

# 2017

ANNUAL REVIEW



Absolutely  
Exceptional  
Experiences



Middletown  
Valley Bank®



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**Community  
Banking at its Best**

# Letter from the President



Dear Shareholders,

On behalf of the employees and directors of Middletown Valley Bank (the “Bank” and “MVB”), it is with great pleasure that I present the following review of our 2017 results. Having now passed the five-year anniversary of my being named President and CEO, I have to say with pride that the plan is working and we are creating something special within the communities we serve. Customers continue to seek us out and the excellent reputation of our Bank grows daily. Our 100% focus on the customer drives our growth, which was again far above peer in 2017.

Total assets grew by more than 27% (\$78.3 million) with total deposit growth of nearly 26% (\$65 million). Net loan growth was nearly 35% (\$72.5 million). The 2017 growth trends support our long-term plan to increase the bank to a larger size in order to realize economies of scale and improved profitability.

In the words of JCPenney founder James Cash Penney, *“Growth is never by mere chance; it is the result of forces working together.”* We recognize our customers, our community, our employees, and our shareholders as the forces working together to grow Middletown Valley Bank.

A portion of our asset growth was due to retained earnings and capital raises. Having successfully deployed the capital raised in prior years, we boosted our capital base by adding an additional \$17 million in net capital in 2017, which was the top priority of our Board of Directors and management team for the continued execution of the Bank’s long term vision and strategic plan. We are grateful for our existing shareholders and the new shareholders who chose to invest in MVB, especially those who are now both customers and shareholders. As we continue to grow the Bank, our goal is to make equity ownership in MVB attractive in order to create ongoing demand for our shares. Another step to achieve this has now been completed with our listing on the OTX Pinks with the ticker symbol MNVB.

Our customers and the communities we serve drive our strong growth. We are growing for the right reason: **our customers and their referrals are asking to do business with us.** We are filling a need within the communities we serve. Our infrastructure build is necessitated by customer demand and our desire to be able to provide the “Absolutely Exceptional Experience” to both new and established customers.

As a community bank, we remain focused on the needs of the communities we serve. While the community is a force in our growth, we also have become a force in our greater communities. We are involved in a number of excellent causes providing not only financial support, but volunteering service and taking on leadership roles. Our people are rolling up their sleeves and collaborating with other area leaders to address the needs of the community and improve the quality of life.

MVB has also become a force with our growing investment in the community. Our obligation as the premier community bank to invest in our markets was evident in our strategic moves made in 2017. We opened our Credit Servicing Center on the square in downtown Hagerstown in April. The move allowed for further additions of staff at the Middletown main office, which is again nearly at capacity as of this report. Leaders in both Hagerstown and Middletown have expressed their appreciation for our contribution to the economic vitality of their downtown areas. We will continue our investment in 2018 with year two of the multi-year renovation of our main office, the completion of our Jefferson branch remodel, and the opening of a second Hagerstown branch in the North End. MVB also attempts to utilize our customers to complete these improvements, which reinvests directly into our community and allows our customers to grow their relationship with MVB. As a community bank,

we are proud to do business with those companies that do business with us. Our goal is to be a driving force for the economic expansion of all communities within our footprint.

Our employees and directors are instrumental in helping us grow. They contribute time and resources to numerous causes, make the extra effort to provide the “Absolutely Exceptional Experience” and are constantly improving our products and services. We have invested in our lending and loan support teams to ensure borrowers receive the products and service they expect from us. MVB has established a customer care team to provide consistent support of deposit services, as well as the ability to resolve customer issues. We are providing the latest technology demanded by our customers, with person-to-person electronic payments added in 2017 while continuing to maintain the personal customer relationship.

The Bank has added several key positions in 2017 with highly talented individuals who have joined our team to take our training, finance, and retail services to the next level. These are just a few of the areas where we have added to our abilities. Throughout the bank, we have been able to add to our dedicated, hard-working staff talented individuals just as committed to making every experience exceptional. The board of directors is no different. Under Chairman Jim Pierne’s leadership, the Bank is focused on creating shareholder value with both short and long-term strategies. The Board has strengthened its educational program to ensure they are up to date on the latest banking changes and can continue to govern MVB with the greatest possible knowledge. The Board of Directors is continuously evaluating itself, the leadership of the organization, and the strategic objectives of the future in order to achieve the strongest shareholder value.



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In my 33 years at Middletown Valley Bank, I have had the privilege of working in a variety of positions with some fantastic people. Five years ago I was given the opportunity to work in the accounting department. My career at Middletown Valley Bank has been an Absolutely Exceptional Experience.

**Kevin Delauter, Vice President – Senior Accounting Manager**

Our strong balance sheet growth continues to drive increases in revenue and net income. The 2017 loan and deposit growth mentioned earlier drove net interest income after provision 24% higher. Pre-merger, pre-tax net income grew year over year by 75%, as the net interest income growth above more than offset the infrastructure build, which increased non-interest expense 11% year over year.

While profitability trends are improving, the above-average growth and the associated infrastructure build reduce the overall improvement to earnings. The Tax Cuts and Jobs Act of 2017 also impacted our earnings with a \$415 thousand non-cash charge related to the re-measurement of our net deferred tax asset due to the enacted federal tax rate change in December 2017.

We are pleased with the financial trends, which confirm our plan is working. Despite our considerable investment, overhead rates are decreasing, rates of return are increasing, and the capital added will allow us to continue our aggressive growth plan. Credit quality remains good with the exception of one large credit added to nonaccrual, which we expect to work out without loss. Independent loan reviews give our credit process high marks. Our risk monitoring process indicates we now have a diverse mix of credit without any concentration risk and with strong credit quality. Our Enterprise Risk Management Program indicates risk is well controlled and we have the capacity to continue to grow our balance sheet.

As we begin 2018, we continue to see a strong loan and deposit pipeline. We are realizing growth in all of the branch deposit totals and note that our Eastern Boulevard branch, which opened in October, 2015 was at \$112 million in deposits at December 31, 2017.

We are fortunate to have the positive forces mentioned above coming together at this time to create a premier community bank for the communities that we serve. We are thankful for the support of shareholders in 2017 and welcome the new shareholders. We pledge to continue to create shareholder value by providing the “Absolutely Exceptional Experience” in every interaction. Middletown Valley Bank is building for the future one relationship at a time.

Our 2017 financial statements are provided separately in this review. Highlights of the strong 2017 performance of the Bank follow with the management discussion.



Robert E. Goetz, Jr. President & CEO

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In the five years I've been with MVB, I've always felt a sense of family and community. It's extremely rewarding to work for a company that shares the same values as I do. I'm proud to be a part of this team!

**Dawn Scofield, Cash Management Specialist**





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MVB delivers the finest customer service that I have experienced. The staff is knowledgeable, pleasant, and always helpful. MVB provides personalized attention while maintaining the highest level of professionalism.

**Ben Rider, Rider Jet Center**

# Management Discussion

## Balance Sheet

Middletown Valley Bank remains one of the fastest growing banks with 2017 asset growth of \$78 million, or better than 27%.

Net Loans grew 34.9%, or \$72.5 million in 2017. The loan growth compares to \$47.4 million in 2016. The capital raised in October allowed us to repurchase \$6.9 million in sold loan participations before the end of the period. Commercial real estate loans grew \$43 million, commercial and industrial loans grew \$18 million and residential loans grew \$12 million in 2017. Loans are now better than 78% of assets.

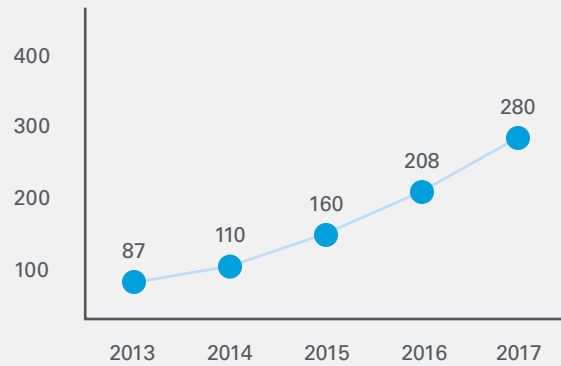
Total investment securities increased to \$47.5 million from \$45.7 million but were down to 13.1% of assets as we worked to develop a more efficient balance sheet and alternate liquidity tools for funding contingencies. Our available tools for liquidity contingencies totaled 25% of assets at year end. The investment portfolio is primarily structured for cash flow supplementation and as a liquidity cushion.

Cash and Federal Funds was \$20.1 million on December 31, which was up from the prior year's \$15.6 million due to the increased assets and based on both our loan demand and sold loan participations being repurchased at the time. The substantial loan pipeline combined with the potential for large deposit fluctuations make the cash position volatile. While we have developed alternative funding sources in the event of shortfalls, significant cash is presently maintained as we regularly experience large deposit fluctuations related to large commercial accounts.

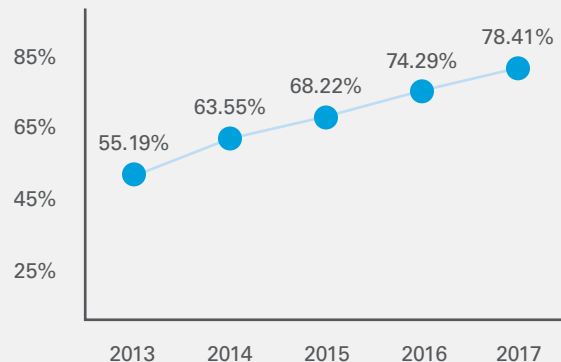
Deposits grew the previously mentioned 25.9%, or nearly \$65.0 million, in 2017. This compares to growth of \$48.0 million (23.7%) the prior year. All categories of deposits reflected growth in 2017. Noninterest-bearing demand deposits, which represented 30% of our total deposits at year end, grew \$8.8 million, or 10.2%. Interest-bearing demand deposits grew \$41.2 million (57.1%) in 2017. Time and IRA deposits, which represent 18.6% of our deposits at year end, increased \$12.4 million; growth of 26.7% year over year. We have realized deposit growth at all of our branches, with the Hagerstown branch leading the way with \$45.9 million in deposit growth. The year ending loan to deposit ratio was 89.5%.

Brokered deposits totaled \$4.9 million at December 31, 2017 not including deposits in our CDARS program, which provides FDIC insurance coverage on large deposits on a reciprocal basis. The bank had no Federal Home Loan Bank (FHLB) borrowings at December 31, 2017 compared to a total of \$5.0 million at December 31, 2016.

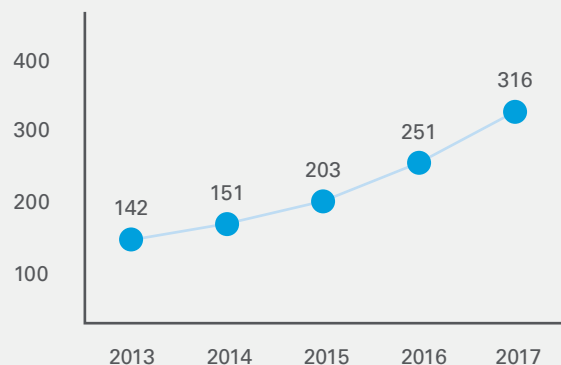
**Loans, net**  
(dollars in millions)

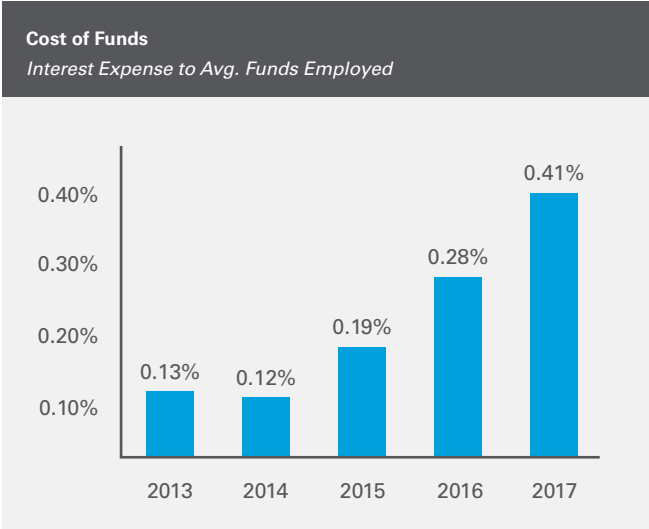
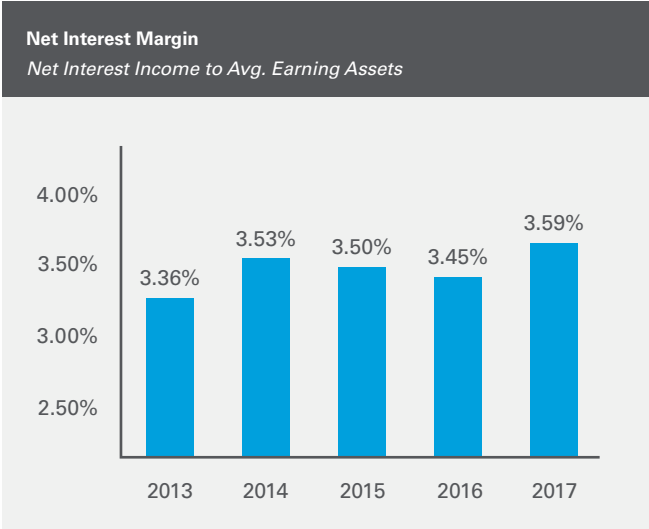


**Total Loans to Total Assets**



**Deposits**  
(dollars in millions)





# Income Statement

## Net Interest Income

Net interest income, our largest source of operating revenue, increased \$2.1 million, or 24%, in 2017 versus 2016. Driven by the balance sheet growth in the current and previous year, interest income grew \$2.6 million, or 28% while interest expense grew only \$479 thousand, even with nearly \$65 million in deposit growth.

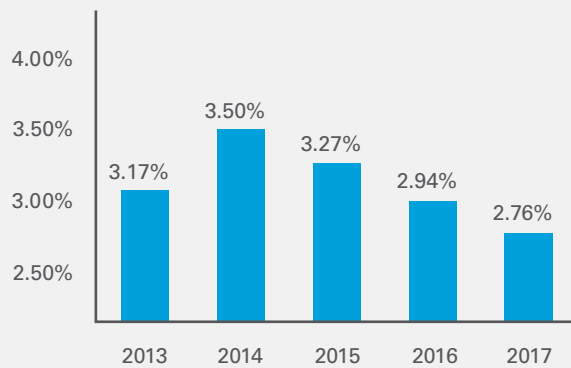
The bank's net interest margin for 2017 improved 14 basis points to 3.59% from the prior year's 3.45%. The yield on average earning assets increased to 3.98% from 3.72% the prior year. The increase is attributed to the higher gross loans to assets percentage, which reached 78.4% by year end. The higher concentration of earning assets in loans and the four basis point increase in the loan yield from 4.52% to 4.56% positively impacted margin. As we enter into a period of rising interest rates, the Bank's loan portfolio is positioned to maximize returns with the anticipated interest rate increases.

## Cost of Funds

The bank's 2017 cost of funds nominally increased to 0.41% from 0.28% in 2016, but remains low among our peers. Total deposits grew \$65 million or nearly 26%. Interest bearing funds were \$56.2 million at year-end or 34.0% higher than the prior year. Mitigating the increase in interest expense to a degree was an increase in the year-end noninterest-bearing deposits of \$8.8 million or 10.2%. The bank was able to repay the 2016 Federal Home Loan Bank (FHLB) advances of \$5.0 million by mid-year and had no additional borrowings in the second half of the year. We had \$4.9 million in brokered certificates of deposit, excluding CDARs, at December 31, 2017. The key to our continued success will be to target cost effective funding sources for loans. While the Bank has seen an increase in deposit based interest rates, to support this growth, great strides continue to be made in growing noninterest-bearing deposits.

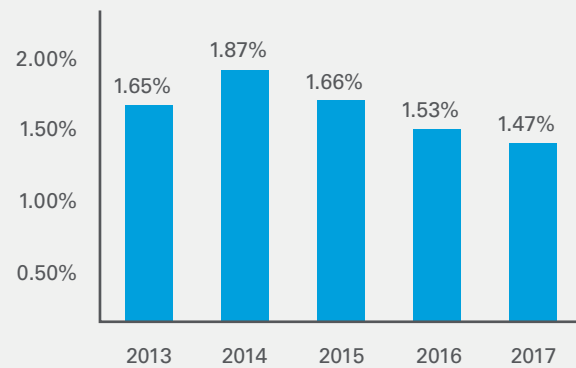
### Non-Interest Expense

Non-Interest Expense to Average Assets



### Personnel Expense

Salary & Benefits Expense to Average Assets



## Provision for Loan Losses

With the net \$72.5 million growth in loans in 2017, the bank needed to provision a net \$637 thousand for potential loan losses. This was up slightly from 2016's net of \$464 thousand due to the increased loan growth. Our reserve as a percentage of loans decreased to 1.08% from 1.20% based on improving economic conditions and a normalizing of growth rates in certain segments of our loan portfolio. The allowance estimate is based on a percentage of loan losses and additional qualitative factors, such as the pace of growth in a loan segment. The ratio of nonperforming loans to gross loans declined to 1.75% at December 31, 2017 compared to 1.92% at December 31, 2016. Net charge-offs to loans was identical in both periods at 0.05%. We actively monitor all our loans and promptly downgrade troubled loans, which results in a higher capital charge.

## Non-Interest Income

Non-interest income was \$1.0 million for 2017 compared to \$1.1 million in 2016. Many sources of non-interest income increased during the period. VISA check card income increased \$44 thousand or 14%. The majority of the drag

on non-interest income was in service charges on deposit accounts which decreased \$51 thousand or 11%. This was related to our decision to change the presentment order of incoming debits to a more consumer-friendly order that reduced total overdrafts significantly. For the year, non-interest income was 0.36% of average assets and represents an opportunity for improvement going forward.

## Non-Interest Expense

Non-interest expenses, excluding 2016's \$131 thousand related to consideration of the potential merger, increased \$823 thousand or 11% in 2017. As would be expected given our balance sheet growth, compensation expenses grew by \$559 thousand or 14%. For the year, salary and benefits expense was 1.47% of average assets; below our local peer group. Other contributors to the noninterest expense increase were equipment and occupancy expenses related to the Credit Servicing Center opened in April and an overall increase in variable costs based on increased volume. Occupancy expense was 0.43% of average assets for 2017. As a percentage of average assets, the non-interest expense decreased to 2.76% from 2.94% the prior year even with the capacity additions. The **Non-Interest Expense to Average Assets** and **Salary & Benefits Expense to Average Assets** charts clearly show the benefits from the economies of scale the Balance Sheet Growth has caused.



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Not only does Middletown Valley Bank invest in the community, they also invest in the culture of their people. I appreciate their high standards and principals and feel good about the contribution we are making as an organization to grow the economy.

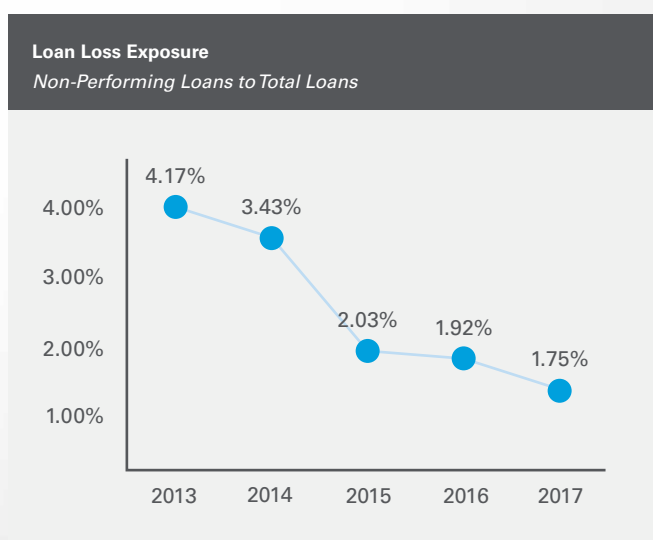
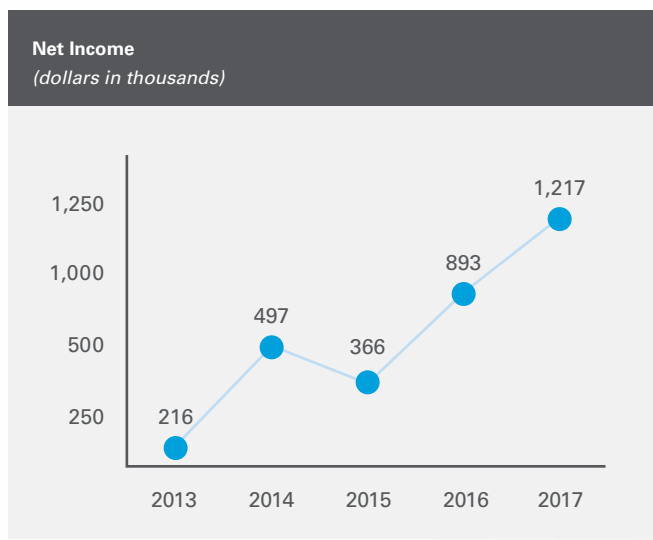
**Benjamin Rodriguez, Credit Analyst II**

## Profitability

Pre-tax net income before merger costs increased 75% to \$2.5 million from \$1.4 million the prior year. Net income increased to \$1.2 million in 2017 from \$893 thousand in 2016. The 2016 earnings included \$132 thousand in before-tax merger consideration costs. The 2017 earnings included \$415 thousand in income tax expense resulting from the bank's re-measurement of its net deferred tax asset, which was required due to the enactment of the Tax Cuts and Jobs Act in December 2017. Adding back the adjustments to both periods yields a comparison of \$1.6 million in 2017 to \$1.0 million in 2016; an increase of 60%. Additional years of strong net interest income growth with comparably less non-interest expense should increase profitability.

Dividends of \$123 thousand were paid during the year, which represented a payout ratio of 10.11%. While the dividend was held at \$0.02 per share per quarter, there were more shares outstanding in the third and fourth quarter due to the 2017 capital raise.

We continue to build infrastructure to maintain our service level with new and existing customers. MVB closely monitors our overhead rate and non-interest expense to assets and compares to our peers, which are typically growing at a much slower pace. The Bank is managing our infrastructure build to ensure revenue growth continues to exceed overhead growth, and we continue to implement and realize efficiencies to improve returns.





## Credit Quality

Loan growth at the rate we have realized brings expected concern over the ability to maintain strong credit quality. We have implemented stringent underwriting, approval, and monitoring processes described by external loan review firms as equal to banks multiple times larger. Nearly all loan growth has been with financially strong, experienced borrowers that come to us for our service and professionalism. Non-performing loans as a percentage of total loans were 1.75% at year-end compared to 1.92 the prior year end. Non-accrual loans were up at year-end with the addition of a single large loan to the work out process. We expect to fully work out this loan in 2018 with zero loss. We are aggressively acknowledging and managing troubled loans.

Non-performing assets amounted to \$5.1 million, or 1.42% of total assets, at December 31, 2017 compared to \$4.6 million or 1.64% of total assets at December 31, 2016. Other Real Estate Owned (OREO) decreased from \$597 thousand the prior year end to \$166 thousand at year end. This amount at December 31, 2017 was cleared from OREO in February, 2018 with no loss. The bank's Texas Ratio was 8.67% at December 31, 2017.

The Allowance for Loan Loss ended 2017 at 1.08% of loans reflecting the improving economic outlook and the improvement in the credit quality indicators for the loan portfolio. Loan charge-offs in 2017 totaled \$113 thousand net of recoveries. Net charge-offs to loans were 0.05%; identical to 2016.

## Sensitivity to Interest Rate Risk

The bank is positioned to increase net interest income should interest rates rise. Between 2013 and 2015, we concentrated on shortening the average life of our loans by increasing the portion of the loan portfolio in shorter term commercial loans. In 2016, we began to lengthen the duration on deposits by increasing time deposits as a percentage of total deposits. During 2017 we continued our prior year effort to increase our time and IRA deposit percentages in order to lock in funding

costs before anticipated rate increases. The ratio of time and IRA deposits to total deposits was essentially flat at 18.6% and 18.5% for 2017 and 2016, respectively. In 2017, the percentage of noninterest-bearing deposits decreased from 34.3% to 30.0%.

## Capital Adequacy

The bank ended the year with strong Tier 1 leverage ratio of 12.6% and a total capital ratio of 17.7%. These ratios were up dramatically from the prior year end's 9.3% and 14.3%, respectively, with the successful capital raise. The other comprehensive loss portion of equity is the unrealized loss of book versus market value on the investment securities. The loss is \$46 thousand less than at December 31, 2016. Rising rates in the future are predicted to increase the unrealized loss position as the value of securities booked at lower rates will have a lower market value in a higher interest rate environment. However, the unrealized loss will remain unrealized unless the Bank sells the security prior to maturity. Continued investment of excess cash at higher market interest rates will partially offset the growth in unrealized losses. The effect on the book value of our shareholders' equity of such change is another reason for our goal of limiting the portion of earning assets in securities when substantial contingency funding options are in place.

## Closing

The additional capital raised in 2017 will allow us to continue to grow and improve efficiencies. We see positive improvement in our income statement as a result of our growth. Your bank will continue to build for the future in 2018, one relationship at a time.

In 2017 we made tremendous gains toward being the premier community bank within the markets we serve. Credit for our year over year growth would be incomplete without acknowledging our customers, our communities, our shareholders, and our staff. Each are a force working in concert to support our plans. Each recognize the value of the Middletown Valley Bank "Absolutely Exceptional Experience."



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I went into MVB on my birthday. I didn't think anyone knew it was my birthday because at the time I hadn't been banking there for very long. When I opened the door, everyone started singing the 'Happy Birthday' song to me! It was so thoughtful and I won't forget it.

**Mauree Shinham, Beaver Creek Storage**



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In 30 years of being in business, WLR Automotive Group, Inc. has never had a relationship with a bank like the one we have with Middletown Valley Bank. It is so refreshing to always hear 'we can make that happen' and then it actually does. We appreciate the belief that BJ and George have in our company. Thank you!

**Randall S. Simpson, WLR Automotive Group, Inc.**

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The Absolutely Exceptional Experience has become ingrained into the MVB culture and is a key differentiator between us and our peers. Customer feedback, referrals, and our growth rates show this high level of customer service is important to the communities we serve and truly sets us apart.

**Brian M. Ropp, Executive Vice President – Chief Financial Officer**



# Board of Directors

**James G. Pierne** - Chairman of the Board

Committees: Board Asset Liability Committee (Board ALCO), Audit Committee, Governance Committee (Chair), Directors Loan Committee (Chair) and Personnel & Compensation Committee (Note: Chairman of the Board can sit on any Committee Meeting)

**A. Dennis Remsburg** - Vice Chairman of the Board

Committees: Board ALCO, Governance Committee, and Directors Loan Committee

**James H. Clapp**

Committees: Board ALCO, Governance Committee, and Personnel & Compensation Committee

**Robert E. Goetz, Jr.** - President & Chief Executive Officer

Committees: Board ALCO, IT Steering Committee, and Directors Loan Committee – Attends all Committee Meetings

**Richard L. Kefauver**

Committees: Audit Committee, Governance Committee, and Personnel & Compensation Committee

**J. Thomas Routzahn, Jr.**

Committees: Audit Committee (Chair), Compliance Committee, and Directors Loan Committee

**John T. Routzahn, III**

Committees: Governance Committee and Personnel & Compensation Committee

**John J. Rudy**

Committees: Audit Committee, Community Reinvestment Act (CRA) Committee, and Personnel & Compensation Committee (Chair)

**Todd M. Snook**

Committees: Board ALCO (Chair), Audit Committee, and Directors Loan Committee

## 2017 Executive Officers

**Robert E. Goetz, Jr.** - President & Chief Executive Officer

**J. Michael Hill** - Executive Vice President & Chief Risk Officer

**Angela M. Shubert** - Executive Vice President & Chief Operating Officer

**Brian M. Ropp** - Executive Vice President & Chief Financial Officer

**Dawn R. Woods** - Corporate Secretary



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From day one my experience with MVB has been one of trust and respect. Thank you for being a bank that cares!

**Elmer Wachter, Myersville Exxon**

# Schedule of Financial Statements

## Balance Sheets

DECEMBER 31, 2017 AND 2016

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash and due from banks	\$18,501,217	\$11,614,638
Federal funds sold	1,551,750	4,003,796
FHLB Stock, at cost	254,700	426,800
Securities available for sale, at fair value	47,457,340	45,689,489
Loans held for sale	239,000	929,273
Loans, net of allowance for loan losses of \$3,050,692 (2017) and \$2,526,551 (2016)	280,182,503	207,648,552
Bank premises and equipment, net	5,614,734	4,859,148
Accrued interest receivable	840,373	634,662
Deferred taxes, net	1,024,207	1,386,910
Other real estate owned, net	166,768	596,982
Bank owned life insurance	4,620,707	4,514,684
Other assets	770,903	598,608
<b>TOTAL ASSETS</b>	<b><u>\$361,224,202</u></b>	<b><u>\$282,903,542</u></b>
<b>LIABILITIES</b>		
Deposits:		
Demand	\$94,853,611	\$86,076,254
Interest-bearing demand	113,354,909	72,139,166
Savings	48,903,428	46,340,334
Time and IRA	58,821,608	46,425,516
Total deposits	<u>315,933,556</u>	<u>250,981,270</u>
Borrowings		5,000,000
Accrued interest payable	43,549	22,495
Income taxes payable	201,876	334,127
Other liabilities	1,657,389	1,441,581
<b>TOTAL LIABILITIES</b>	<b><u>317,836,370</u></b>	<b><u>257,779,473</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, \$1 par value; 1,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$1 par value; 4,000,000 shares authorized; 2,233,820 shares issued and outstanding at December 31, 2017; 1,285,774 shares issued and outstanding at December 31, 2016	2,233,820	1,285,774
Surplus	25,926,947	9,834,589
Retained earnings	15,738,683	14,560,869
Accumulated other comprehensive loss	(511,618)	(557,163)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>43,387,832</u></b>	<b><u>25,124,069</u></b>
 <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	 <b><u>\$361,224,202</u></b>	 <b><u>\$282,903,542</u></b>

# Statements of Income

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<b>2017</b>	<b>2016</b>
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$10,840,820	\$8,363,580
Interest on investment securities:		
U.S. government	229,770	262,688
Mortgage backed	391,836	342,016
Municipal	231,154	192,432
Other interest	157,766	89,784
<b>TOTAL INTEREST INCOME</b>	<u>11,851,346</u>	<u>9,250,500</u>
 <b>INTEREST EXPENSE</b>		
Interest on deposits:		
Savings	23,881	21,609
Interest-bearing demand	455,815	226,971
Time and IRA	668,811	405,471
Interest on borrowed funds	7,989	23,224
<b>TOTAL INTEREST EXPENSE</b>	<u>1,156,496</u>	<u>677,275</u>
<b>NET INTEREST INCOME</b>	10,694,850	8,573,225
 <b>PROVISION FOR LOAN LOSSES</b>	<u>636,731</u>	<u>464,350</u>
Net interest income after provision		
For loan losses	<u>10,058,119</u>	<u>8,108,875</u>
 <b>OTHER INCOME</b>		
Service charges on deposit accounts	427,430	478,061
VISA check card income	361,790	318,068
Loss on sales and calls of securities, available for sale	(37,725)	(204)
Gain on sales of loans	105,242	118,756
Gain on disposition of fixed assets	-	3,662
Bank owned life insurance income	106,023	110,055
Other operating income	62,313	66,748
<b>TOTAL OTHER INCOME</b>	<u>1,025,073</u>	<u>1,095,146</u>
 <b>OTHER EXPENSES</b>		
Salaries and employee benefits	4,627,897	4,069,041
Occupancy expense	747,532	656,933
Equipment expense	709,569	583,785
(Gain) loss on sale and impairment of other real estate owned	(59,772)	126,622
Data and item processing expense	806,330	733,767
FDIC Insurance expense	155,361	203,400
Other operating expense	1,631,964	1,422,465
Merger related expenses	-	131,967
<b>TOTAL NON-INTEREST EXPENSE</b>	<u>8,618,881</u>	<u>7,927,980</u>
 <b>INCOME BEFORE INCOME TAXES</b>	2,464,311	1,276,041
<b>INCOME TAXES</b>	<u>1,247,523</u>	<u>383,070</u>
<b>NET INCOME</b>	<u><b>\$1,216,788</b></u>	<u><b>\$892,971</b></u>

# Additional Schedules

YEARS ENDED DECEMBER 31, 2017 AND 2016

<b>CHANGES IN EQUITY CAPITAL</b>	<b>2017</b>	<b>2016</b>
Total equity capital as of December 31, prior year	\$25,124,069	\$24,684,871
Net Income (Loss)	1,216,788	892,971
Plus: Sale of common stock	17,040,404	-
Less: Cash dividends declared on common stock	(123,114)	(102,862)
Change in Unrealized Gain (Loss) on AFS Securities	129,685	(350,911)
	<u>                    </u>	<u>                    </u>
Total Equity capital end of current period	<u><b>\$43,387,832</b></u>	<u><b>\$25,124,069</b></u>
<b>PAST DUE, NONACCRUAL AND TDRs</b>		
Past due 90 days or more and still accruing:		
Real Estate Loans	-	-
Installment Loans	-	-
Commercial (time and demand) and all other loans	-	-
Total	<u>                    </u>	<u>                    </u>
Nonaccrual:		
Real Estate Loans	1,664,634	1,814,393
Installment Loans	-	-
Commercial (time and demand) and all other loans	1,469,131	17,361
Total	<u>3,133,765</u>	<u>1,831,754</u>
Total Troubled Debt Restructurings (TDRs)	<u>1,819,870</u>	<u>2,206,435</u>
<b>TOTAL NON-PERFORMING LOANS</b>	<u><b>4,953,635</b></u>	<u><b>4,038,189</b></u>
<b>CHANGES IN ALLOWANCE FOR LOAN LOSSES</b>		
Balance as of December 31, prior year	2,526,551	2,150,057
Recoveries	2,231	11,751
Charge-offs	(114,821)	(99,607)
Provision for Loan and Lease Losses	636,731	464,350
Balance as of December 31, year end	<u><b>\$3,050,692</b></u>	<u><b>\$2,526,551</b></u>

I, Robert E. Goetz, Jr. President and CEO of Middletown Valley Bank, do hereby declare that the accompanying schedules have been prepared in conformance with the instructions issued by the federal and state banking authorities, and are true to the best of my knowledge and belief. Additional detailed information is available upon written request by contacting any of the officers of Middletown Valley Bank. This statement has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation (FDIC).

Robert E. Goetz, Jr. President & CEO



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2017 ANNUAL REVIEW