial | ---- | 140 |
| Consumer: | | |
| Automobile | 143 | 127 |
| Home equity | ---- | 268 |
| Other | 99 | 94 |
| Total | $ 477 | $ 9,085 |

| December 31, 2018 | Loans Past Due 90 Days And Still Accruing | Nonaccrual |
|---|---|---|
| Residential real estate | $ 19 | $ 6,661 |
| Commercial real estate: | | |
| Owner-occupied | ---- | 470 |
| Nonowner-occupied | 362 | 574 |
| Construction | 66 | 416 |
| Commercial and industrial | 31 | 228 |
| Consumer: | | |
| Automobile | 270 | 59 |
| Home equity | 91 | 183 |
| Other | 228 | 86 |
| Total | $ 1,067 | $ 8,677 |

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

The following table presents the aging of the recorded investment of past due loans by class of loans as of March 31, 2019 and December 31, 2018:

| March 31, 2019 | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days Or More Past Due | Total Past Due | Loans Not Past Due | Total |
|---|---|---|---|---|---|---|
| Residential real estate | $ 3,516 | $ 1,809 | $ 1,489 | $ 6,814 | $ 295,577 | $ 302,391 |
| Commercial real estate: | | | | | | |
| Owner-occupied | 953 | 151 | 89 | 1,193 | 63,360 | 64,553 |
| Nonowner-occupied | 714 | ---- | 669 | 1,383 | 125,722 | 127,105 |
| Construction | ---- | 61 | 121 | 182 | 31,666 | 31,848 |
| Commercial and industrial | 1,024 | 112 | ---- | 1,136 | 113,619 | 114,755 |
| Consumer: | | | | | | |
| Automobile | 1,386 | 274 | 160 | 1,820 | 65,179 | 66,999 |
| Home equity | 162 | ---- | 162 | 324 | 22,891 | 23,215 |
| Other | 671 | 222 | 101 | 994 | 48,784 | 49,778 |
| Total | $ 8,426 | $ 2,629 | $ 2,791 | $ 13,846 | $ 766,798 | $ 780,644 |

| December 31, 2018 | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days Or More Past Due | Total Past Due | Loans Not Past Due | Total |
|---|---|---|---|---|---|---|
| Residential real estate | $ 3,369 | $ 1,183 | $ 1,642 | $ 6,194 | $ 297,885 | $ 304,079 |
| Commercial real estate: | | | | | | |
| Owner-occupied | 298 | ---- | 129 | 427 | 61,267 | 61,694 |
| Nonowner-occupied | 299 | ---- | 747 | 1,046 | 116,142 | 117,188 |
| Construction | 31 | ---- | 265 | 296 | 37,182 | 37,478 |
| Commercial and industrial | 428 | 192 | 110 | 730 | 112,513 | 113,243 |
| Consumer: | | | | | | |
| Automobile | 1,287 | 286 | 289 | 1,862 | 68,364 | 70,226 |
| Home equity | 171 | 92 | 260 | 523 | 21,989 | 22,512 |
| Other | 593 | 291 | 228 | 1,112 | 49,520 | 50,632 |
| Total | $ 6,476 | $ 2,044 | $ 3,670 | $ 12,190 | $ 764,862 | $ 777,052 |

**Troubled Debt Restructurings:**

A troubled debt restructuring ("TDR") occurs when the Company has agreed to a loan modification in the form of a concession for a borrower who is experiencing financial difficulty. All TDR's are considered to be impaired. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; a reduction in the contractual principal and interest payments of the loan; or short-term interest-only payment terms.

The Company has allocated reserves for a portion of its TDR's to reflect the fair values of the underlying collateral or the present value of the concessionary terms granted to the customer.

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

The following table presents the types of TDR loan modifications by class of loans as of March 31, 2019 and December 31, 2018:

| March 31, 2019 | TDR's Performing to Modified Terms | TDR's Not Performing to Modified Terms | Total TDR's |
|---|---|---|---|
| Residential real estate: | | | |
| Interest only payments | $ 215 | $ ---- | $ 215 |
| Commercial real estate: | | | |
| Owner-occupied | | | |
| Interest only payments | 947 | ---- | 947 |
| Reduction of principal and interest payments | 1,559 | ---- | 1,559 |
| Maturity extension at lower stated rate than market rate | 450 | ---- | 450 |
| Credit extension at lower stated rate than market rate | 400 | ---- | 400 |
| Nonowner-occupied | | | |
| Interest only payments | ---- | 10 | 10 |
| Rate reduction | ---- | 358 | 358 |
| Credit extension at lower stated rate than market rate | 560 | ---- | 560 |
| Commercial and industrial: | | | |
| Interest only payments | 4,886 | ---- | 4,886 |
| Reduction of principal and interest payments | 199 | ---- | 199 |
| Total TDR's | $ 9,216 | $ 368 | $ 9,584 |

| December 31, 2018 | TDR's Performing to Modified Terms | TDR's Not Performing to Modified Terms | Total TDR's |
|---|---|---|---|
| Residential real estate: | | | |
| Interest only payments | $ 216 | $ ---- | $ 216 |
| Commercial real estate: | | | |
| Owner-occupied | | | |
| Interest only payments | 968 | ---- | 968 |
| Reduction of principal and interest payments | 529 | ---- | 529 |
| Maturity extension at lower stated rate than market rate | 469 | ---- | 469 |
| Credit extension at lower stated rate than market rate | 402 | ---- | 402 |
| Nonowner-occupied | | | |
| Interest only payments | ---- | 385 | 385 |
| Rate reduction | ---- | 362 | 362 |
| Credit extension at lower stated rate than market rate | 561 | ---- | 561 |
| Commercial and industrial: | | | |
| Interest only payments | 4,742 | ---- | 4,742 |
| Total TDR's | $ 7,887 | $ 747 | $ 8,634 |

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

At March 31, 2019, the balance in TDR loans increased $950, or 11.0%, from year-end 2018. The Company's specific allocations in reserves to customers whose loan terms have been modified in TDR's totaled $95 at March 31, 2019, as compared to $98 in reserves at December 31, 2018. At March 31, 2019, the Company had $614 in commitments to lend additional amounts to customers with outstanding loans that are classified as TDR's, as compared to $758 at December 31, 2018.

There were no TDR loan modifications that occurred during the three months ended March 31, 2018. The following tables present the pre- and post-modification balances of TDR loan modifications by class of loans that occurred during the three months ended March 31, 2019:

| | | TDR's Performing to Modified Terms | | TDR's Not Performing to Modified Terms | |
|---|---|---|---|---|---|
| Three months ended March 31, 2019 | Number of Loans | Pre-Modification Recorded Investment | Post-Modification Recorded Investment | Pre-Modification Recorded Investment | Post-Modification Recorded Investment |
| Commercial real estate: | | | | | |
| Owner-occupied | | | | | |
| Reduction of principal and interest payments | 1 | $ 1,036 | $ 1,036 | $ ---- | $ ---- |
| Commercial and Industrial: | | | | | |
| Reduction of principal and interest payments | 1 | 199 | 199 | | |
| Total TDR's | 2 | $ 1,235 | $ 1,235 | $ ---- | $ ---- |

The troubled debt restructurings described above had no impact on the allowance for loan losses and resulted in no charge-offs during the three months ended March 31, 2019.

The Company had no TDR's that, during the three months ended March 31, 2019 and 2018, experienced any payment defaults within twelve months following their loan modification. A default is considered to have occurred once the TDR is past due 90 days or more or it has been placed on nonaccrual. TDR loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

**Credit Quality Indicators:**

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. These risk categories are represented by a loan grading scale from 1 through 11. The Company analyzes loans individually with a higher credit risk rating and groups these loans into categories called “criticized” and ”classified” assets. The Company considers its criticized assets to be loans that are graded 8 and its classified assets to be loans that are graded 9 through 11. The Company’s risk categories are reviewed at least annually on loans that have aggregate borrowing amounts that meet or exceed $500.

The Company uses the following definitions for its criticized loan risk ratings:

**Special Mention.** Loans classified as special mention indicate considerable risk due to deterioration of repayment (in the earliest stages) due to potential weak primary repayment source, or payment delinquency. These loans will be under constant supervision, are not classified and do not expose the institution to sufficient risks to warrant classification. These deficiencies should be correctable within the normal course of business, although significant changes in company structure or policy may be necessary to correct the deficiencies. These loans are considered bankable assets with no apparent loss of principal or interest envisioned. The perceived risk in continued lending is considered to have increased beyond the level where such loans would normally be granted. Credits that are defined as a troubled debt restructuring should be graded no higher than special mention until they have been reported as performing over one year after restructuring.

The Company uses the following definitions for its classified loan risk ratings:

**Substandard.** Loans classified as substandard represent very high risk, serious delinquency, nonaccrual, or unacceptable credit. Repayment through the primary source of repayment is in jeopardy due to the existence of one or more well defined weaknesses and the collateral pledged may inadequately protect collection of the loans. Loss of principal is not likely if weaknesses are corrected, although financial statements normally reveal significant weakness. Loans are still considered collectible, although loss of principal is more likely than with special mention loan grade 8 loans. Collateral liquidation is considered likely to satisfy debt.

**Doubtful.** Loans classified as doubtful display a high probability of loss, although the amount of actual loss at the time of classification is undetermined. This classification should be temporary until such time that actual loss can be identified, or improvements made to reduce the seriousness of the classification. These loans exhibit all substandard characteristics with the addition that weaknesses make collection or liquidation in full highly questionable and improbable. This classification consists of loans where the possibility of loss is high after collateral liquidation based upon existing facts, market conditions, and value. Loss is deferred until certain important and reasonable specific pending factors which may strengthen the credit can be more accurately determined. These factors may include proposed acquisitions, liquidation procedures, capital injection, receipt of additional collateral, mergers, or refinancing plans. A doubtful classification for an entire credit should be avoided when collection of a specific portion appears highly probable with the adequately secured portion graded substandard.

**Loss.** Loans classified as loss are considered uncollectible and are of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the credit has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset yielding such a minimum value even though partial recovery may be affected in the future. Amounts classified as loss should be promptly charged off.

**NOTE 4 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)**

Criticized and classified loans will mostly consist of commercial and industrial and commercial real estate loans. The Company considers its loans that do not meet the criteria for a criticized and classified asset rating as pass rated loans, which will include loans graded from 1 (Prime) to 7 (Watch). All commercial loans are categorized into a risk category either at the time of origination or reevaluation date. As of March 31, 2019 and December 31, 2018, and based on the most recent analysis performed, the risk category of commercial loans by class of loans was as follows:

| March 31, 2019 | Pass | Criticized | Classified | Total |
|---|---|---|---|---|
| Commercial real estate: | | | | |
| Owner-occupied | $ 53,613 | $ 7,653 | $ 3,287 | $ 64,553 |
| Nonowner-occupied | 119,130 | ---- | 7,975 | 127,105 |
| Construction | 31,848 | ---- | ---- | 31,848 |
| Commercial and industrial | 99,986 | 989 | 13,780 | 114,755 |
| Total | $ 304,577 | $ 8,642 | $ 25,042 | $ 338,261 |

| December 31, 2018 | Pass | Criticized | Classified | Total |
|---|---|---|---|---|
| Commercial real estate: | | | | |
| Owner-occupied | $ 50,474 | $ 7,724 | $ 3,496 | $ 61,694 |
| Nonowner-occupied | 115,170 | ---- | 2,018 | 117,188 |
| Construction | 37,321 | ---- | 157 | 37,478 |
| Commercial and industrial | 92,417 | 6,536 | 14,290 | 113,243 |
| Total | $ 295,382 | $ 14,260 | $ 19,961 | $ 329,603 |

The Company also obtains the credit scores of its borrowers upon origination (if available by the credit bureau), but the scores are not updated. The Company focuses mostly on the performance and repayment ability of the borrower as an indicator of credit risk and does not consider a borrower's credit score to be a significant influence in the determination of a loan's credit risk grading.

For residential and consumer loan classes, the Company evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment of residential and consumer loans by class of loans based on repayment activity as of March 31, 2019 and December 31, 2018:

| March 31, 2019 | Consumer | | | | |
|---|---|---|---|---|---|
| | Automobile | Home Equity | Other | Residential Real Estate | Total |
| Performing | $ 66,729 | $ 22,947 | $ 49,585 | $ 295,308 | $ 434,569 |
| Nonperforming | 270 | 268 | 193 | 7,083 | 7,814 |
| Total | $ 66,999 | $ 23,215 | $ 49,778 | $ 302,391 | $ 442,383 |

| December 31, 2018 | Consumer | | | | |
|---|---|---|---|---|---|
| | Automobile | Home Equity | Other | Residential Real Estate | Total |
| Performing | $ 69,897 | $ 22,238 | $ 50,318 | $ 297,399 | $ 439,852 |
| Nonperforming | 329 | 274 | 314 | 6,680 | 7,597 |
| Total | $ 70,226 | $ 22,512 | $ 50,632 | $ 304,079 | $ 447,449 |

The Company, through its subsidiaries, originates residential, consumer, and commercial loans to customers located primarily in the southeastern areas of Ohio as well as the western counties of West Virginia. Approximately 4.44% of total loans were unsecured at March 31, 2019, down from 5.02% at December 31, 2018.

**NOTE 5 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit, and financial guarantees written, is represented by the contractual amount of those instruments. The contract amounts of these instruments are not included in the consolidated financial statements. At March 31, 2018, the contract amounts of these instruments totaled approximately $70,468, compared to $71,026 at December 31, 2018. The Bank uses the same credit policies in making commitments and conditional obligations as it does for instruments recorded on the balance sheet. Since many of these instruments are expected to expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

**NOTE 6 - OTHER BORROWED FUNDS**

Other borrowed funds at March 31, 2019 and December 31, 2018 are comprised of advances from the Federal Home Loan Bank ("FHLB") of Cincinnati and promissory notes.

| | FHLB Borrowings | Promissory Notes | Totals |
|---|---|---|---|
| March 31, 2019 | $ 31,926 | $ 5,651 | $ 37,577 |
| December 31, 2018 | $ 33,434 | $ 6,279 | $ 39,713 |

Pursuant to collateral agreements with the FHLB, advances were secured by $293,294 in qualifying mortgage loans, $67,111 in commercial loans and $5,365 in FHLB stock at March 31, 2019. Fixed-rate FHLB advances of $31,926 mature through 2042 and have interest rates ranging from 1.53% to 3.31% and a year-to-date weighted average cost of 2.42%. There were no variable-rate FHLB borrowings at March 31, 2019.

At March 31, 2019, the Company had a cash management line of credit enabling it to borrow up to $80,000 from the FHLB. All cash management advances have an original maturity of 90 days. The line of credit must be renewed on an annual basis. There was $80,000 available on this line of credit at March 31, 2019.

Based on the Company's current FHLB stock ownership, total assets and pledgeable loans, the Company had the ability to obtain borrowings from the FHLB up to a maximum of $226,640 at March 31, 2019. Of this maximum borrowing capacity of $226,640, the Company had $134,714 available to use as additional borrowings, of which $80,000 could be used for short-term, cash management advances, as mentioned above.

Promissory notes, issued primarily by Ohio Valley, are due at various dates through a final maturity date of May 1, 2022, and have fixed rates ranging from 1.50% to 4.09% and a year-to-date weighted average cost of 2.77% at March 31, 2019, as compared to 2.83% at December 31, 2018. There were eight promissory notes payable by Ohio Valley to related parties totaling $3,558 at March 31, 2019, and December 31, 2018. Promissory notes payable to other banks totaled $1,824 at March 31, 2019, as compared to $2,451 at December 31, 2018.

Letters of credit issued on the Bank's behalf by the FHLB to collateralize certain public unit deposits as required by law totaled $60,000 at March 31, 2019 and $51,700 at December 31, 2018.

Scheduled principal payments as of March 31, 2019:

| | FHLB Borrowings | Promissory Notes | Totals |
|---|---|---|---|
| 2019 | $ 2,510 | $ 3,178 | $ 5,688 |
| 2020 | 3,380 | 1,621 | 5,001 |
| 2021 | 3,000 | 587 | 3,587 |
| 2022 | 2,842 | 265 | 3,107 |
| 2023 | 2,704 | ---- | 2,704 |
| Thereafter | 17,490 | ---- | 17,490 |
| | $ 31,926 | $ 5,651 | $ 37,577 |

**NOTE 7 – SEGMENT INFORMATION**

The reportable segments are determined by the products and services offered, primarily distinguished between banking and consumer finance. They are also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. Loans, investments, and deposits provide the majority of the net revenues from the banking operation, while loans provide the majority of the net revenues for the consumer finance segment. All Company segments are domestic.

Total revenues from the banking segment, which accounted for the majority of the Company's total revenues, totaled 90.58% and 88.27% of total consolidated revenues for the quarters end March 31, 2019 and 2018, respectively.

The accounting policies used for the Company's reportable segments are the same as those described in Note 1 - Summary of Significant Accounting Policies. Income taxes are allocated based on income before tax expense.

Information for the Company's reportable segments is as follows:

| | Three Months Ended March 31, 2019 | | |
|---|---|---|---|
| | Banking | Consumer Finance | Total Company |
| Net interest income | $ 10,037 | $ 1,350 | $ 11,387 |
| Provision expense | 2,250 | 127 | 2,377 |
| Noninterest income | 1,819 | 27 | 1,846 |
| Noninterest expense | 8,820 | 748 | 9,568 |
| Tax expense | (10) | 105 | 95 |
| Net income | 796 | 397 | 1,193 |
| Assets | 1,033,203 | 11,670 | 1,044,873 |

| | Three Months Ended March 31, 2018 | | |
|---|---|---|---|
| | Banking | Consumer Finance | Total Company |
| Net interest income | $ 10,089 | $ 1,421 | $ 11,510 |
| Provision expense | 600 | 156 | 756 |
| Noninterest income | 2,672 | 404 | 3,076 |
| Noninterest expense | 9,068 | 740 | 9,808 |
| Tax expense | 461 | 195 | 656 |
| Net income | 2,632 | 734 | 3,366 |
| Assets | 1,085,123 | 11,298 | 1,096,421 |

**NOTE 8 – LEASES**

Substantially all of the Company's operating lease right-of-use ("ROU") assets and operating lease liabilities represent leases for branch buildings and office space to conduct business. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The lease expense for these leases are recorded on a straight-line basis over the lease term. Leases with initial terms in excess of 12 months are recorded as either operating or financing leases on the consolidated balance sheet. The Company has no finance lease arrangements. Operating leases have remaining lease terms ranging from 9 months to 18.3 years, some of which include options to extend the leases for up to 15 years. Operating lease ROU assets and operating lease liabilities are valued based on the present value of future minimum lease payments, discounted with an incremental borrowing rate for the same term as the underlying lease. The Company has one lease arrangement that contains variable lease payments that are adjusted periodically for an index. Upon adoption of the new lease guidance on January 1, 2019, an initial ROU asset of $1,280 was recognized as a non-cash asset addition to the consolidated balance sheet.

Balance sheet information related to leases was as follows:

| | As of March 31, 2019 |
|---|---|
| Operating leases: | |
| Operating lease right-of-use assets | $ 1,214 |
| Operating lease liabilities | $ 1,214 |

The components of lease cost were as follows:

| | Three months ended March 31, 2019 |
|---|---|
| Operating lease cost | $ 66 |
| Short-term lease expense | $ 16 |

Other information was as follows:

| | As of March 31, 2019 |
|---|---|
| Weighted-average remaining lease term for operating leases | 11.3 years |
| Weighted-average discount rate for operating leases | 2.73% |

The following table presents information about the Company's operating lease maturities as of March 31, 2019:

| March 31, 2019 | Operating Leases |
|---|---|
| 2019 (remaining) | $ 197 |
| 2020 | 168 |
| 2021 | 148 |
| 2022 | 148 |
| 2023 | 113 |
| After 2023 | 641 |
| Total lease payments | 1,415 |
| Less: Imputed Interest | (201) |
| Total operating leases | $ 1,214 |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(dollars in thousands, except share and per share data)

### Forward Looking Statements

*Except for the historical statements and discussions contained herein, statements contained in this report constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934 and as defined in the Private Securities Litigation Reform Act of 1995. Such statements are often, but not always, identified by the use of such words as "believes," "anticipates," "expects," and similar expressions. Such statements involve various important assumptions, risks, uncertainties, and other factors, many of which are beyond our control and which could cause actual results to differ materially from those expressed in such forward looking statements. These factors include, but are not limited to: changes in political, economic or other factors, such as inflation rates, recessionary or expansive trends, taxes, the effects of implementation of legislation and the continuing economic uncertainty in various parts of the world; competitive pressures; fluctuations in interest rates; the level of defaults and prepayment on loans made by the Company; unanticipated litigation, claims, or assessments; fluctuations in the cost of obtaining funds to make loans; and regulatory changes. Additional detailed information concerning a number of important factors which could cause actual results to differ materially from the forward-looking statements contained in management's discussion and analysis is available in the Company's filings with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, including the disclosure under the heading "Item 1A. Risk Factors" of Part 1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. The Company undertakes no obligation and disclaims any intention to republish revised or updated forward looking statements, whether as a result of new information, unanticipated future events or otherwise.*

### Financial Overview

The Company is primarily engaged in commercial and retail banking, offering a blend of commercial and consumer banking services within southeastern Ohio as well as western West Virginia. The banking services offered by the Bank include the acceptance of deposits in checking, savings, time and money market accounts; the making and servicing of personal, commercial, floor plan and student loans; the making of construction and real estate loans; and credit card services. The Bank also offers individual retirement accounts, safe deposit boxes, wire transfers and other standard banking products and services. In addition, the Bank has facilitated the payment of tax refunds through a third-party tax refund product provider through electronic refund check/deposit ("ERC/ERD") transactions. ERC/ERD transactions involve the payment of a tax refund to the taxpayer after the Bank has received the refund from the federal/state government. ERC/ERD transactions occur primarily during the tax refund season, typically during the first quarter of each year. The Bank ceased receiving tax refunds through its contract with the third-party provider at the end of 2018, but the Bank intends to consider alternative similar relationships for future years. Loan Central also provided refund anticipation loans ("RALs") to its customers until April 27, 2019. RALs are short-term cash advances against a customer's anticipated income tax refund. An Ohio law adopted in 2018 now prohibits Loan Central from making such short-term, single-payment loans.

Net income totaled $1,193 during the first quarter of 2019, a decrease of $2,173, or 64.6%, compared to $3,366 during the first quarter of 2018. Earnings per share for the first quarter of 2019 finished at $.25 per share, compared to $.71 per share during the first quarter of 2018. Lower net income was impacted primarily by higher loan provision expense and lower noninterest income.

The negative impact of lower net earnings also had a direct impact to the Company's annualized net income to average asset ratio, or return on assets ("ROA"), which decreased to 0.47% at March 31, 2019, compared to 1.20% at March 31, 2018. The Company's net income to average equity ratio, or return on equity ("ROE"), also decreased to 4.08% at March 31, 2019, compared to 12.41% at March 31, 2019.

Net interest income during the three months ended March 31, 2019 decreased $123, or 1.1%, from the same period in 2018. The decrease came largely from lower average earning assets, which decreased $121,735, or 11.3%, from the first quarter of 2018. The decrease in average assets was mostly impacted by the Bank not processing tax refunds during 2019. As previously mentioned, the Bank's third-party tax software product provider ceased utilizing the services of the Bank at the end of 2018. In previous years, the Bank would experience significant levels of excess deposits during the first quarter by utilizing its interest-bearing Federal Reserve Bank clearing account to facilitate all ERC/ERD transactions. Without this processing activity in 2019, the interest revenue earned on balances with the Federal Reserve decreased $366, or 53.4%, during the first quarter of 2019. Lower net interest income was further impacted by higher interest expense on deposits, which increased $450, or 50.4%, during the first quarter of 2019. This increase was largely from certificates of deposit ("CD's") repricing at higher market rates. Partially offsetting the negative effects of lower Federal Reserve interest income and higher CD interest expense was interest income on loans, which increased $663, or 5.9%, over the first quarter of 2018. The increase was a combination of average loan growth and the benefit of rising rates throughout 2018.

During the three months ended March 31, 2019, the Company recorded $2,377 in provision expense, which was up from the $756 in provision expense recorded during the first quarter of 2018. The expense increase was the result of higher net loan charge-offs and higher general reserves related to certain economic risk factors during the first quarter of 2019.

During the three months ended March 31, 2019, the Company's noninterest income decreased $1,230, or 40.0%, as compared to the same period in 2018. In relation to the third-party tax refund product provider terminating its contract with the Bank, the Company experienced no tax processing income in 2019 from the facilitation of ERC/ERD items, as compared to $1,228 in tax processing fees during the first quarter of 2018.

Total noninterest expense decreased $240, or 2.4%, during the first quarter of 2019, as compared to the same period in 2018. This decline during the first quarter of 2019 was impacted by salaries and employee benefit costs, which decreased 2.9% from the employee costs during the first quarter of 2018. The decrease was largely from an expense savings associated with a lower number of employees that completely offset higher expense associated with annual merit increases. Further impacting lower noninterest expense were data processing costs, which decreased over 25% during the first quarter of 2019, in relation to lower consulting fees. The Bank's FDIC insurance premiums also decreased by over 97% in relation to anticipated insurance credits based on the FDIC's reserve fund achieving its targeted level. Partially offsetting these expense reductions was an increase in professional fee expense, which increased over 32% during the first quarter of 2019. The cost increase was in relation to higher audit expense and litigation related legal fees.

The Company's provision for income taxes decreased $561 during the first quarter of 2019 largely due to a lower level of taxable income affected by the factors mentioned above.

At March 31, 2019, total assets were $1,044,873, compared to $1,030,493 at year-end 2018. Higher assets were impacted mostly by growth in the Company's available for sale investment securities portfolio, which increased $8,117 from year-end 2018. This was due mostly to new purchases of Agency mortgage-backed securities during the first quarter of 2019. The Company's loan portfolio also increased $3,592, finishing at $780,644 at March 31, 2019, compared to $777,052 at year-end 2018. The commercial lending segment experienced a 2.6% increase from year-end 2018, which helped to completely offset a combined 0.5% decrease in both the residential real estate and consumer loan portfolios. Asset increases were also influenced by higher interest-bearing deposits with banks, which increased $2,395 from year-end 2018, driven by excess funds from growth in retail deposits.

Total liabilities were $924,521 at March 31, 2019, up $11,902 from December 31, 2018. Interest-bearing deposits accounted for $10,360 of the increase, mostly from seasonal tax collections contributing to higher public fund account balances. Deposits were further impacted by a $4,640 increase in noninterest-bearing deposit accounts, related to higher incentive-based checking account balances from year-end 2018. Partially offsetting deposit growth were reduced borrowings from the continued principal repayments of long-term advances with the Federal Home Loan Bank.

At March 31, 2019, total shareholders' equity was $120,352, up $2,478 since December 31, 2018. Regulatory capital ratios of the Company remained higher than the "well capitalized" minimums.

## Comparison of Financial Condition
## at March 31, 2019 and December 31, 2018

The following discussion focuses, in more detail, on the consolidated financial condition of the Company at March 31, 2019 compared to December 31, 2018. This discussion should be read in conjunction with the interim consolidated financial statements and the footnotes included in this Form 10-Q.

Cash and Cash Equivalents

At March 31, 2019, cash and cash equivalents were $72,897, an increase of $1,717 from $71,180 at December 31, 2018. The increase in cash and cash equivalents came mostly from the Company's interest-bearing Federal Reserve Bank clearing account. The Company utilizes its interest-bearing Federal Reserve Bank clearing account to manage excess funds, as well as to assist in funding earning asset growth. Prior to 2019, the Federal Reserve clearing account was also used to maintain seasonal tax refund deposits associated with the Bank's tax processing activity. In 2018, the Company was informed by its third-party tax refund product provider that the provider will cease utilizing the services of the Bank by the end of 2018, before the contract expiration date of December 31, 2019. With the elimination of this seasonal activity in 2019, the amount of excess funds that had traditionally been available to the Bank in previous years was significantly lower at March 31, 2019. The interest rate paid on both the required and excess reserve balances of the Federal Reserve Bank account is based on the targeted federal funds rate established by the Federal Open Market Committee. Short-term rate increases of 25 basis points during each of June, September and December 2018 caused the federal funds rate to finish at 2.50% at March 31, 2019. The 2.50% interest rate is higher than the rate the Company would have received from its investments in federal funds sold. Furthermore, Federal Reserve Bank balances are 100% secured. However, the positive impact from short-term rate increases did not translate to higher interest revenue from the Federal Reserve Bank clearing account due to the significant decline in seasonal tax deposits from a year ago.

The Company's focus will be to invest excess funds in longer-term, higher-yielding assets, primarily loans, when the opportunities arise. As liquidity levels vary continuously based on consumer activities, amounts of cash and cash equivalents can vary widely at any given point in time. Unless the Bank is able to replace its tax processing agreement with an agreement with another tax refund product provider, the Company's liquidity levels will continue to be materially affected and the Bank will need to rely on other sources of funding for earning asset growth. The Bank is also pursuing payment from its current provider for breach of contract.

Certificates of deposit

At March 31, 2019, the Company had $2,065 in certificates of deposit owned by the Captive, unchanged from year-end 2018. The deposits on hand at March 31, 2019 consist of nine certificates with remaining maturity terms ranging from less than 3 months up to 30 months.

Securities

The balance of total securities increased $7,891, or 6.7%, compared to year-end 2018. The Company's investment securities portfolio is made up mostly of U.S. Government agency ("Agency") mortgage-backed securities, which increased $8,058, or 9.4%, from year-end 2018 and represented 74.4% of total investments at March 31, 2019. During the first three months of 2019, the Company invested $10,035 in new Agency mortgage-backed securities, while receiving principal repayments of $3,722. The monthly repayment of principal has been the primary advantage of Agency mortgage-backed securities as compared to other types of investment securities, which deliver proceeds upon maturity or call date.

In addition, decreasing market rates during 2019 led to a $1,996 decrease in the net unrealized loss position associated with the Company's available for sale securities, which increased the fair value of securities at March 31, 2019. The fair value of an investment security moves inversely to interest rates, so as rates decreased, the unrealized loss in the portfolio was reduced. These changes in rates are typical and do not impact earnings of the Company as long as the securities are held to full maturity.

Loans

The loan portfolio represents the Company's largest asset category and is its most significant source of interest income. Gross loan balances totaled $780,644 at March 31, 2019, representing an increase of $3,592, or 0.5%, as compared to $777,052 at December 31, 2018. Positive loan growth from the commercial loan portfolio was partially offset by balance decreases in the residential real estate and consumer loan portfolios.

The majority of the Company's successful loan growth resides in the commercial lending portfolio, which increased $8,658, or 2.6%, from year-end 2018. This increase came mostly from the commercial real estate segment, which increased $7,146, or 3.3%, from year-end 2018. The commercial real estate segment comprised the largest portion of the Company's total commercial loan portfolio at March 31, 2019, representing 66.1%. The Company experienced an increase in both owner-occupied and nonowner-occupied loan originations, causing balances to grow by $12,776, or 7.1%, from year-end 2018. The growth in owner-occupied and nonowner-occupied commercial loans was also the result of lower construction loans, which were down $5,630, or 15.0%, from year-end 2018. The decrease was largely from multi-family residential and land development projects completing their construction phase and being re-classified as commercial real estate loans. Commercial loan growth also came from commercial and industrial loans, which increased $1,512, or 1.3%, from year-end 2018. Commercial and industrial loans consist of loans to corporate borrowers primarily in small to mid-sized industrial and commercial companies that include service, retail and wholesale merchants. Collateral securing these loans includes equipment, inventory, and stock. While management believes lending opportunities exist in the Company's markets, future commercial lending activities will depend upon economic and related conditions, such as general demand for loans in the Company's primary markets, interest rates offered by the Company, the effects of competitive pressure and normal underwriting considerations. Management will continue to place emphasis on its commercial lending, which generally yields a higher return on investment as compared to other types of loans.

Consumer loan balances at March 31, 2019 decreased $3,378, or 2.4%, from year-end 2018, finishing at $139,992. This change was primarily impacted by a decline in automobile loan balances from year-end 2018. Automobile loans represent the Company's largest consumer loan segment at 47.9% of total consumer loans. The Company will continue to attempt to increase its auto lending segment while maintaining strict loan underwriting processes to limit future loss exposure.

The residential real estate loan segment comprises the largest portion of the Company's overall loan portfolio at 38.7% and consists primarily of one- to four-family residential mortgages and carries many of the same customer and industry risks as the commercial loan portfolio. Residential real estate loan balances during the first three months of 2019 decreased $1,688 or 0.6%, from year-end 2018. This decrease was largely the result of continued payoffs and maturities of both long-term fixed-rate mortgages and short-term adjustable-rate mortgages.

Allowance for Loan Losses

The Company established an $8,013 allowance for loan losses at March 31, 2019, which was up from the $6,728 allowance at year-end 2018. The allowance was impacted by an increase of $1,122 in general allocations from year-end 2018. As part of the Company's quarterly analysis of the allowance for loan losses, management reviewed various factors that directly impact the general allocation needs of the allowance, which include: historical loan losses, loan delinquency levels, local economic conditions and unemployment rates, criticized/classified asset coverage levels and loan loss recoveries. From year-end 2018, the Company experienced commercial loan downgrades based on the borrowers' struggling financial performance that contributed to higher classified assets for the quarter. In addition, the average unemployment rate within the Company's lending areas increased from year-end 2018, contributing to higher credit risk. Furthermore, net charge-offs increased from the prior year, which contributed to higher average historical loan loss levels. As a result, both the Company's historical loss and economic risk factors collectively increased by 12 basis points from year-end 2018, which contributed to the higher general allocation of the allowance for loan losses at March 31, 2019. General risks in the portfolio were negatively impacted by higher impaired loans at March 31, 2019, which increased $10,087 from year-end 2018. The Company also recognized an over $7 million shift from criticized loans to classified loans within the commercial loan segment. Both the impacts from higher impaired loans and classified loans were directly related to the commercial loan downgrades previously mentioned. Positive effects to credit risk came from the Company's delinquency levels at March 31, 2019, which improved slightly from year-end 2018. Nonperforming loans to total loans dropped from 1.25% at December 31, 2018 to 1.23% at March 31, 2019, while nonperforming assets to total assets dropped from 0.99% at year-end 2018 to 0.96% at March 31, 2019.

Further additions to the allowance for loan losses came from an increase in the Company's specific allocations from $98 at year-end 2018 to $261 at March 31, 2019. Specific allocations of the allowance for loan losses identify loan impairment by measuring fair value of the underlying collateral and the present value of estimated future cash flows. The increase in specific allocations at March 31, 2019 was primarily related to one commercial loan relationship that was determined to have a collateral value deficiency during the first quarter of 2019.

The Company's allowance for loan losses to total loans ratio finished at 1.03% at March 31, 2019 and 0.87% at year-end 2018. Management believes that the allowance for loan losses at March 31, 2019 was adequate and reflected probable incurred losses in the loan portfolio. There can be no assurance, however, that adjustments to the allowance for loan losses will not be required in the future. Changes in the circumstances of particular borrowers, as well as adverse developments in the economy, are factors that could change, and management will make adjustments to the allowance for loan losses as necessary. Asset quality will continue to remain a key focus, as management continues to stress not just loan growth, but quality in loan underwriting as well.

Deposits

Deposits continue to be the most significant source of funds used by the Company to meet obligations for depositor withdrawals, to fund the borrowing needs of loan customers, and to fund ongoing operations. Total deposits at March 31, 2019 increased $15,000, or 1.8%, from year-end 2018. This change in deposits came primarily from interest-bearing deposit balances, which were up by $10,360, or 1.7%, from year-end 2018, while noninterest-bearing deposits grew $4,640, or 2.0%, from year-end 2018.

The increase in interest-bearing deposits came mostly from higher interest-bearing NOW account balances from year-end 2018, which increased $10,466, or 6.8%. This increase was largely driven by higher municipal NOW product balances due to seasonality of tax collections received, which typically decrease in the second quarter. The remaining interest-bearing deposits were down $106 from year-end 2018, primarily from lower money market and time deposit balances.

The increase in noninterest-bearing deposits came mostly from the Company's incentive-based checking account balances from year-end 2018.

In April 2019, the Company announced that the Bank had entered into a purchase and assumption agreement to sell its Mount Sterling and New Holland, Ohio branches to North Valley Bank. The purchase and assumption agreement provides for the transfer of $27.2 million in deposits, land and buildings associated with both branches in exchange for the net book value of such other assets and a deposit premium equal to 5.0% of the average daily deposits for the thirty days preceding closing. The sale is expected to close during the second half of 2019.

While facing increased competition for deposits in its market areas, the Company will continue to emphasize growth and retention in its core deposit relationships during the remainder of 2019, reflecting the Company's efforts to reduce its reliance on higher cost funding and improving net interest income.

Other Borrowed Funds

Other borrowed funds were $37,577 at March 31, 2019, a decrease of $2,136, or 5.4%, from year-end 2018. The decrease was related primarily to the principal repayments applied to various FHLB advances during the first quarter of 2019. While deposits continue to be the primary source of funding for growth in earning assets, management will continue to utilize Federal Home Loan Bank advances and promissory notes to help manage interest rate sensitivity and liquidity.

Shareholders' Equity

Total shareholders' equity at March 31, 2019 of $120,352 increased $2,478, or 2.1%, as compared to $117,874 at December 31, 2018. Net unrealized losses on available for sale securities decreased $1,577 from year-end 2018, as market rates decreased during the first three months of 2019 causing an increase in the fair value of the Company's investment portfolio. Capital growth during 2019 also came from year-to-date net income of $1,193, less dividends paid of $995.

Comparison of Results of Operations
For the Three Months Ended
March 31, 2019 and 2018

The following discussion focuses, in more detail, on the consolidated results of operations of the Company for the three months ended March 31, 2019 compared to the same period in 2018. This discussion should be read in conjunction with the interim consolidated financial statements and the footnotes included in this Form 10-Q.

Net Interest Income

The most significant portion of the Company's revenue, net interest income, results from properly managing the spread between interest income on earning assets and interest expense incurred on interest-bearing liabilities. During the first quarter of 2019, net interest income decreased $123, or 1.1%, as compared to the first quarter of 2018. The decrease came primarily from lower average earning assets combined with rising interest costs on deposits, partially offset by interest and fee income growth on loans.

Total interest and fee income recognized on the Company's earning assets increased $349, or 2.7%, during the first quarter of 2019, as compared to the same period in 2018. Quarterly growth was led by interest and fees on loans, which increased $663, or 5.9%, over 2018. Average loans for the quarter ended March 31, 2019 compared to the quarter ended March 31, 2018 grew by 1.2%, or $9,379, while the interest rate yield on loans increased from 6.01% to 6.29% during the same periods. Throughout most of 2018, the Company experienced a growing trend of loan origination improvement that has had a positive impact to loan earnings in 2019. During this time, the West Virginia market areas have been successful in generating $8.0 million in average loan growth, mostly from commercial lending. In addition, the Athens, Ohio loan production office has been successful in generating over $9.3 million in average commercial and residential real estate loan growth. Average loan growth from a year ago was also impacted by growth within consumer home equity lines of credit and other consumer loan types such as all-terrain and recreational vehicle loans.

During the three months ended March 31, 2019, interest income from interest-bearing deposits with banks decreased $366, or 53.4%, when compared to the same period in 2018. The decrease was primarily due to lower interest revenue recorded from the Company's interest-bearing Federal Reserve Bank clearing account. As previously mentioned, the termination of a contract between the Bank and a third party resulted in a significant reduction of excess deposits from ERC/ERD transactions during the first quarter of 2019. As a result, average Federal Reserve Bank clearing account balances decreased $128,022, or 71.9% during the three months ended March 31, 2019, as compared to the same period in 2018, which contributed to lower interest income. The drop in average balances completely offset the positive effects of a higher interest rate tied to the interest-bearing account of 2.50%, as compared to 1.75% a year ago.

The Company also believes that it may experience a reduction in interest income as a result of a new state law, signed into law on July 30, 2018, which places numerous restrictions on short-term and small loans extended by certain non-bank lenders in Ohio. The new law, which applies to loans made beginning April 27, 2019, will apply to much of the lending of Loan Central. The Company is still attempting to determine the effect of the law on Loan Central and the Company, including the loans that would no longer be offered, increased expenses of loans offered and whether the Bank may start making such loans. The Company believes at this time, however, that the effect will not be material to the Company on a consolidated annual basis.

Total interest expense incurred on the Company's interest-bearing liabilities during the first quarter of 2019 increased $472, or 39.4%, as compared to the same period in 2018. The increase was primarily from interest expense on deposits, particularly time deposits. With loan demand up and average loan balances growing successfully during 2019 and most of 2018, the Company utilized more CD balances as a funding source to help keep pace with earning assets. Short-term rate increases have had an impact on the repricing of CD rates and has generated more of a consumer demand to invest in a CD product as compared to money markets. As a result, average time deposits through March 31, 2019 have grown over $9 million when compared to average time deposits through March 31, 2018. The Company's use of higher-costing time deposits caused the Company's total weighted average costs on interest-bearing deposits to increase by 30 basis points from 0.60% at March 31, 2018 to 0.90% at March 31, 2019. The higher average cost associated with time deposits, combined with higher average balances in 2019, contributed to 70% of the interest expense increase during the three months ended March 31, 2019, as compared to the same period in 2018.

The Company's net interest margin is defined as fully tax-equivalent net interest income as a percentage of average earning assets. During 2019, the Company's first quarter net interest margin finished at 4.89%, compared to 2018's first quarter net interest margin of 4.38%. The margin increase was related to average balance increases associated with higher-yielding loans combined with average balance decreases associated with lower-yielding Federal Reserve balances. In prior years, the higher balances being maintained at the Federal Reserve diluted the net interest margin due to the yield on those balances being less than other earning assets, such as loans and securities. The positive effects from a higher composition of loans and less Federal Reserve balances completely offset the negative effects of rising average costs on deposits, particularly time deposits. The Company's primary focus is to invest its funds into higher yielding assets, particularly loans, as opportunities arise. However, if loan balances do not continue to expand and remain a larger component of overall earning assets, the Company will face pressure within its net interest income and margin improvement.

Provision for Loan Losses

During the first quarter of 2019, the Company recorded $2,377 in provision expense, as compared to $756 in provision expense during the first quarter of 2018. The rise in provision expense was largely impacted by an $834 increase in quarterly net charge-offs, primarily from the commercial and residential real estate segments. Provision expense during the first quarter of 2019 was also impacted by various economic risk factors that contributed to a $1,122 increase in the general allocation of the allowance for loan losses from year-end 2018. Particularly, the Company recognized loan downgrades on two loan relationships totaling $9.1 million that increased the Company's classified asset ratio from 22.9% at year-end 2018 to 27.8% at March 31, 2019. In addition, a re-evaluation of unemployment conditions since year-end 2018 within the Company's market lending areas revealed an increase in the unemployment rate from 5.1% to 7.2%, which increased loan risk in the portfolio and contributed to higher general reserves in the first quarter of 2019. Further contributing to provision expense during the first quarter of 2019 were specific reserves totaling $261 compared to $98 at year-end 2018. The increase was mostly impacted by the collateral impairment of two loan relationships that generated provision expense of $166 during the first quarter of 2019.

Future provisions to the allowance for loan losses will continue to be based on management's quarterly in-depth evaluation that is discussed in further detail under the caption "Critical Accounting Policies - Allowance for Loan Losses" within this Management's Discussion and Analysis.

Noninterest Income

Noninterest income for the three months ended March 31, 2019 decreased $1,230, or 40.0%, when compared to the three months ended March 31, 2018. Lower quarterly noninterest revenue was largely impacted by the loss of a tax refund processing contract in 2019 that generated $1,228 in tax processing fees during the first quarter of 2018.

Partially offsetting the loss of tax processing fees are the positive effects from interchange income. The Company has benefited from increases in card interchange income, particularly with debit cards, as the transaction volume continues to grow. Card transactions came mostly from restaurant, gasoline and retail store purchases. The Company has also been successful in promoting the use of both debit and credit cards by offering incentives that permit their users to redeem accumulated points for merchandise, as well as cash incentives paid. As a result, interchange income increased $53, or 6.2%, during the first quarter of 2019, as compared to the same period in 2018.

The remaining noninterest income categories decreased $55, or 5.6%, during the first quarter of 2019, as compared to the same period in 2018.

Noninterest Expense

Noninterest expense during the first quarter of 2019 decreased $240, or 2.4%, as compared to the same period in 2018. One contributing factor to quarterly overhead expense savings came from lower salaries and employee benefits. Salary and employee benefit costs were down $166, or 2.9%, during the first quarter of 2019, as compared to the same period in 2018 as a result of a decrease in the number of employees. The salary and employee benefit expense associated with the reduced number of employees completely offset the expense increases associated with annual merit adjustments for 2019.

The Company also experienced lower data processing expenses, which decreased $179, or 25.1%, during the first quarter of 2019, as compared to the same period in 2018. The Company's total data processing expense is largely impacted by the transaction volume associated with debit and credit cards. However, the decrease from 2018 to 2019 came mostly from consulting costs in 2018 that were associated with the improvement of operating system efficiencies to enhance opportunities for noninterest revenue improvement. These expenses were not repeated in 2019.

Further overhead expense savings came from FDIC premium costs, which decreased $140, or 97.9%, during the first quarter of 2019, as compared to the same period in 2018. This decrease was partially driven by lower assessment rates by the FDIC in 2019 versus 2018. Furthermore, in the third quarter of 2018, the FDIC announced the Deposit Insurance Fund ("DIF") had exceeded the statutory minimum of 1.35%, and that assessment credits would be given to smaller banks with assets less than $10 billion. The credits will be based on the portion of bank assessments that had contributed to the successful DIF level. The FDIC calculated the Bank's associated credit to be $253, which should be received during the second half of 2019. The credit was factored in to the recognition of assessment premium expenses during the first quarter of 2019, which also contributed to the decrease.

Partially offsetting these effects of lower overhead costs were higher professional fees. Professional fees increased $164, or 32.3%, during the first quarter of 2019, as compared to the same period in 2018. This increase includes litigation costs associated with the Bank's lawsuit against the third-party tax software product provider. Professional fees for 2019 also included additional auditing/review costs associated with the new "expected loss" allowance model that will be adopted in 2020.

The remaining noninterest expense categories increased $81, or 3.0%, during the first quarter of 2019, as compared to the same period in 2018. This increase was impacted mostly from software related expenses and costs associated with foreclosed assets.

Efficiency

The Company's efficiency ratio is defined as noninterest expense as a percentage of fully tax-equivalent net interest income plus noninterest income. The effects from provision expense are excluded from the efficiency ratio. Management continues to place emphasis on managing its balance sheet mix and interest rate sensitivity as well as developing more innovative ways to generate noninterest revenue. During the quarterly period ended March 31, 2019, the Company was successful in generating more loan revenue primarily due to higher average earning loans and market rate increases. Furthermore, lower overhead costs afforded the Company a 2.4% expense savings from the prior year. However, the Bank's loss of tax refund processing revenue during 2019 produced a significant decrease in revenue, contributing to a $366 decrease in interest income from its Federal Reserve Bank asset account, and a $1,228 decrease in tax processing fees. These decreases caused net interest and noninterest revenue to decrease at a higher pace than the decrease in overhead expense. As a result, the Company's efficiency ratio during the quarter ended March 31, 2019 increased (regressed) from 66.76% to 71.72%.

Provision for income taxes

The Company recorded an income tax provision of $95 during the first three months of 2019 compared to tax provision of $656 during the first three months of 2018. The decline in tax expense was primarily related to lower taxable income during 2019.

Capital Resources

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. New rules became effective for the Company and the Bank on January 1, 2015, with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Minimum requirements increased for both the quantity and quality of capital held by the Company and the Bank. The rules include a capital conservation buffer of 2.5% of risk-weighted assets. The capital conservation buffer began to phase in on January 1, 2016 at 0.625%, and increased by the same amount on each subsequent January 1 over a four-year period. The fully phased-in capital conservation buffer as of January 1, 2019, is 2.5%. Failure to maintain the required common equity tier 1 capital conservation buffer will result in potential restrictions on a bank's ability to pay dividends, repurchase stock and/or pay discretionary compensation to its employees.

Prompt corrective action regulations applicable to insured depository institutions provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At March 31, 2019 and year-end 2018, the Bank met the capital requirements to be deemed well capitalized under the regulatory framework for prompt corrective action. Regulations of the Board of Governors of the Federal Reserve System (the "FRB") require a state-chartered bank that is a member of a Federal Reserve Bank to maintain certain amounts and types of capital and generally also require bank holding companies to meet such requirements on a consolidated basis. The FRB generally requires bank holding companies that have chosen to become financial holding companies to be "well capitalized," as defined by FRB regulations, in order to continue engaging in activities permissible only to bank holding companies that are registered as financial holding companies. If, however, a bank holding company, whether or not also a financial holding company, satisfies the requirements of the Federal Reserve's Small Bank Holding Company Policy (the "SBHCP"), the holding company is not required to meet the consolidated capital requirements. As amended effective in September 2018, the SBHCP requires that the holding company have assets of less than $3 billion, that it meet certain qualitative requirements, and that all of the holding company's bank subsidiaries meet all bank capital requirements. As of March 31, 2019, the Company was deemed to meet the SBHCP requirements and so was not required to meet consolidated capital requirements at the holding company level.

The following table summarizes the capital ratios (excluding the capital conservation buffer) of the Company and the Bank. The minimums for the Company are those that would have been required if the Company was not a small bank holding company under the SBHCP.

| | 3/31/19 | 12/31/18 | Minimum Regulatory Capital Ratio | Minimum To Be Well Capitalized (1) |
|---|---|---|---|---|
| Total risk-based capital ratio | | | | |
| Company | 17.8% | 17.7% | 8.0% | 10.0% |
| Bank | 16.3% | 16.2% | 8.0% | 10.0% |
| Common equity tier 1 risk-based capital ratio | | | | |
| Company | 15.5% | 15.6% | 4.5% | N/A |
| Bank | 15.2% | 15.3% | 4.5% | 6.5% |
| Tier 1 risk-based capital ratio | | | | |
| Company | 16.7% | 16.7% | 6.0% | 6.0% |
| Bank | 15.2% | 15.3% | 6.0% | 8.0% |
| Leverage ratio | | | | |
| Company | 12.0% | 11.8% | 4.0% | N/A |
| Bank | 10.9% | 10.7% | 4.0% | 5.0% |

(1) For the Company, these amounts would be required for the Company to engage in activities permissible only for a bank holding company that meets the financial holding company requirements if the Company were not subject to the SBHCP. For the Bank, these are the amounts required for the Bank to be deemed well capitalized under the prompt corrective action regulations.

Cash dividends paid by the Company were $995 during the first three months of 2019. The year-to-date dividends paid totaled $0.21 per share for 2019.

Liquidity

Liquidity relates to the Company's ability to meet the cash demands and credit needs of its customers and is provided by the ability to readily convert assets to cash and raise funds in the marketplace. Total cash and cash equivalents, held to maturity securities maturing within one year and available for sale securities, totaling $184,104, represented 17.6% of total assets at March 31, 2019. In addition, the FHLB offers advances to the Bank, which further enhances the Bank's ability to meet liquidity demands. At March 31, 2019, the Bank could borrow an additional $134,714 from the FHLB, of which $80,000 could be used for short-term, cash management advances. Furthermore, the Bank has established a borrowing line with the Federal Reserve. At March 31, 2019, this line had total availability of $59,520. Lastly, the Bank also has the ability to purchase federal funds from a correspondent bank.

Off-Balance Sheet Arrangements

As discussed in Note 5 – Financial Instruments with Off-Balance Sheet Risk, the Company engages in certain off-balance sheet credit-related activities, including commitments to extend credit and standby letters of credit, which could require the Company to make cash payments in the event that specified future events occur. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. While these commitments are necessary to meet the financing needs of the Company’s customers, many of these commitments are expected to expire without being drawn upon. Therefore, the total amount of commitments does not necessarily represent future cash requirements.

Critical Accounting Policies

The most significant accounting policies followed by the Company are presented in Note A to the financial statements in the Company’s 2018 Annual Report to Shareholders. These policies, along with the disclosures presented in the other financial statement notes, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the adequacy of the allowance for loan losses and business combinations to be critical accounting policies.

Allowance for loan losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans generally consist of loans with balances of $200 or more on nonaccrual status or nonperforming in nature. Loans for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length and reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed.

Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Smaller balance homogeneous loans, such as consumer and most residential real estate, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosure. Troubled debt restructurings are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and impaired loans that are not individually reviewed for impairment and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent 3 years for the consumer and real estate portfolio segment and 5 years for the commercial portfolio segment. The total loan portfolio's actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: Commercial Real Estate, Commercial and Industrial, Residential Real Estate, and Consumer.

Commercial and industrial loans consist of borrowings for commercial purposes by individuals, corporations, partnerships, sole proprietorships, and other business enterprises. Commercial and industrial loans are generally secured by business assets such as equipment, accounts receivable, inventory, or any other asset excluding real estate and generally made to finance capital expenditures or operations. The Company's risk exposure is related to deterioration in the value of collateral securing the loan should foreclosure become necessary. Generally, business assets used or produced in operations do not maintain their value upon foreclosure, which may require the Company to write down the value significantly to sell.

Commercial real estate consists of nonfarm, nonresidential loans secured by owner-occupied and nonowner-occupied commercial real estate as well as commercial construction loans. An owner-occupied loan relates to a borrower purchased building or space for which the repayment of principal is dependent upon cash flows from the ongoing business operations conducted by the party, or an affiliate of the party, who owns the property. Owner-occupied loans that are dependent on cash flows from operations can be adversely affected by current market conditions for their product or service. A nonowner-occupied loan is a property loan for which the repayment of principal is dependent upon rental income associated with the property or the subsequent sale of the property. Nonowner-occupied loans that are dependent upon rental income are primarily impacted by local economic conditions which dictate occupancy rates and the amount of rent charged. Commercial construction loans consist of borrowings to purchase and develop raw land into one- to four-family residential properties. Construction loans are extended to individuals as well as corporations for the construction of an individual or multiple properties and are secured by raw land and the subsequent improvements. Repayment of the loans to real estate developers is dependent upon the sale of properties to third parties in a timely fashion upon completion. Should there be delays in construction or a downturn in the market for those properties, there may be significant erosion in value which may be absorbed by the Company.

Residential real estate loans consist of loans to individuals for the purchase of one- to four-family primary residences with repayment primarily through wage or other income sources of the individual borrower. The Company's loss exposure to these loans is dependent on local market conditions for residential properties as loan amounts are determined, in part, by the fair value of the property at origination.

Consumer loans are comprised of loans to individuals secured by automobiles, open-end home equity loans and other loans to individuals for household, family, and other personal expenditures, both secured and unsecured. These loans typically have maturities of 6 years or less with repayment dependent on individual wages and income. The risk of loss on consumer loans is elevated as the collateral securing these loans, if any, rapidly depreciate in value or may be worthless and/or difficult to locate if repossession is necessary. During the last several years, one of the most significant portions of the Company's net loan charge-offs have been from consumer loans. Nevertheless, the Company has allocated the highest percentage of its allowance for loan losses as a percentage of loans to the other identified loan portfolio segments due to the larger dollar balances and inherent risk associated with such portfolios.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred and the amount of any noncontrolling interest in the acquiree. Acquisition related transaction costs are expensed and included in other operational result. When a business is acquired, the Company assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. We are required to record the assets acquired, including identified intangible assets, and the liabilities assumed at their fair value. These often involve estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques that may include estimates of attrition, inflation, asset growth rates, or other relevant factors. In addition, the determination of the useful lives over which an intangible asset will be amortized is subjective. Under FASB ASC 350 (SFAS No. 142 Goodwill and Other Intangible Assets), goodwill and indefinite-lived assets recorded must be reviewed for impairment on an annual basis, as well as on an interim basis if events or changes indicate that the asset might be impaired. An impairment loss must be recognized for any excess of carrying value over fair value of the goodwill or the indefinite-lived intangible asset.

Concentration of Credit Risk

The Company maintains a diversified credit portfolio, with residential real estate loans currently comprising the most significant portion. Credit risk is primarily subject to loans made to businesses and individuals in southeastern Ohio and western West Virginia. Management believes this risk to be general in nature, as there are no material concentrations of loans to any industry or consumer group. To the extent possible, the Company diversifies its loan portfolio to limit credit risk by avoiding industry concentrations.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES**

Evaluation of Disclosure Controls and Procedures

With the participation of the Chief Executive Officer and President (the principal executive officer) and the Senior Vice President and Chief Financial Officer (the principal financial officer) of Ohio Valley, Ohio Valley's management has evaluated the effectiveness of Ohio Valley's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, Ohio Valley's Chief Executive Officer and Senior Vice President and Chief Financial Officer have concluded that Ohio Valley's disclosure controls and procedures are effective as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q to ensure that information required to be disclosed by Ohio Valley in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Ohio Valley in the reports that it files or submits under the Exchange Act is accumulated and communicated to Ohio Valley's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in Ohio Valley's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during Ohio Valley's fiscal quarter ended March 31, 2019, that has materially affected, or is reasonably likely to materially affect, Ohio Valley's internal control over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Not applicable.

**ITEM 1A. RISK FACTORS**

You should carefully consider the risk factors disclosed in Part I, Item 1.A. "Risk Factors" in Ohio Valley's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission. These risk factors could materially affect the Company's business, financial condition or future results. The risk factors described in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that management currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results. Moreover, the Company undertakes no obligation and disclaims any intention to publish revised information or updates to forward looking statements contained in such risk factors or in any other statement made at any time by any director, officer, employee or other representative of the Company unless and until any such revisions or updates are expressly required to be disclosed by applicable securities laws or regulations.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On February 26, 2019, Ohio Valley sold 8,333 of its common shares, without par value, to the Ohio Valley Banc Corp. Employee Stock Ownership Plan (the "ESOP") for an aggregate of $328. No underwriters were involved, and no underwriting discount or commissions were paid. The sale was exempt from registration under Section 4(2) of the Securities Act of 1933 as a transaction by the issuer not involving any public offering, made only to the ESOP, with respect to which The Ohio Valley Bank Company serves as the Trustee.

Ohio Valley did not purchase any of its shares during the three months ended March 31, 2019.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

**ITEM 6. EXHIBITS**

(a) Exhibits:

| Exhibit Number | Exhibit Description |
|---|---|
| 2(a) | Agreement and Plan of Merger between Ohio Valley Banc Corp. and Milton Bancorp, Inc. dated January 7, 2016: Incorporated herein by reference to Exhibit 2.1 to Ohio Valley's Current Report on Form 8-K filed on January 7, 2016 (SEC File No. 0-20914). |
| 2(b) | Amendment to Agreement and Plan of Merger by and between Ohio Valley Banc Corp. and Milton Bancorp, Inc., dated April 20, 2016: Incorporated herein by reference to Exhibit 2.1 to Ohio Valley's Current Report on Form 8-K filed on April 21, 2016 (SEC File No. 0-20914). |
| 3(a) | Amended Articles of Incorporation of Ohio Valley (reflects amendments through April 7, 1999) [for SEC reporting compliance only - - not filed with the Ohio Secretary of State]. Incorporated herein by reference to Exhibit 3(a) to Ohio Valley's Annual Report on Form 10-K for fiscal year ended December 31, 2007 (SEC File No. 0-20914). |
| 3(b) | Code of Regulations of Ohio Valley (as amended by the shareholders on May 12, 2010): Incorporated herein by reference to Exhibit 3(b) to Ohio Valley's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (SEC File No. 0-20914). |
| 4 | Agreement to furnish instruments and agreements defining rights of holders of long-term debt: Filed herewith. |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer): Filed herewith. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer): Filed herewith. |
| 32 | Section 1350 Certifications (Principal Executive Officer and Principal Accounting Officer): Filed herewith. |
| 101.INS # | XBRL Instance Document: Filed herewith. # |
| 101.SCH # | XBRL Taxonomy Extension Schema: Filed herewith. # |
| 101.CAL # | XBRL Taxonomy Extension Calculation Linkbase: Filed herewith. # |
| 101.DEF # | XBRL Taxonomy Extension Definition Linkbase: Filed herewith. # |
| 101.LAB # | XBRL Taxonomy Extension Label Linkbase: Filed herewith. # |
| 101.PRE # | XBRL Taxonomy Extension Presentation Linkbase: Filed herewith. # |

# Attached as Exhibit 101 are the following documents formatted in XBRL (eXtensive Business Reporting Language): (i) Unaudited Consolidated Balance Sheets; (ii) Unaudited Condensed Consolidated Statements of Income; (iii) Unaudited Consolidated Statements of Comprehensive Income; (iv) Unaudited Consolidated Statements of Changes in Shareholders' Equity; (v) Unaudited Condensed Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OHIO VALLEY BANC CORP.

| | | | |
|---|---|---|---|
| Date: | May 14, 2019 | By: | /s/Thomas E. Wiseman<br>Thomas E. Wiseman<br>President and Chief Executive Officer |
| Date: | May 14, 2019 | By: | /s/Scott W. Shockey<br>Scott W. Shockey<br>Senior Vice President and Chief Financial Officer |



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# Section 2: EX-4 (EXHIBIT 4 AS OF 03/31/19)

**EXHIBIT 4**

**OHIO VALLEY BANC CORP.**
420 Third Avenue
Gallipolis, OH 45631
(740) 446-2631

May 14, 2019

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

RE: Ohio Valley Banc Corp. – Form 10-Q for the three months ended March 31, 2019

Gentlemen:

Ohio Valley Banc Corp., an Ohio corporation ("Ohio Valley"), is today filing a Quarterly Report on Form 10-Q for the three months ended March 31, 2019 (the "Form 10-Q"), as executed on May 14, 2019.

Pursuant to the instructions relating to the Exhibits in Item 601(b)(4)(iii) of Regulation S-K, Ohio Valley hereby agrees to furnish the Commission, upon request, copies of instruments and agreements defining the rights of holders of its long-term debt and of the long-term debt of its consolidated subsidiaries, which are not being filed as exhibits to the Form 10-Q. No such instrument or agreement represents long-term debt exceeding 10% of the total assets of Ohio Valley Banc Corp. and its subsidiaries on a consolidated basis.

Very truly yours,

/s/Thomas E. Wiseman
Thomas E. Wiseman
President and Chief Executive Officer
Ohio Valley Banc Corp.

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# Section 3: EX-31.1 (CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER 03/31/19)

**Exhibit 31.1**

**Rule 13a-14(a)/15d-14(a) Certification**

I, Thomas E. Wiseman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ohio Valley Banc Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2019

By: /s/Thomas E. Wiseman
Thomas E. Wiseman, President and CEO
(Principal Executive Officer)

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# Section 4: EX-31.2 (CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER 03/31/19)

**Exhibit 31.2**

**Rule 13a-14(a)/15d-14(a) Certification**

I, Scott W. Shockey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ohio Valley Banc Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2019

By: /s/Scott W. Shockey
Scott W. Shockey, Senior Vice President and CFO
(Principal Financial Officer)

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# Section 5: EX-32 (SECTION 1350 CERTIFICATION 03/31/19)

**Exhibit 32**

**SECTION 1350 CERTIFICATION**

In connection with the Quarterly Report of Ohio Valley Banc Corp. (the "Corporation") on Form 10-Q for the quarterly period ended March 31, 2019 (the "Report"), the undersigned Thomas E. Wiseman, President and Chief Executive Officer of the Corporation, and Scott W. Shockey, Senior Vice President and Chief Financial Officer of the Corporation, each certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

*/s/Thomas E. Wiseman
Thomas E. Wiseman
President and Chief Executive Officer

Dated: May 14, 2019

*/s/Scott W. Shockey
Scott W. Shockey
Senior Vice President and Chief Financial Officer

Dated: May 14, 2019

* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Corporation specifically incorporates it by reference in any such filing.

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