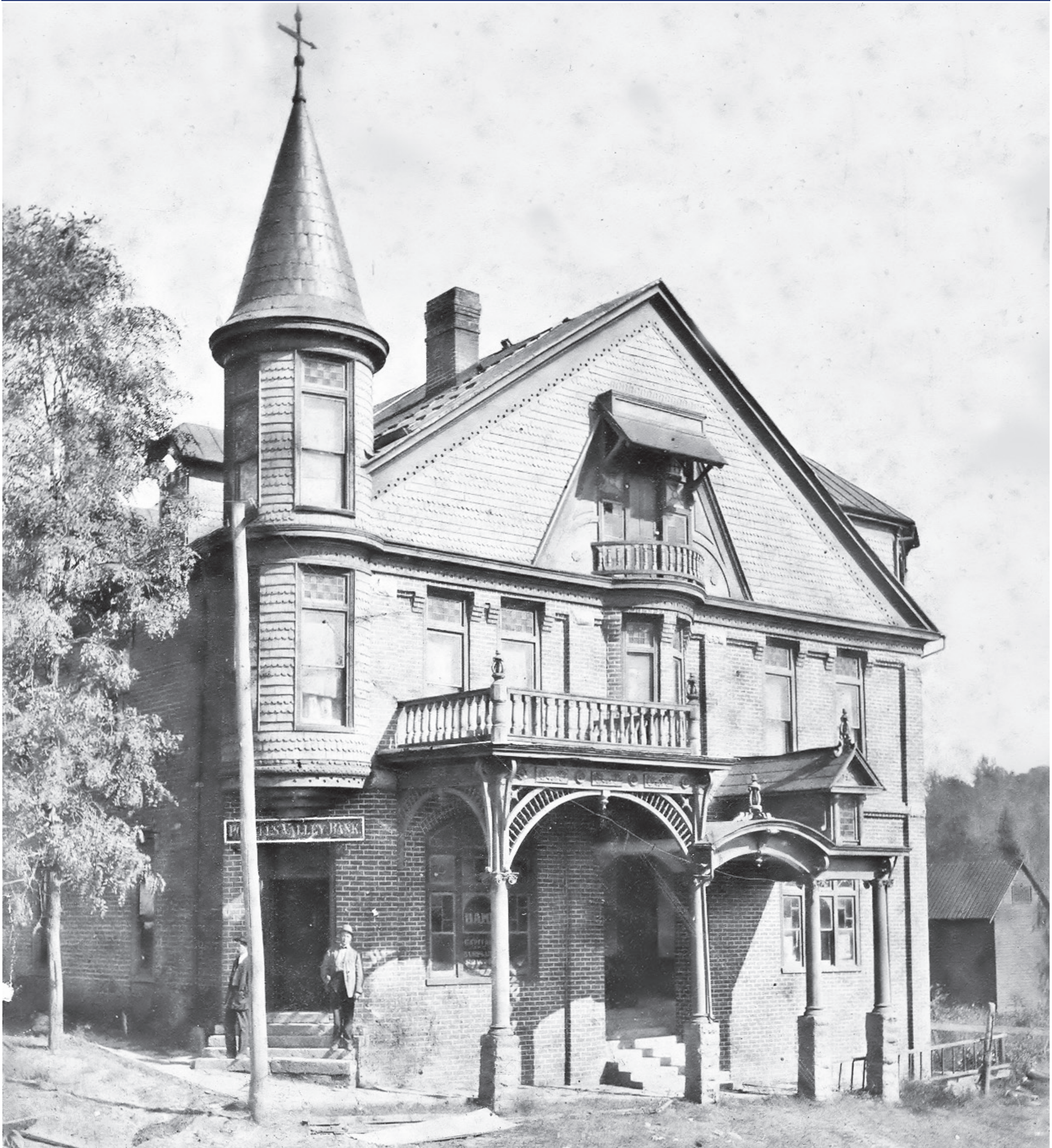
POWELL VALLEY BANKSHARES, INC. AND SUBSIDIARIES

2018 ANNUAL REPORT • JONESVILLE, VIRGINIA

TABLE OF CONTENTS



MISSION STATEMENT

The bank's major business objective is to continue growing as a community based company through internal growth while providing superior service to our customer base, professional opportunities for its employees and maximizing long term shareholder value.

Board of Directors - Browning Wynn, II, Leton L. Harding, Jr.,
Roy E. Woodward, Jr., F. Winston Witt, Sarah Wynn, and Robert T. Estes

Leton L. Harding, Jr.

President, CEO, and Chairman of the Board

To Our Shareholders,

2018 was another year of consistent performance and continued growth for Powell Valley Bankshares, Inc. (PVB), and its subsidiary Powell Valley National Bank (PVNB). Creating value for our customers, communities, and shareholders is our top priority, and thanks to the hard work and dedication of all our outstanding employees, your Company did just that.

In 2018 Powell Valley Bankshares, Inc. earned $2,464,958 or $3.77 per share, up 14% from $2,165,197 or $3.31 per share in 2017. As you will see in the following financial report, total net loans increased $11,389,174 to $191,335,940. This was a direct result of our engaged loan officers and staff meeting the lending needs of our customers and communities. Deposits to fund these loans were also up, with a year-end balance of $237,019,555 up from $225,569,137 in 2017.

PVB remains well capitalized with a Tier 1 Capital Ratio of 23.86%, well above regulatory guidelines. No matter the economic environment, you can rest assured that your Company is committed to maintaining a strong capital position.

Our increased earnings and capital base also enabled PVB to reward you, our shareholders, for your investment. In 2018 shareholders received $1.76 per share in total dividend payments, an increase from $1.68 per share paid in 2017. Book value at the end of 2018 was $74.37 per share, up $2.01 per share, from year-end 2017 value of $72.36 per share.

It was also a busy and exciting year for our Kingsport and Abingdon markets.

In the summer of 2018, we successfully completed the renovation of our new full-service office located at 240 West Center Street in Kingsport, Tennessee. This redesign offers a fresh look and feel to a beautiful landmark building located in the heart of downtown Kingsport. More importantly, we were also very fortunate to add a team of very talented and respected community bankers. Ted Fields joined PVNB as our Market Executive and Senior Vice President and brings over 30 years of banking and leadership experience in the Kingsport and Greater Tri-Cities region. Joining Ted in the Kingsport office is Brent Mullins, Vice President and Office Manager, Roy Richmond, Consumer Relationship Manager, Angela Ricker, Loan Processor, Tracy Allen, Head Teller, Makayla Blevins, Teller, and Vickie Barnette, Part-Time Teller.

In October 2018 we officially broke ground on our new state of the art facility located at 24495 Lee Highway just off Exit 19, in Abingdon, Virginia. Market Executive, Sam Neese, and his energetic team of bankers, continue to attract and grow new customer relationships. This new office shows our strong commitment to serve and support these customers and the surrounding communities. We look forward to the grand opening of our Abingdon office, tentatively scheduled for the Summer of 2019!

We also had two very respected employees retire during 2018. Bob Horton and Judy Mullins worked 23 and 26 years, respectively, in the Jonesville office. We wish both of these individuals health and happiness in the next chapter of their lives.

Last year we experienced heartache and loss when we had to say goodbye to two pillars of the PVNB family, Lloyd C. "Sonny" Martin, Jr. and George F. Cridlin. It was a time of pause and reflection as we remember their dedication to the Company and the communities we serve.

Lloyd C. "Sonny" Martin, Jr. served PVNB for 39 years. He retired as CEO in 2014 but continued to serve as President of the Company and as a member of the Board of Directors until his passing. A self-described "country banker", he always wanted to help his customers and his close-knit community. We sincerely appreciate Sonny's experience, knowledge, and leadership during his many years with the bank.

George F. Cridlin served our Company as a member of the Board of Directors since 1996 and as Chairman of the Board since 2007. Mr. Cridlin practiced law for more than 40 years and was a lifelong community and civic leader. He was deeply committed to Powell Valley National Bank and remained passionate about its future. Always a man of great integrity, we will miss his guidance, counsel, and steady stewardship.

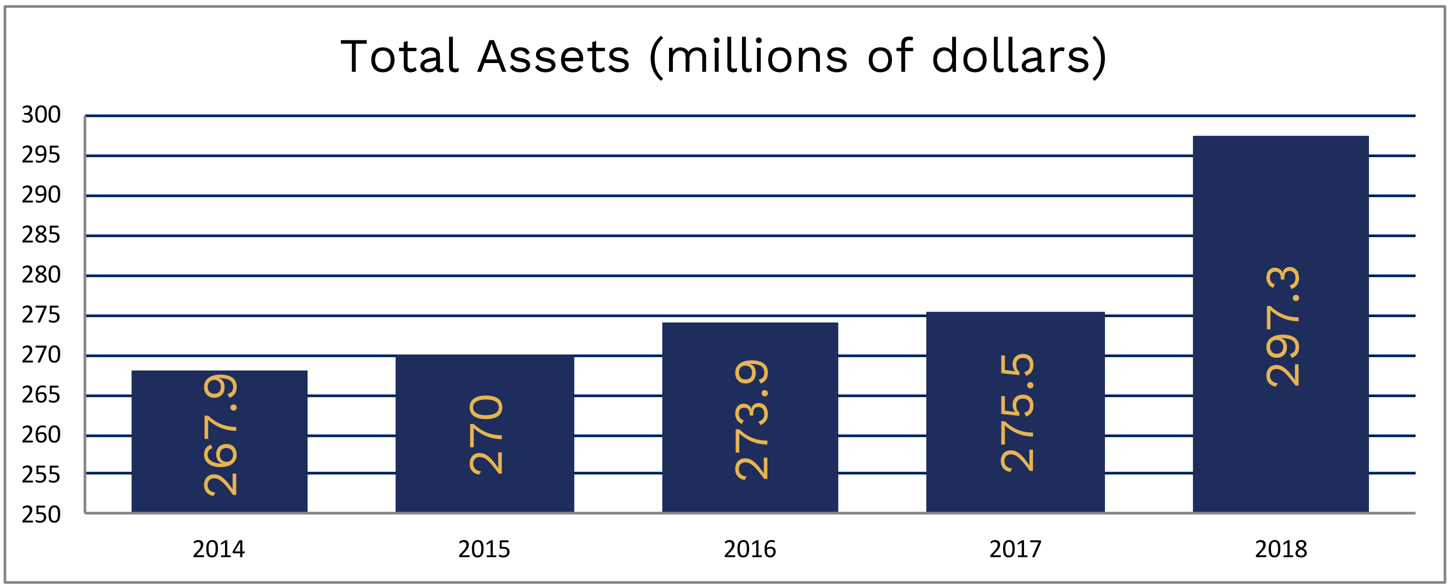
Both of these men would be proud of your Company's success. We will honor their legacy with continuing efforts to be the best we can be in serving our communities, employees, and shareholders. We are enormously grateful for their commitment to this organization, which has made us stronger and allowed all of us to look forward to a more prosperous future.

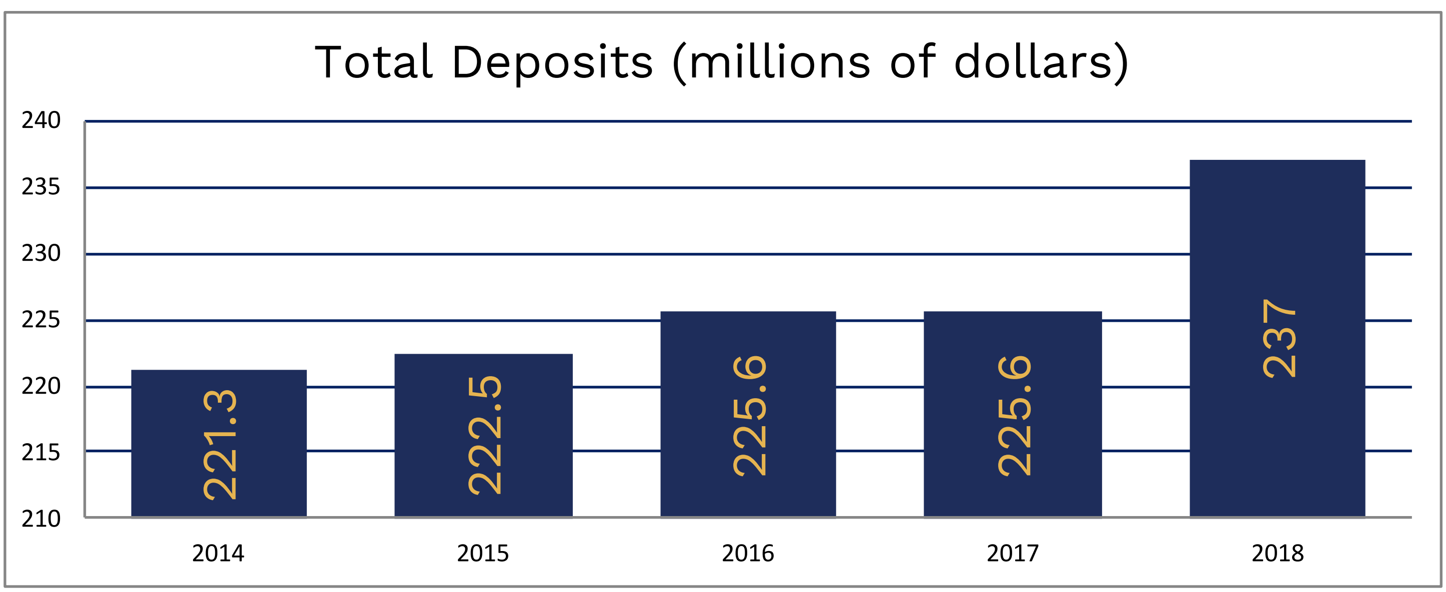
Finally, on behalf of the Board of Directors and all of our dedicated employees, we appreciate you, our valued shareholders, for your continued support as we enter 2019 with even more excitement and more opportunity than ever before.

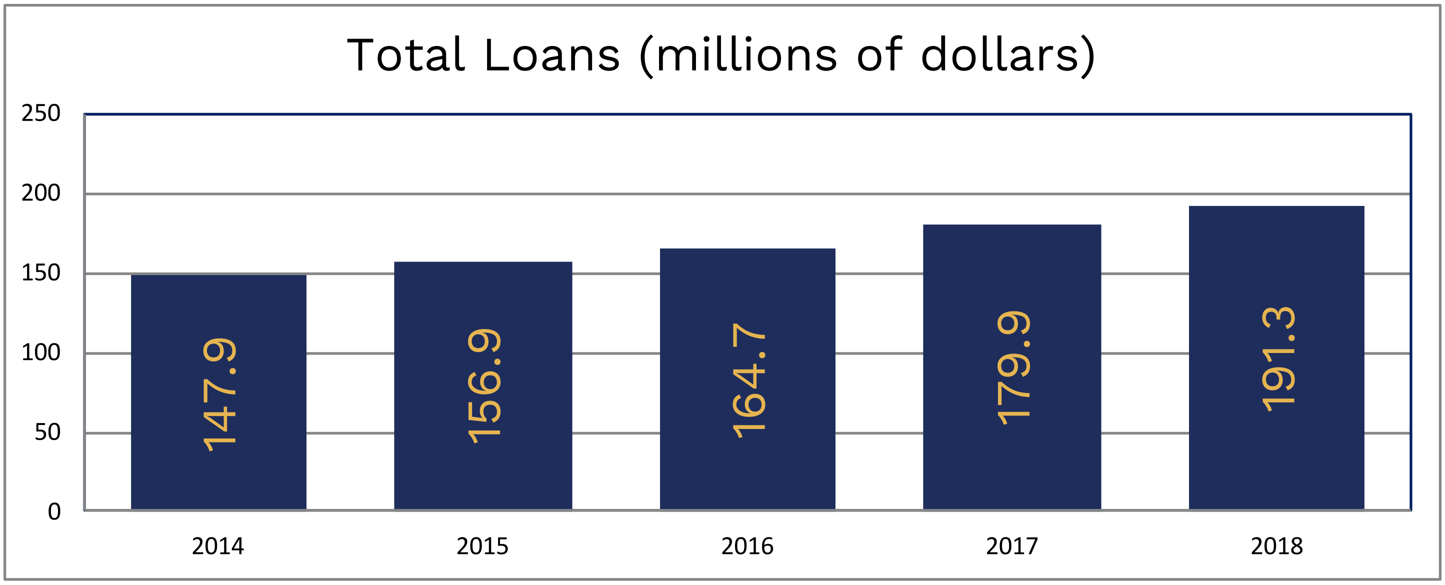
Leton L. Harding, Jr.
President, Chairman, and CEO

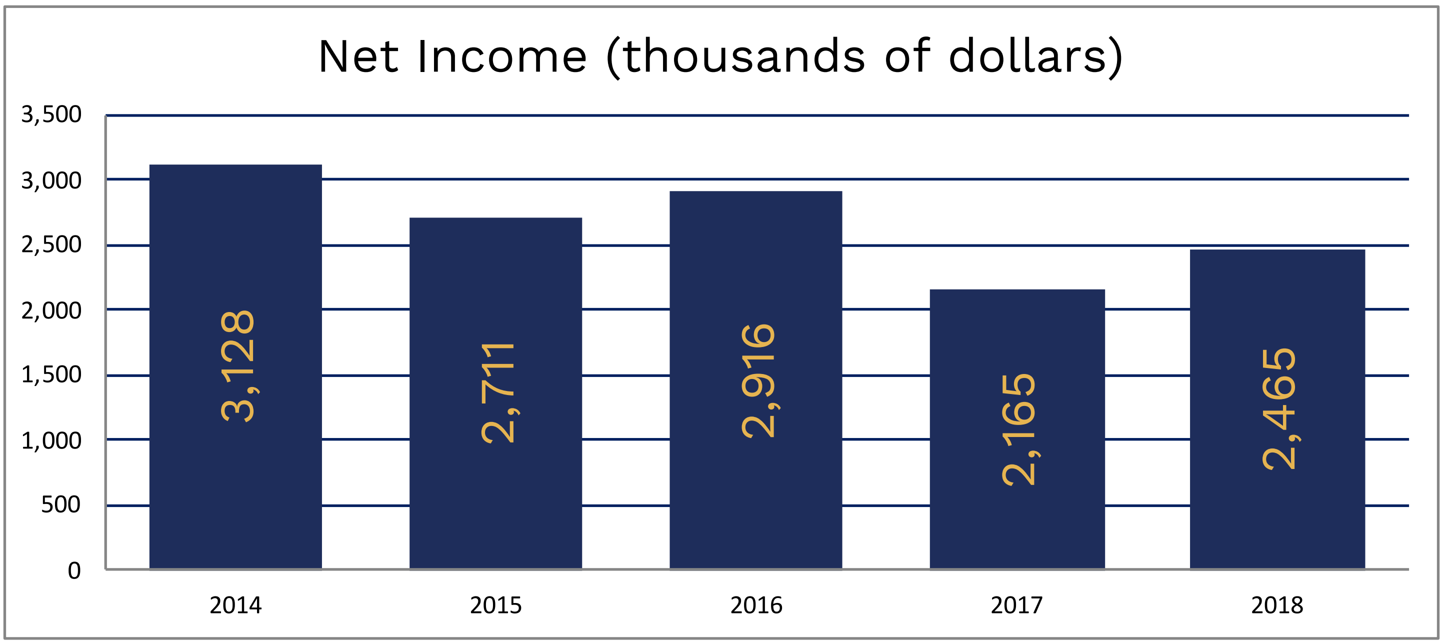
Financial Highlights - Five Year Summary
(In Thousands of Dollars)

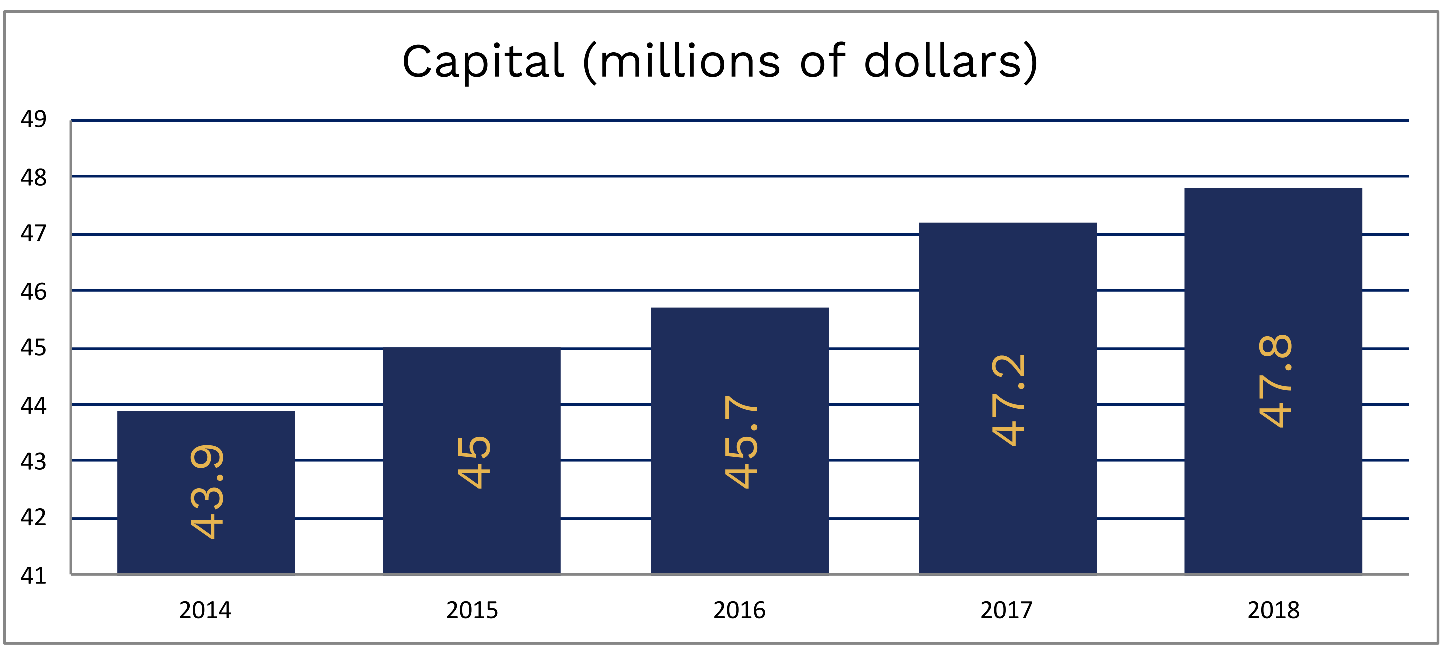
	2014	2015	2016	2017	2018
Net Earnings After Taxes	3,128	2,711	2,916	2,165	**2,465**
Total Deposits	221,311	222,479	225,612	225,569	**237,019**
Loans, Net	147,942	156,888	164,687	179,947	**191,336**
Securities, including assets	70,374	68,599	63,171	57,163	**51,254**
Held in trading accounts And other investments Total Assets*	267,923	269,970	273,884	275,493	**297,272**
Capital	43,886	45,028	45,675	47,236	**47,799**



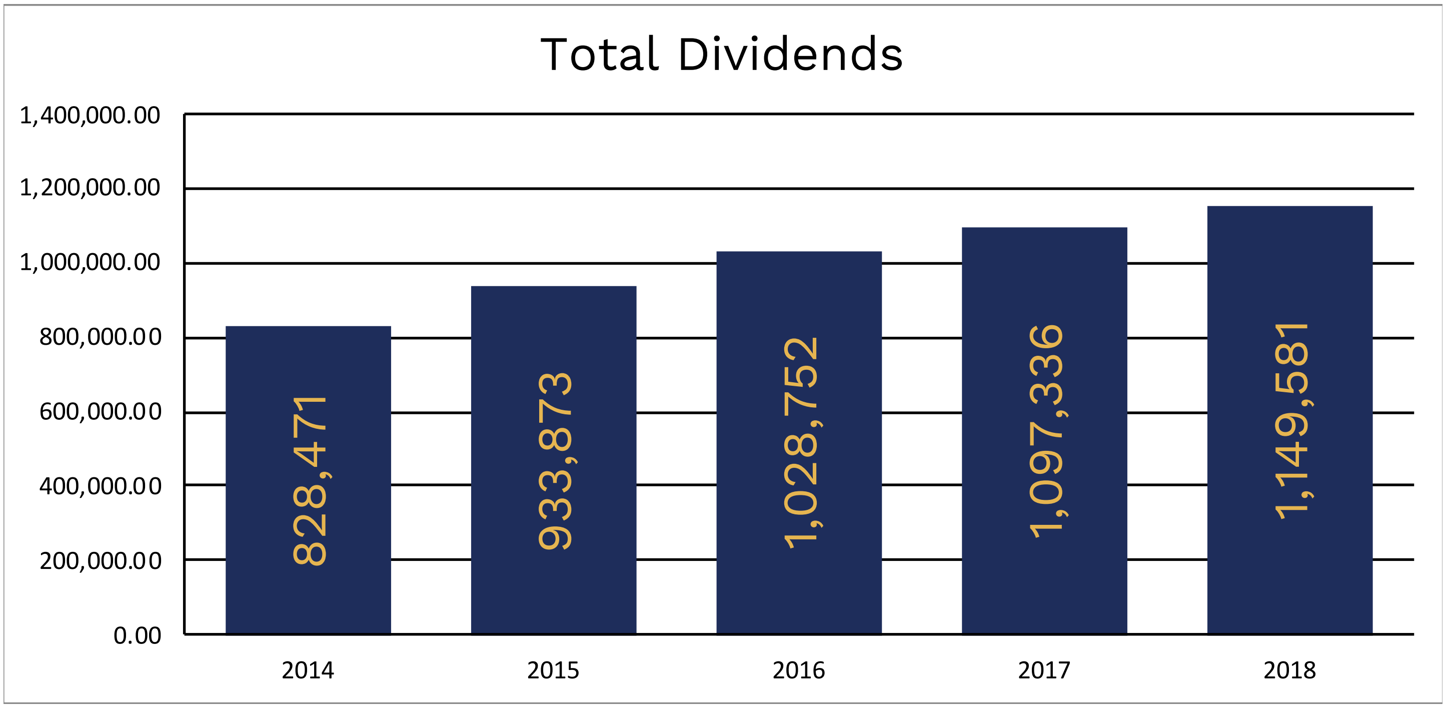


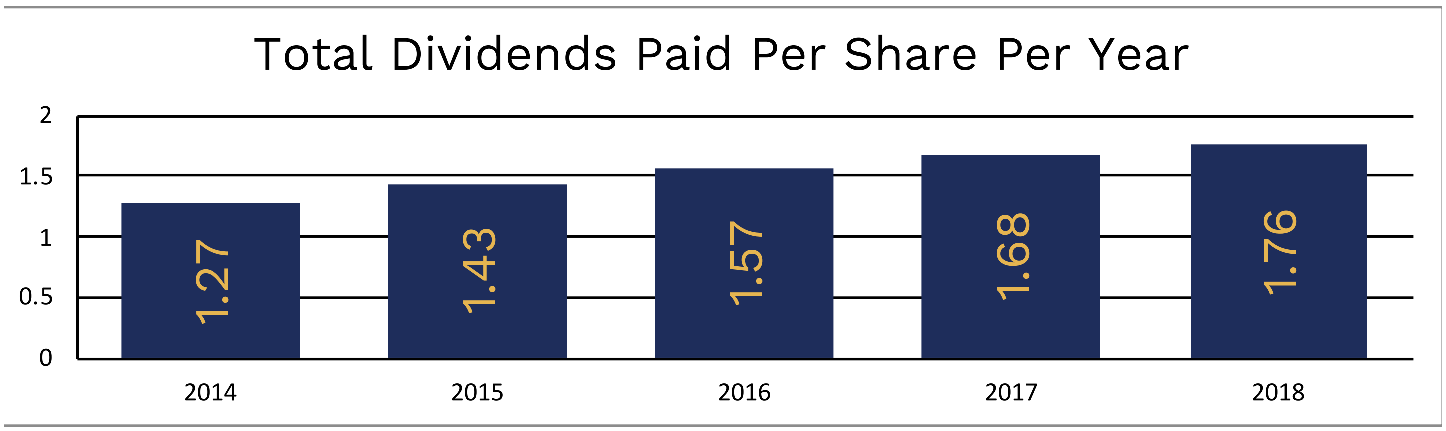

Total Loans (millions of dollars)
250
200
150
100
50
0
147.9
156.9
164.7
179.9
191.3
2014
2015
2016
2017
2018

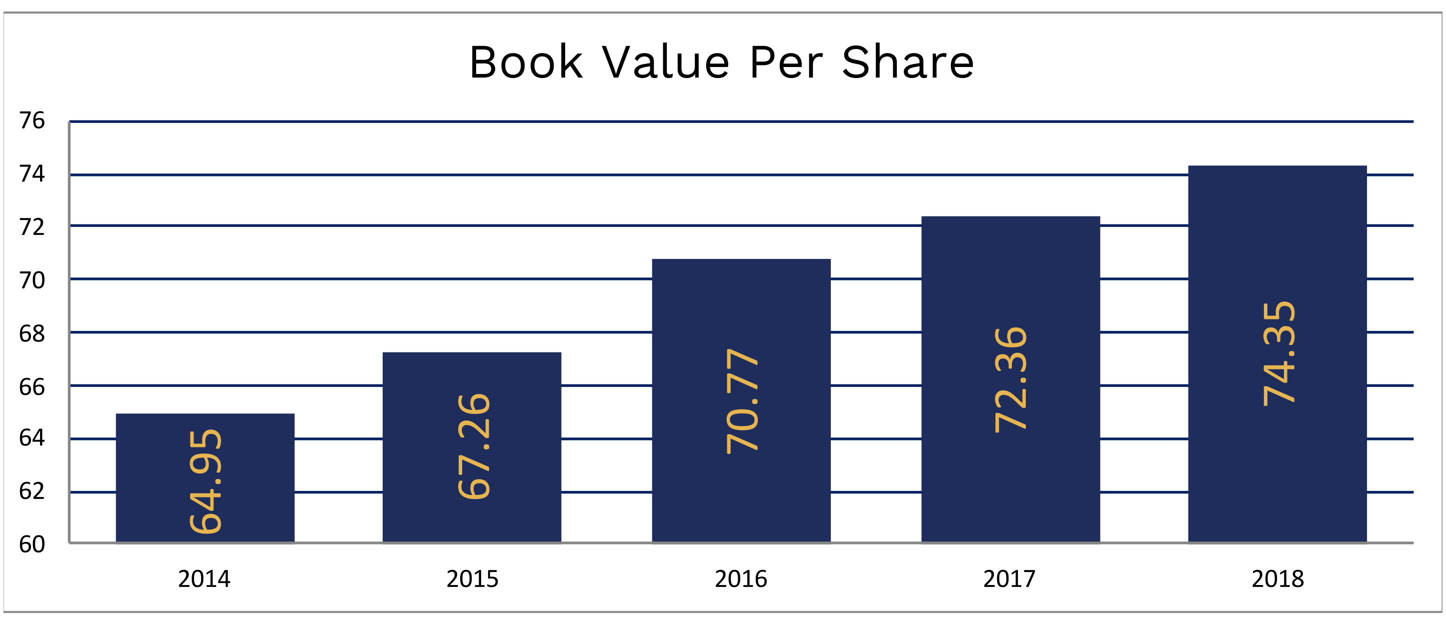

Net Income (thousands of dollars)
3,500
3,000
2,500
2,000
1,500
1,000
500
0
3,128
2,711
2,916
2,165
2,465
2014
2015
2016
2017
2018


Capital (millions of dollars)
49
48
47
46
45
44
43
42
41
43.9
45
45.7
47.2
47.8
2014
2015
2016
2017
2018

Dividend & Shares Highlights - Five Year Summary







POWELL VALLEY BANKSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Powell Valley Bankshares, Inc.
 and Subsidiaries
Jonesville, Virginia

We have audited the accompanying consolidated financial statements of Powell Valley Bankshares, Inc. and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

217 E. New Street • Kingsport, Tennessee 37660 • 423-246-6104 • Fax: 423-378-4109 • www.BEcpas.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Powell Valley Bankshares, Inc. and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee
March 5, 2019

POWELL VALLEY BANKSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 31,070,526	$ 17,609,854
Interest bearing time deposits in banks	4,450,000	4,450,467
Investment securities – available-for-sale	50,210,143	56,545,737
Investments, at cost	1,043,772	617,572
Loans, net	191,335,940	179,946,766
Foreclosed assets	587,500	407,891
Premises and equipment, net	9,060,576	6,767,135
Accrued interest receivable	1,050,376	992,404
Accrued income tax receivable	528,233	14,996
Deferred income tax asset, net	765,089	899,948
Goodwill	865,410	865,410
Bank owned life insurance	4,544,646	4,450,404
Other assets	1,760,230	1,924,667
Total assets	$ 297,272,441	$ 275,493,251
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Noninterest bearing	$ 68,971,057	$ 72,763,984
Interest bearing	168,048,498	152,805,153
Total deposits	237,019,555	225,569,137
Advances from Federal Home Loan Bank	10,000,000	-
Accrued interest and other liabilities	2,453,445	2,687,832
Total liabilities	249,473,000	228,256,969
STOCKHOLDERS' EQUITY		
Common stock, $1 par value; 2,000,000 shares authorized; 653,176 shares issued and outstanding, net of 146,824 treasury shares at par, in 2018 and 2017	653,176	653,176
Surplus	653,176	653,176
Retained earnings	47,276,733	45,961,365
Accumulated other comprehensive loss:		
Net unrealized loss on securities	(783,644)	(31,435)
Total stockholders' equity	47,799,441	47,236,282
Total liabilities and stockholders' equity	$ 297,272,441	$ 275,493,251

The Notes to Consolidated Financial Statements are an integral part of these statements.

POWELL VALLEY BANKSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2018 and 2017

	2018	2017
INTEREST INCOME		
Interest and fees on loans	$ 10,137,139	$ 9,169,570
Interest on excess reserves	168,914	148,150
Interest on available-for-sale securities		
U.S. Treasury	269,898	316,234
U.S. Government agencies	419,488	442,458
States and political subdivisions	751,245	817,078
Other	65,455	92,902
Total interest income	11,812,139	10,986,392
INTEREST EXPENSE		
Interest on deposits	1,093,122	633,736
Interest on borrowings	217,111	-
Net interest income	10,501,906	10,352,656
Provision for loan losses	50,000	50,000
Net interest income after provision for loan losses	10,451,906	10,302,656
NONINTEREST INCOME		
Service charges on deposit accounts	392,008	401,672
Other customer service fees	529,845	471,980
Net gains on sale of available-for-sale securities	321,570	157,961
Bank-owned life insurance income	94,242	106,022
Other income	104,734	231,635
Total noninterest income	1,442,399	1,369,270
NONINTEREST EXPENSES		
Salaries and wages	3,950,436	3,594,440
Pensions and other employee benefits	1,038,382	970,516
Advertising and public relations	214,986	164,753
Occupancy expenses	653,712	553,517
Equipment rentals, depreciation, and maintenance	509,104	379,632
Director and committee fees	176,500	183,000
Correspondent bank services	499,432	452,703
Legal and professional	209,650	238,071
Stationery and supplies	129,918	130,460
Real estate and franchise tax	439,422	517,282
Data processing	366,881	427,600
Other operating expenses	866,874	745,653
Total noninterest expenses	9,055,297	8,357,627
INCOME BEFORE INCOME TAXES	2,839,008	3,314,299
Income tax provision	374,050	1,149,102
NET INCOME	$ 2,464,958	$ 2,165,197
EARNINGS PER COMMON SHARE		
Net income per common share	$ 3.77	$ 3.31

The Notes to Consolidated Financial Statements are an integral part of these statements.

POWELL VALLEY BANKSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2018 and 2017

	2018	2017
NET INCOME	$ 2,464,958	$ 2,165,197
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX		
Unrealized holding gains (losses) arising during the year for securities available-for-sale	(630,593)	905,730
Less: reclassification adjustment for gains included in net gains on sale of securities in net income	(321,570)	(157,961)
	(952,163)	747,769
INCOME TAX EFFECT RELATED TO ITEMS OF OTHER COMPREHENSIVE INCOME (LOSS)	199,954	(254,241)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(752,209)	493,528
COMPREHENSIVE INCOME	$ 1,712,749	$ 2,658,725

The Notes to Consolidated Financial Statements are an integral part of these statements.

POWELL VALLEY BANKSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2018 and 2017

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2016	$ 653,176	$ 653,176	$ 44,888,331	$ (519,790)	$ 45,674,893
Net income	-	-	2,165,197	-	2,165,197
Other comprehensive income, net of tax	-	-	-	493,528	493,528
Tax rate change effect	-	-	5,173	(5,173)	-
Cash dividends declared ($1.68 per common share)	-	-	(1,097,336)	-	(1,097,336)
BALANCE, December 31, 2017	653,176	653,176	45,961,365	(31,435)	47,236,282
Net income	-	-	2,464,958	-	2,464,958
Other comprehensive loss, net of tax	-	-	-	(752,209)	(752,209)
Cash dividends declared ($1.76 per common share)	-	-	(1,149,590)	-	(1,149,590)
BALANCE, December 31, 2018	$ 653,176	$ 653,176	$ 47,276,733	$ (783,644)	$ 47,799,441

The Notes to Consolidated Financial Statements are an integral part of these statements.

POWELL VALLEY BANKSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Net income	$ 2,464,958	$ 2,165,197
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	50,000	50,000
Depreciation	432,619	376,536
Write down of foreclosed assets	-	13,944
(Gain) loss on sale of foreclosed assets	44,351	(13,571)
Net amortization of securities	(21,637)	(18,191)
Realized gain on sales of available-for-sale securities, net	(321,570)	(157,961)
Deferred income tax expense	334,813	556,677
Bank owned life insurance income	(94,242)	(106,022)
Net change in:		
Accrued income tax receivable	(513,237)	169,202
Accrued interest receivable	(57,972)	(66,956)
Other assets	164,437	(205,028)
Other liabilities	(234,387)	90,705
Net cash provided by operating activities	2,248,133	2,854,532
INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Maturities, prepayments and calls	2,996,471	4,324,323
Purchases	(1,604,508)	(10,401,750)
Sales	4,334,674	13,012,748
Net change in interest-bearing time deposits in banks	467	(140,467)
Loan originations and principal collections, net	(11,920,343)	(16,375,329)
Proceeds from sales of foreclosed assets	257,210	958,400
Additions to premises and equipment	(2,726,060)	(1,429,743)
Purchase of Federal Home Loan Bank stock	(426,200)	(3,600)
Net cash used in investing activities	(9,088,289)	(10,055,418)
FINANCING ACTIVITIES		
Net increase in deposits	11,450,418	(43,314)
Borrowings – Federal Home Loan Bank	10,000,000	-
Cash dividends paid on common stock	(1,149,590)	(1,097,336)
Net cash provided by (used in) financing activities	20,300,828	(1,140,650)
Net change in cash and cash equivalents	13,460,672	(8,341,536)
Cash and cash equivalents, beginning	17,609,854	25,951,390
Cash and cash equivalents, ending	$ 31,070,526	$ 17,609,854

(Continued)

The Notes to Consolidated Financial Statements are an integral part of these statements.

POWELL VALLEY BANKSHARES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
NON-CASH TRANSACTIONS		
Transfer of loans to other real estate owned	$ 481,169	$ 1,065,784
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid on deposits and borrowed funds	$ 1,283,118	$ 588,150
Income taxes paid	$ 589,474	$ 434,839
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Total increase in gross unrealized gain (loss) on securities available for sale	$ (952,164)	$ 747,769

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Powell Valley Bankshares, Inc. and Subsidiaries (collectively, the "Company") conform with accounting principles generally accepted in the United States of America and accepted accounting and reporting practices within the banking industry. The significant accounting policies are summarized as follows:

Principles of consolidation

The consolidated statements include the accounts of the Powell Valley Bankshares, its wholly-owned subsidiary, Powell Valley National Bank (the "Bank"), and Powell Valley Service Corporation, a wholly owned subsidiary of Powell Valley National Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of operations

The Company is a bank-holding company which owns all of the outstanding common stock of Powell Valley National Bank. The Bank provides a variety of financial services throughout locations within its primary lending areas of the City of Norton, and Lee, Scott, Washington, and Wise counties in Virginia. The Bank also has a full service branch in Kingsport, Tennessee. The Bank's primary deposit products are demand deposits, savings accounts, and certificates of deposit. Its primary lending products are real estate loans, consumer loans, and commercial loans. The Bank offers investment services to its customers through an investment service agreement with a third party provider.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans, the valuation of foreclosed real estate, the valuation of deferred tax assets, other-than-temporary impairments of securities, and the fair value of financial instruments.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, interest-bearing deposits in other banks, and federal funds sold, all of which mature within ninety days. Accounts in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, cash balances may exceed these limits; however, the Company does not believe it is subject to any significant credit risk as a result of these deposits. Excess cash reserves are held at the Federal Reserve Bank of Richmond.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Investment securities

The Company's investments in securities are classified and accounted for as follows:

Available-for-sale: Government and government agency bonds, notes, and certificates are classified as available-for-sale when the Bank anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in non-interest income and reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Trading: The securities in the Director's deferred compensation rabbi trust are recorded at fair value, with a corresponding liability for the plan obligation as described in Note 11. All changes in value are recognized in the current period.

Loans

The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout southwestern Virginia and upper northeast Tennessee. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any unearned discounts. Interest income is accrued on the unpaid principal balance. Unearned discounts on installment loans are recognized as income over the term of the loans using a method that approximates the interest method. The Bank does not defer loan fees and related loan origination costs. Based on management's assessments, the difference between deferral and immediate recognition of such fees and related costs is not material.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Personal loans are typically charged off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for loan losses

The allowance for loan losses represents the amount of earnings that have been set aside (reserved) to cover losses from loans. Loan losses are charged against the allowance when management believes the un-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are also considered impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. 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 considered 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 of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Off-balance sheet credit related financial instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Premises and equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed principally on the methods used for Federal income tax reporting purposes. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Premises and equipment are depreciated over the following lives:

Buildings and improvements	5-40 years
Furniture, equipment, and software	3-10 years

Bank owned life insurance

The Bank purchased single premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified in non-interest income.

Foreclosed assets

Foreclosed assets consist of other real estate owned (OREO). Foreclosed assets also includes an immaterial amount of repossessed automobiles. OREO represents real estate properties acquired through or in lieu of loan foreclosure. OREO is held for sale and is initially recorded at the fair value less estimated selling cost at the date of foreclosure. Any write-down based on the asset's fair value at the time of transfer to OREO is charged to the allowance for loan losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value, with charges to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. Costs of significant property improvements are capitalized; whereas, costs relating to holding property are expensed. Foreclosed assets are held by the Bank and by Powell Valley Service Corporation, the Bank's wholly owned subsidiary.

Goodwill

The Bank evaluates goodwill for impairment in accordance with ASC Topic 350, *Intangibles – Goodwill and Other Intangibles*. Under the provisions of ASC 350, goodwill is evaluated for impairment through the assessment of certain qualitative factors to determine whether it is more likely than not that the carrying amount exceeds its fair market value. Based on the qualitative assessment, no impairment loss was recorded at December 31, 2018 and 2017.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Advertising

The Bank's policy is to expense advertising costs as the costs are incurred.

Income taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes.

Current income tax reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to taxable income or loss. Deferred taxes relate to differences between the tax and book bases of certain assets and liabilities. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated tax returns with its subsidiaries.

Deferred tax assets are reduced by a valuation allowance if it is more likely if it is more likely than not that the tax benefits will not be realized. The Company has not identified any uncertain income tax provisions. In the event of an adjustment to previously filed income tax returns, interest is recognized in interest expense, and penalties, if any, are classified as other noninterest expense.

Compensated absences

Compensated absences for sick day and personal time have not been accrued since they cannot be reasonably estimated. The Bank's policy is to recognize these costs when actually paid.

Comprehensive income (loss)

Comprehensive income (loss) consists of the total of all components of comprehensive income (loss) including net income (loss). Other comprehensive income (loss) refers to revenues, expenses, gains, and losses under U.S. generally accepted accounting principles that are included in comprehensive income (loss) but excluded from net income (loss). Currently, the Company's other comprehensive income (loss) consists of unrealized gains and losses on securities available-for-sale, net of deferred tax expense (benefit).

Earnings per common share

Earnings per common share amounts are computed by dividing net income by the weighted average number of common shares outstanding during each year.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events

The Company has evaluated the accompanying consolidated financial statements for subsequent events and transactions through March 5, 2019, the date these financial statements were available for issue.

Reclassifications

Certain prior year amounts have been reclassified to conform to present year presentations.

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 was effective for annual reporting periods beginning after December 15, 2017. ASU No. 2015-14 issued in August 2015 deferred the effective date of this update to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this ASU is not expected to have a material effect on the Company's current financial position or results of operations; however, it may impact future financial statement disclosures.

In January 2016, ASU No. 2016-01 *Financial Instruments – Overall (Subtopic 825-10)* was issued by the FASB. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In June 2016, ASU No. 2016-13 *Financial Instruments – Credit Losses (Topic 326)* was issued by the FASB. This standard is commonly referred to as "CECL" – because it employs the Current Expected Credit Loss model. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU is effective for the Company in fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Other accounting standards have been issued by the FASB that are not currently applicable to the Company or are not expected to have a material impact on the Company's financial statements.

(Continued)

Note 2. Investment Securities

The amortized cost and fair value of available-for-sale securities are as follows:

	2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
U.S. government agencies and corporations	$ 3,895,990	$ -	$ (163,022)	$ 3,732,968
State and political subdivisions	35,544,548	182,089	(597,036)	35,129,601
Mortgage-backed securities	9,340,793	-	(304,068)	9,036,725
Corporate debt securities	2,252,779	577	(100,753)	2,152,603
Total debt securities	51,034,110	182,666	(1,164,879)	50,051,897
Equity securities	167,987	30,880	(40,621)	158,246
	$ 51,202,097	$ 213,546	$ (1,205,500)	$ 50,210,143

	2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
U.S. government agencies and corporations	$ 3,894,646	$ 354	$ (114,676)	$ 3,780,324
State and political subdivisions	38,756,713	450,079	(436,964)	38,769,828
Mortgage-backed securities	10,853,820	3,593	(217,195)	10,640,218
Corporate debt securities	2,752,161	4,959	(65,453)	2,691,667
Total debt securities	56,257,340	458,985	(834,288)	55,882,037
Equity securities	328,187	374,788	(39,275)	663,700
	$ 56,585,527	$ 833,773	$ (873,563)	$ 56,545,737

(Continued)

Note 2. Investment Securities (Continued)

The amortized cost and fair value of debt securities as of December 31, 2018, by contractual maturity are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or re-paid without any penalties. Therefore, these securities are not included in the maturity categories in the following summary.

	Debt Securities Available-for-Sale	
	Amortized Cost	**Fair Value**
One year or less	$ 6,556,655	$ 6,389,274
After one year through five years	21,595,918	21,442,151
After five years through ten years	10,045,893	9,834,201
After ten years	3,494,851	3,349,546
	41,693,317	41,015,172
Mortgage-backed securities	9,340,793	9,036,725
	$ 51,034,110	$ 50,051,897

The Company's unrealized losses on investments in federal agency, municipal, and mortgage backed securities were primarily the result of changes in market interest rates and not credit quality changes. Because the Company has the ability and intent to hold them for a period of time sufficient to allow for an anticipated recovery, they are not considered to be other than temporarily impaired.

(Continued)

Note 2. Investment Securities (Continued)

Information pertaining to securities with gross unrealized losses as of December 31, 2018 and 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position is shown in the table below.

	2018					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Debt securities						
U.S. government agencies and corporations	$ -	$ -	$ 3,732,968	$ (163,022)	$ 3,732,968	$ (163,022)
State and political subdivisions	7,139,621	(93,349)	14,258,656	(503,687)	21,398,277	(597,036)
Mortgage-backed securities	940,009	(10,402)	8,096,085	(293,666)	9,036,094	(304,068)
Corporate debt securities	-	-	1,654,802	(100,753)	1,654,802	(100,753)
Total debt securities	8,079,630	(103,751)	27,742,511	(1,061,128)	35,822,141	(1,164,879)
Equity securities	-	-	83,863	(40,621)	83,863	(40,621)
Total equity securities	-	-	83,863	(40,621)	83,863	(40,621)
	$ 8,079,630	$ (103,751)	$ 27,826,374	$ (1,101,749)	$ 35,906,004	$ (1,205,500)

	2017					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Debt securities						
U.S. government agencies and corporations	$ -	$ -	$ 3,779,971	$ (114,676)	$ 3,779,971	$ (114,676)
State and political subdivisions	7,099,699	(92,847)	7,407,242	(344,117)	14,506,941	(436,964)
Mortgage-backed securities	4,598,999	(41,065)	4,964,670	(176,130)	9,563,669	(217,195)
Corporate debt securities	499,970	(55)	1,691,597	(65,398)	2,191,567	(65,453)
Total debt securities	12,198,668	(133,967)	17,843,480	(700,321)	30,042,148	(834,288)
Equity securities	-	-	88,712	(39,275)	88,712	(39,275)
Total equity securities	-	-	88,712	(39,275)	88,712	(39,275)
	$ 12,198,668	$ (133,967)	$ 17,932,192	$ (739,596)	$ 30,130,860	$ (873,563)

(Continued)

Note 2. Investment Securities (Continued)

The Company had 121 and 97 securities at December 31, 2018 and 2017, which were in a loss position. The Company did not recognize any other-than-temporary impairments in 2018 or 2017, and in 2018 the remaining other-than-temporary impaired securities were disposed of.

During 2018, sales and redemptions of securities available-for-sale, including the OTTI securities referenced above, resulted in gross realized gains of $325,956 and gross realized losses of $4,386 with a net realized gain of $321,570. During 2017, sales and redemptions of securities available-for-sale resulted in gross realized gains of $231,828 and gross realized losses of $73,867, with a net realized gain of $157,961.

Investment securities with a carrying amount of approximately $37,500,000 and $40,650,000 as of December 31, 2018 and 2017, respectively, were pledged as collateral on public deposits and for other purposes as required or permitted by law.

Investments, at cost

The Bank is required to hold a minimum number of shares of stock in the Federal Home Loan Bank (FHLB) and the Federal Reserve Bank (FRB). These are considered restricted investments and are carried at cost. Additional investments maintained by the Bank and also carried at cost include Virginia Bankers Insurance Center, LLC and Virginia Title Corporation stock. Such investments consist of the following:

	2018	2017
Federal Home Loan Bank	$ 672,900	$ 246,700
Federal Reserve Bank	48,000	48,000
Virginia Bankers Insurance Center, LLC	223,922	223,922
Virginia Title Corporation	98,950	98,950
	$ 1,043,772	$ 617,572

Board of Directors deferred compensation plan

The investments held in the Board of Directors deferred compensation plan are held at fair value and consist of mutual fund investments. This plan is further discussed in Note 11.

(Continued)

Note 3. Loans

The Bank's loans consist of the following:

	2018	2017
Real estate loans		
Residential 1 – 4 family	$ 66,459,809	$ 63,453,597
Commercial	87,359,116	78,223,502
Total real estate loans	153,818,925	141,677,099
Commercial loans	26,841,872	27,233,005
Consumer loans, including overdrafts	13,698,527	14,209,839
Total loans	194,359,324	183,119,943
Less: allowance for loan losses	3,023,384	3,173,177
Loans, net	$ 191,335,940	$ 179,946,766

The Bank's consumer loans include $128,854 and $69,309 in overdrafts as of December 31, 2018 and 2017, respectively.

Impaired loans

Loan impairment and any valuation allowances are determined under the provisions established by Accounting Standards Codification Topic 310, *Receivables*. Impaired loans without a valuation allowance represent loans for which management believes that the discounted cash flows, collateral value, or observable market price of the impaired loan is higher than the carrying value of the loan.

(Continued)

Note 3. Loans (Continued)

Impaired loans (Continued)

The following table presents impaired loans individually evaluated by class of loans.

	December 31, 2018				
	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential 1 – 4 family	$ 556,847	$ 556,847	$ -	$ 614,641	$ 19,781
Commercial real estate	1,722,303	1,722,303	-	1,793,953	75,708
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
With an allowance recorded:					
Residential 1 – 4 family	136,657	136,657	60,000	137,995	9,094
Commercial real estate	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total:					
Residential 1 – 4 family	693,504	693,504	60,000	752,636	28,875
Commercial real estate	1,722,303	1,722,303	-	1,793,953	75,708
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total impaired loans, individually evaluated	$ 2,415,807	$ 2,415,807	$ 60,000	$ 2,546,589	$ 104,583

(Continued)

Note 3. Loans (Continued)

Impaired loans (Continued)

	December 31, 2017				
	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential 1 – 4 family	$ 821,037	$ 821,037	$ -	$ 836,186	$ 10,802
Commercial real estate	2,032,991	2,032,991	-	2,032,177	103,853
Commercial	983,952	983,952	-	1,030,556	57,468
Consumer	-	-	-	-	-
With an allowance recorded:					
Residential 1 – 4 family	139,922	139,922	60,000	141,009	9,293
Commercial real estate	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total:					
Residential 1 – 4 family	960,959	960,959	60,000	977,195	20,095
Commercial real estate	2,032,991	2,032,991	-	2,032,177	103,853
Commercial	983,952	983,952	-	1,030,556	57,468
Consumer	-	-	-	-	-
Total impaired loans, individually evaluated	$ 3,977,902	$ 3,977,902	$ 60,000	$ 4,039,928	$ 181,416

(Continued)

Note 3. Loans (Continued)

Allowance for loan loss

The following table outlines the changes in the allowance for loan losses by collateral type and purpose, the allowances for loans individually and collectively evaluated for impairment, and the amount of loans individually and collectively evaluated for impairment as of December 31, 2018 and 2017:

	December 31, 2018					
	Residential 1 – 4 Family	Commercial Real Estate	Commercial	Consumer	Unallocated	Total
Allowance for loan losses						
Beginning balance, January 1, 2018	$ 1,284,693	$ 986,516	$ 341,990	$ 99,713	$ 460,265	$ 3,173,177
Charge-offs	(116,492)	(209)	(10,788)	(143,904)	(11,783)	(283,176)
Recoveries	30,841	7,670	6,124	38,748	-	83,383
Provision	22,718	15,765	4,317	5,443	1,757	50,000
Ending balance, December 31, 2018	$ 1,221,760	$ 1,009,742	$ 341,643	$ -	$ 450,239	$ 3,023,384
Portion of ending balance						
Individually evaluated for impairment	$ 60,000	$ -	$ -	$ -	$ -	$ 60,000
Collectively evaluated for impairment	1,161,760	1,009,742	341,643	-	450,239	2,963,384
Total ALLL evaluated for impairment	$ 1,221,760	$ 1,009,742	$ 341,643	$ -	$ 450,239	$ 3,023,384
Loans receivable						
Ending balance, December 31, 2018	$ 66,459,809	$ 87,359,116	$ 26,841,872	$ 13,698,527	N/A	$ 194,359,324
Portion of ending balance						
Individually evaluated for impairment	$ 693,504	$ 1,722,303	$ -	$ -	N/A	$ 2,415,807
Collectively evaluated for impairment	65,766,305	85,636,813	26,841,872	13,698,527	N/A	191,943,517
Total loans evaluated for impairment	$ 66,459,809	$ 87,359,116	$ 26,841,872	$ 13,698,527	N/A	$ 194,359,324

(Continued)

Note 3. Loans (Continued)

Allowance for loan loss (Continued)

	December 31, 2017					
	Residential 1 – 4 Family	Commercial Real Estate	Commercial	Consumer	Unallocated	Total
Allowance for loan losses						
Beginning balance, January 1, 2017	$ 1,318,682	$ 660,188	$ 365,472	$ 163,708	$ 456,035	$ 2,964,085
Charge-offs	(67,189)	(11,568)	(28,492)	(105,096)	(490)	(212,835)
Recoveries	9,992	323,265	1,000	37,406	264	371,927
Provision	23,208	14,631	4,010	3,695	4,456	50,000
Ending balance, December 31, 2017	$ 1,284,693	$ 986,516	$ 341,990	$ 99,713	$ 460,265	$ 3,173,177
Portion of ending balance Individually evaluated for impairment	$ 60,000	$ -	$ -	$ -	$ -	$ 60,000
Collectively evaluated for impairment	1,224,693	986,516	341,990	99,713	460,265	3,113,177
Total ALLL evaluated for impairment	$ 1,284,693	$ 986,516	$ 341,990	$ 99,713	$ 460,265	$ 3,173,177
Loans receivable						
Ending balance, December 31, 2017	$ 63,453,597	$ 78,223,502	$ 27,233,005	$ 14,209,839	N/A	$ 183,119,943
Portion of ending balance Individually evaluated for impairment	$ 960,959	$ 2,032,991	$ 983,952	$ -	N/A	$ 3,977,902
Collectively evaluated for impairment	62,492,638	76,190,511	26,249,053	14,209,839	N/A	179,142,041
Total loans evaluated for impairment	$ 63,453,597	$ 78,223,502	$ 27,233,005	$ 14,209,839	N/A	$ 183,119,943

(Continued)

Note 3. Loans (Continued)

Past due loans

The following tables present an aged analysis of past due loans and loans on nonaccrual status by loan type as of December 31, 2018 and 2017:

	Current	30 – 59 Days Past Due	60 – 89 Days Past Due	90+ Day Past Due	Total Past Due	Total Loans Receivable	Non-Accrual Loans	Recorded Investment > 90 Days and Accruing
December 31, 2018								
Residential 1 – 4 family	$ 63,231,349	$ 1,471,428	$ 902,132	$ 854,900	$ 3,228,460	$ 66,459,809	$ 1,402,475	$ -
Commercial real estate	85,922,966	463,352	423,098	549,700	1,436,150	87,359,116	596,404	-
Commercial	26,755,329	60,366	5,000	21,177	86,543	26,841,872	79,119	-
Consumer	13,211,570	293,295	146,157	47,505	486,957	13,698,527	100,836	-
	$ 189,121,214	$ 2,288,441	$ 1,476,387	$ 1,473,282	$ 5,238,110	$ 194,359,324	$ 2,178,834	$ -
December 31, 2017								
Residential 1 – 4 family	$ 59,669,490	$ 1,493,318	$ 720,103	$ 1,570,686	$ 3,784,107	$ 63,453,597	$ 2,176,518	$ -
Commercial real estate	76,137,732	656,013	445,769	983,988	2,085,770	78,223,502	1,022,492	-
Commercial	27,074,342	152,655	-	6,008	158,663	27,233,005	39,887	-
Consumer	13,526,481	388,243	180,479	114,636	683,358	14,209,839	204,094	-
	$ 176,408,045	$ 2,690,229	$ 1,346,351	$ 2,675,318	$ 6,711,898	$ 183,119,943	$ 3,442,991	$ -

Generally, the accrual of income is discontinued when the full collection of principal or interest is in doubt or when the payment of principal or interest has become contractually 90 days past due unless the obligation is both well secured and in the process of collection.

Credit quality indicators

The Bank utilizes six classifications: pass, special mention, watch, substandard, doubtful, and loss. "Pass assets" have at least a reasonable credit risk. "Special mention assets" have weaknesses and warrant management's close attention. "Watch assets" have emerging problems and are showing early signs of weaknesses. "Substandard assets" have unsatisfactory characteristics that cause a more than acceptable level and risk and have one or more well-defined weaknesses that could jeopardize the repayment of the debt. "Doubtful assets" contain weaknesses that collection or liquidation in full is questionable. Doubtful loans are normally placed on the non-accrual list, regardless of past due status. "Loss assets" are considered uncollectible and of such little value that their continuance as an active bank asset is not warranted.

(Continued)

Note 3. Loans (Continued)

Credit quality indicators (Continued)

The following tables outline the amount of residential, commercial real estate, and commercial loans categorized into each risk rating class as of December 31, 2018 and 2017:

	Pass	Special Mention	Watch	Substandard	Doubtful	Loss	Total
December 31, 2018							
Residential 1 – 4 family	$ 64,301,020	$ -	$ 489,684	$ 1,669,105	$ -	$ -	$ 66,459,809
Commercial real estate	84,941,101	998,577	328,785	1,090,653	-	-	87,359,116
Commercial	26,651,613	131,898	58,361	-	-	-	26,841,872
	$ 175,893,734	$ 1,130,475	$ 876,830	$ 2,759,758	$ -	$ -	$ 180,660,797
December 31, 2017							
Residential 1 – 4 family	$ 60,001,666	$ -	$ 471,934	$ 2,979,997	$ -	$ -	$ 63,453,597
Commercial real estate	74,829,517	1,744,911	295,669	1,353,405	-	-	78,223,502
Commercial	26,123,863	-	111,338	997,804	-	-	27,233,005
	$ 160,955,046	$ 1,744,911	$ 878,941	$ 5,331,206	$ -	$ -	$ 168,910,104

Consumer loans are not graded using the aforementioned system. The Bank uses the classifications of "performing" and "nonperforming" for consumer loans. "Performing loans" are current to 89 days past due. "Nonperforming" loans are 90 or more days past due. The following tables summarize the Bank's consumer loans based on performance as of December 31:

	2018	2017
Performing	$ 13,651,022	$ 14,095,203
Non-performing	47,505	114,636
	$ 13,698,527	$ 14,209,839

Troubled debt restructuring

A modification of a loan constitutes a troubled debt restructuring ("TDR") when a borrower is experiencing financial difficulty and the modification constitutes a concession. By granting the concession, the Bank expects to increase the probability of collection by more than would be expected by not granting the concession. The Bank's determination of whether a modification is a TDR considers the facts and circumstances surrounding each respective modification. TDR loans are individually evaluated for impairment in the allowance for loan losses. There were no loans modified as TDR during 2018 or 2017.

(Continued)

Note 3. Loans (Continued)

Foreclosed properties

Foreclosed properties as of December 31, 2018 included seven residential real estate properties with a carrying value of $373,040.

Residential real estate properties for which the foreclosure process had begun but had yet to be completed as of December 31, 2018 consisted of four properties with associated loan values totaling $432,814.

Note 4. Premises and Equipment

The major classes of premises and equipment and the total accumulated depreciation are as follows:

	2018	2017
Land	$ 1,394,081	$ 1,394,081
Bank buildings and improvements	8,288,041	7,783,962
Furniture and equipment	3,377,801	3,139,215
Construction in progress	1,908,538	26,050
Automobile	295,643	194,735
	15,264,104	12,538,043
Less: accumulated depreciation	(6,203,528)	(5,770,908)
	$ 9,060,576	$ 6,767,135

Depreciation expense in 2018 and 2017 was $432,619 and $376,536, respectively.

Note 5. Federal Home Loan Bank Advances

Pursuant to collateral agreements with the Federal Home Loan Bank (FHLB), advances are collateralized by the Bank's stock in the FHLB and a blanket pledge of qualifying first mortgage loans. The lendable collateral value of the loans as of December 31, 2018 and 2017 was $40,485,389 and $41,518,660, respectively.

(Continued)

Note 5. Federal Home Loan Bank Advances (Continued)

The Company obtained a $10,000,000 advance from FHLB in March 2018. The advance bears fixed interest at 2.548% with a maturity date of September 23, 2019. Interest only payments are due quarterly.

Note 6. Deposits

Deposit account balances are summarized as follows:

	2018	2017
Non-interest bearing checking	$ 68,971,057	$ 72,763,984
Interest bearing checking	39,478,929	27,144,255
Savings	32,202,819	31,534,257
Individual retirement accounts	17,152,650	18,043,921
Certificates of deposit	79,214,100	76,082,720
	$ 237,019,555	$ 225,569,137

The aggregate amount of time deposits in denominations of $250,000 or more as of December 31, 2018 and 2017 was $17,962,106 and $24,620,108, respectively.

At December 31, 2018, the scheduled maturities of time deposits are as follows:

2019	$ 50,312,491
2020	16,252,699
2021	3,933,707
2022	104,680
2023	8,509,955
Thereafter	100,568
	$ 79,214,100

Note 7. Income Taxes

The provision for income taxes consists of the following:

	2018	2017
Current tax expense	$ 39,237	$ 592,425
Deferred tax expense	334,813	556,677
	$ 374,050	$ 1,149,102

(Continued)

Note 7. Income Taxes (Continued)

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	2018		2017	
	Amount	%	Amount	%
Expected tax provision at enacted rate	$ 596,179	21.00 %	$ 1,126,862	34.00 %
Tax effect of:				
Tax exempt income	(259,445)	(9.14)	(417,936)	(12.65)
Tax law change	-	-	573,614	17.36
Other items, net	37,316	1.31	(133,438)	4.04
Income taxes	$ 374,050	13.18 %	$ 1,149,102	34.70 %

The net deferred tax asset consists of the following components:

	2018	2017
Deferred tax assets		
Allowance for loan loss	$ 513,973	$ 503,472
Deferred compensation	302,650	327,689
Interest on non-accrual loans	24,858	18,129
Impaired assets – investments	-	256,558
Deferred self-employment retirement plan	21,669	66,959
Pass-through investments and other	32,582	17,729
Unrealized loss on securities available-for-sale	208,310	8,356
Total deferred tax assets	1,104,042	1,198,892
Deferred tax liabilities		
Accretion – investment securities	11,483	8,326
Amortization – intangibles	181,736	181,736
Depreciation	145,734	108,882
Total deferred tax liabilities	338,953	298,944
Net deferred tax asset	$ 765,089	$ 899,948

(Continued)

Note 7. Income Taxes (Continued)

At December 31, the Company did not have a valuation allowance. Realization of deferred tax benefits is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

Powell Valley National Bank is exempt from state income taxes in Virginia as are all other banks in the State. Instead, banks are assessed a franchise tax based on an adjusted capital calculation. The Bank franchise tax expense was approximately $381,000 for both 2018 and 2017. The Bank includes such accrued payable in other liabilities and the expense is included in other operating expenses.

On December 22, 2017, President Trump signed into law new U.S. tax reform legislation. The Act makes significant changes to U.S. corporate income tax laws including a decrease in the corporate tax rate to 21% effective for tax years beginning after December 31, 2017. As a result of the change in tax rate, a deferred tax expense of $573,614 was recorded in 2017.

In February 2018, FASB issued *Accounting Standards Update 2018-02 – Income Statement Reporting – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.* The standard is intended to help organizations reclassify certain stranded income tax effects in accumulated other comprehensive income results from the Tax Cuts and Jobs Act of 2017 (the "Act"). As such the Company has reclassified $5,173 from accumulated other comprehensive income to retained earnings as of December 31, 2017.

Note 8. Regulatory Capital Requirements

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. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company 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. Under the Basel III rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in at the rate of 0.625% per year from 0.0% in 2015 to 2.50% on January 1, 2019. The capital conservation buffer for 2018 is 1.875% and for 2017 is 1.25%. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2018, the Bank met all capital adequacy requirements to which it is subject. The Company is exempt from consolidated capital requirements as those requirements do not apply to certain companies with assets under $1 billion.

(Continued)

Note 8. Regulatory Capital Requirements (Continued)

Prompt corrective action regulations 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 year-end 2018 and 2017, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company's and the Bank's actual capital amounts and ratios as of December 31, 2018 and 2017 are as follows (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018						
Total capital to risk weighted assets	$ 41,120	20.56 %	$ 15,998	8.00 %	$ 19,998	10.00 %
Consolidated	50,224	25.11	15,998	8.00	N/A	
Tier I capital to risk weighted assets	38,614	19.31	11,999	6.00	15,998	8.00
Consolidated	47,718	23.86	11,999	6.00	N/A	
Tier I leverage to average assets	38,614	13.36	11,560	4.00	14,450	5.00
Consolidated	47,718	16.09	11,862	4.00	N/A	
Common equity Tier I to risk weighted assets	38,614	19.31	8,999	4.50	12,999	6.50
Consolidated	47,718	23.86	8,999	4.50	N/A	
December 31, 2017						
Total capital to risk weighted assets	$ 43,029	22.44 %	$ 15,340	8.00 %	$ 19,175	10.00 %
Consolidated	49,026	25.57	15,340	8.00	N/A	
Tier I capital to risk weighted assets	40,539	21.14	11,505	6.00	15,340	8.00
Consolidated	46,536	24.27	11,505	6.00	N/A	
Tier I leverage to average assets	40,539	14.80	10,960	4.00	13,700	5.00
Consolidated	46,536	16.78	11,091	4.00	N/A	
Common equity Tier I to risk weighted assets	40,539	21.14	8,629	4.50	12,463	6.50
Consolidated	46,536	24.27	8,629	4.50	N/A	

(Continued)

Note 9. Restriction on Dividends

The payment of dividends by the Company depends to a great extent on the ability of the Bank to pay dividends to the Holding Company. The Bank, as a Virginia banking corporation, may pay dividends only out of its retained earnings. The payment of dividends by any bank is dependent upon its earnings and financial condition and subject to the statutory power of certain federal and state regulatory agencies to act to prevent what they deem unsafe or unsound banking practices. Moreover, the Federal Reserve Board, the Comptroller of the Currency and the FDIC have issued policy statements which provide that bank holding companies and insured depository institutions generally should only pay dividends out of current operating earnings. The approval of the regulatory agency is required if the dividends declared in any year exceed net income for that year combined with the retained net income of the two preceding years. The payment of dividends by the Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. During 2018, the Bank paid $6,547,336 in dividends to the Company, which exceeded the regulatory dividend limit of $5,312,539 for 2018 by $1,234,797, however, permission was obtained from the OCC before the excess payment was made. Agreements are in place to ensure the Holding Company will assist the Bank with funding needs should they arise. As a result of the excess payment, as of December 31, 2018, there are no available retained earnings for future dividends to the Company without regulatory approval. During 2018 and 2017, the Company declared and issued $1,149,590 and $1,097,336, respectively, in dividends to shareholders.

Note 10. Employee Benefit Plans

401(k) and profit share plan

The Bank has a 401(k) Plan (“Plan”) to provide retirement benefits for its employees. Employees may make elective contributions to the Plan, limited to a maximum annual amount as set by the Internal Revenue Service. The Bank matches employee contributions dollar for dollar up to a maximum of 2.5% per year per person plus a discretionary profit share contribution as determined by the board of directors. In 2018, the Bank elected to contribute an additional 2.25% of each employee’s gross pay into the plan for eligible employees. Expenses attributable to the Plan amounted to $188,393 and $171,186 for 2018 and 2017, respectively.

Board of Directors deferred compensation plan

In 2000, the Bank adopted a nonqualified deferred compensation plan for the Board of Directors, administered by the VBA Benefits Corporation. Under the plan, a rabbi trust was established as a source of funds to pay benefits under the plan. Each participant may make annual elective contributions to the Plan. The rabbi trust assets are subject to the general unsecured creditors of the Bank. As of December 31, 2018 and 2017, the accumulated fair value of the assets in the trust was $1,441,191 and $1,560,423, respectively, and has been reported in Other Assets on the Company’s consolidated statement of financial condition. A corresponding liability of equal amount is reported in Accrued Interest and Other Liabilities.

(Continued)

Note 10. Employee Benefit Plans (Continued)

Supplementary executive retirement plan

The Bank provides a non-qualified long-term incentive plan for certain executive officers of the Bank. The funds necessary to guarantee these payments are being provided through life insurance policies on the life of each officer. The Bank is the owner and beneficiary of each life insurance policy. In 2018 and 2017, $34,333 and $12,172 was charged to expense under this plan, respectively.

Note 11. Commitments and Contingencies

Financial instruments with off-balance-sheet risk

The Bank is 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 and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets.

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 is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as for on-balance-sheet instruments. A summary of the Bank's commitments as of December 31 is as follows:

	2018	2017
Commitments to extend credit	$ 22,803,459	$ 16,936,602
Standby letters of credit	1,802,700	1,108,700
	$ 24,606,159	$ 18,045,302

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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, crops, livestock, inventory, property and equipment, residential real estate and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Bank deems necessary.

(Continued)

Note 11. Commitments and Contingencies (Continued)

Significant concentrations of credit risk

All of the Bank's loans, commitments to extend credit, and standby letters of credit have been granted to customers in the Bank's market area. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit were granted primarily to commercial borrowers.

The legal lending limit as of December 31, 2018 is approximately $6.2 million. The Bank as a matter of policy does not routinely extend credit to any single borrower or group of related borrowers in excess of one half of the legal lending limit. Any extension of credit in excess of one half of the legal lending limit must be expressly approved by the Board of Directors. Although the Bank has a diversified loan portfolio, loans are concentrated mainly in the Lee, Scott, and Wise County region with a concentration in residential and nonresidential rental properties and the heavy construction and mining industries.

Reserve requirements

Under agreements with correspondent banks, the Bank maintains deposit balances with the correspondents to cover various bank processing charges. In addition, the Bank is required to maintain average reserve balances on hand or with the Federal Reserve Bank based on customer deposit balances. As of December 31, 2018 and 2017, the reserve requirements were $2,256,000 and $2,072,000, respectively.

Legal contingencies

The Company from time to time is party to various legal actions normally associated with its bank subsidiary. In the opinion of management and counsel, liabilities, if any, arising from such proceedings presently pending would not have a material adverse effect on the financial position of the Company.

Note 12. Fair Value Disclosures

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value techniques or other valuation models or processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities and third party information.

(Continued)

Note 12. Fair Value Disclosures (Continued)

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 for substantially the full term of the asset or liability.
- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Assets and liabilities measured at fair value on a recurring basis as of December 31 are as follows:

		Fair Value Measurement		
December 31, 2018	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities:				
U.S. government agencies and corporations	$ 3,732,968	$ -	$ 3,732,968	$ -
State and political subdivisions	35,129,601	-	35,129,601	-
Mortgage-backed securities	9,036,725	-	9,036,725	-
Corporate debt securities	2,152,603	-	2,152,603	-
Total debt securities	50,051,897	-	50,051,897	-
Equity securities	158,246	-	158,246	-
Total securities available-for-sale	$ 50,210,143	$ -	$ 50,210,143	$ -
Trading securities:				
Mutual funds held in rabbi trust	$ 1,441,191	$ -	$ 1,441,191	$ -

(Continued)

Note 12. Fair Value Disclosures (Continued)

		Fair Value Measurement		
December 31, 2017	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities:				
U.S. government agencies and corporations	$ 3,780,324	$ -	$ 3,780,324	$ -
State and political subdivisions	38,769,828	-	38,769,828	-
Mortgage-backed securities	10,640,218	-	10,640,218	-
Corporate debt securities	2,691,667	-	2,691,667	-
Total debt securities	55,882,037	-	55,882,037	-
Equity securities	663,700	-	663,700	-
Total securities available-for-sale	$ 56,545,737	$ -	$ 56,545,737	$ -
Trading securities:				
Mutual funds held in rabbi trust	$ 1,560,423	$ -	$ 1,560,423	$ -

Assets and liabilities measured at fair value on a nonrecurring basis as of December 31 are as follows:

	Fair Value	**Level 1**	**Level 2**	**Level 3**
December 31, 2018				
Impaired loans	$ 2,355,807	$ -	$ -	$ 2,355,807
Foreclosed assets	587,500	-	-	587,500
	$ 2,943,307	$ -	$ -	$ 2,943,307
December 31, 2017				
Impaired loans	$ 3,917,902	$ -	$ -	$ 3,917,902
Foreclosed assets	407,891	-	-	407,891
	$ 4,325,793	$ -	$ -	$ 4,325,793

(Continued)

Note 12. Fair Value Disclosures (Continued)

The estimated fair values of the Company's financial instruments as of December 31 are as follows:

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 31,070,526	$ 31,070,526	$ 17,609,854	$ 17,609,854
Interest bearing time deposits in banks	4,450,000	4,450,000	4,450,467	4,450,467
Investments, at cost	1,043,772	1,043,772	617,572	617,572
Securities available-for-sale	50,210,143	50,210,143	56,545,737	56,545,737
Mutual funds held in rabbi trust	1,441,191	1,441,191	1,560,423	1,560,423
Loans	191,335,940	189,422,581	179,946,766	180,035,212
Accrued interest receivable	1,050,376	1,050,376	992,404	992,404
Bank owned life insurance	4,544,646	4,544,646	4,450,404	4,450,404
Financial liabilities				
Deposits	237,019,555	237,742,793	225,569,137	226,095,338
Accrued interest payable	113,896	113,896	81,818	81,818
Federal Home Loan Bank advance	10,000,000	9,978,000	-	-

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments, along with a description of the valuation methodologies used for those instruments measured at fair value.

Cash and cash equivalents

The carrying amounts of cash and cash equivalents approximate fair value.

Interest-bearing time deposits in banks

Interest-bearing time deposits in banks include non-brokered certificates of deposits with varying maturity dates and are carried at cost, which approximates fair value.

Securities

The Bank obtains fair value measurement from an independent pricing service, using quoted prices if available. If quoted market prices are not available, then fair value is estimated by using quoted prices of securities with similar characteristics; quoted prices in markets that are not active; or, other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

The carrying value of the Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock approximates fair value based on redemption provisions.

(Continued)

Note 12. Fair Value Disclosures (Continued)

Impaired loans

The Bank does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, its fair value is estimated using several methods including collateral value, observable market value, and discounted cash flows.

As of December 31, 2018, substantially all of the total impaired loans were evaluated (or impaired loans were primarily evaluated) based on the fair value of collateral. When the fair value of the collateral is based on the observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the impaired loan as nonrecurring Level 3. Most of the impaired loans at December 31, 2018 and 2017 were measured using an appraisal, with some discount applied, and are considered Level 3 measurements.

Deposit liabilities

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Short-term borrowings

The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other short-term borrowings with fixed rates are estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Accrued interest

The carrying amounts of accrued interest approximate fair value.

(Continued)

Note 13. Transactions with Related Parties

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, executive officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties), all of which have been, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

Directors and officers of the Bank and their affiliates were customers of the Bank in the ordinary course of business. The following table presents the activity of such loans for the years ended December 31:

	2018	2017
Balance, January 1	$ 742,227	$ 1,037,900
Borrowings	1,665,558	15,000
Repayments	(1,272,358)	(310,673)
Balance, December 31	$ 1,135,427	$ 742,227

Loan transactions with directors and officers were made on substantially the same terms as those prevailing at the time made for comparable loans to other persons and did not involve more than normal risk of collectability or present other unfavorable features.

The amount of deposits belonging to executive officers and directors of the Bank or indirectly by corporations, partnerships, or joint ventures in which these individuals have an interest were approximately $8 million and $7 million as of December 31, 2018 and 2017, respectively.

The Bank purchases insurance coverage from an insurance company that is majority-owned by a member of the Board of Directors. Competitive bids were obtained but none were found to be more favorable than the current policies obtained. During 2018 and 2017, the Bank paid the insurance agency $60,282 and $147,971, respectively.

Supporting Our Bank Family and Local Communities
A TRADITION SINCE 1888

Kingsport Grand Opening

Pictured above are various PVNB directors, officers, and employees at the Grand Opening and Ribbon Cutting event.

Brent Mullins and Larry Presley

Carol Hayes

Kingsport Grand Opening

During our grand opening events, visitors to the new office registered to win a grand prize which featured a $1,000 donation to be made to the charitable organization of the winner's choice. The winner, Keith Cunningham, owner of The Bagel Exchange in Kingsport, was our Grand Prize Winner. We presented a check to Mary Smith at Small Miracles Therapeutic Horseback Riding Center, Inc. for $1,000 on Keith's behalf.

Ribbon cutting attendees

Susan Barber, Jeff Woodard, Roy Richmond, and Cassie Dotson

2018 Forward Wise County Graduation. 2018 Graduates Rachel Houston and Melody Lovell and 2018 Outstanding Alumni, Cory Dotson.

Charlie Allen and the Pennington Gap office had several visits from local elementary school students. Here's Charlie giving those students a hands-on look at the inside of an ATM.

Wise County employees including Tiffany Collier, Melody Lovell, and Cassie Dotson participated in the 4-H Reality Check Day. Cory Dotson's son, Gavin, is pictured here at the reality "bank" making a withdrawal.

Mary Beth Baker and her family, Grant, Olivia, and Walker, won backstage passes to meet Aaron Tippin as part of our sponsorship of Kingsport's Racks by the Tracks Festival.

Sun's out, shades out! Porter Wynn, Maddie Jones, Cutchin Wynn, Molly Wynn, and Ella Wynn enjoy the music and the sunshine at the 2018 Racks by the Tracks Festival.

Abingdon Groundbreaking Ceremony

Robert Estes, Winston Witt, Eddie Woodward, and Leton Harding

Lee Houston, Robert Estes, Sarah Wynn, and Allen Poole

Jim Swartz, Tonya Buchanan, Mark Farris, Dawn Yarber, and Aaron Hicks

Browning Wynn, Aaron Hicks, Amy Mellinger, Winston Witt, Sarah Wynn, Tonya Buchanan, Matt Eades, and Karen Wright

Let's move that dirt!

Sam Neese

BOARD OF DIRECTORS, OFFICERS, AND SUPPORT STAFF

DIRECTORS

Leton L. Harding, Jr.
Sarah Wynn
Roy E. Woodward, Jr.
F. Winston Witt
Robert T. Estes
Browning Wynn, II

ADVISORY BOARD

Roger Audia
Bruce Robinette

OFFICERS

Leton L. Harding, Jr. .... Chairman, President, and Chief Executive Officer
Larry K. Presley .... Executive Vice President & Loan Administrator
Samuel L. Neese .... Senior Vice President & Market Executive
Ted Fields .... Senior Vice President & Market Executive
Charles L. Allen .... Senior Vice President, Pennington Gap Office Manager, and CRA Officer
Mary Beth Baker .... Senior Vice President & Retail Loan Administrator
Cory B. Dotson .... Senior Vice President & Business Development Officer
Carol W. Hayes .... Senior Vice President & Wise Office Manager
Lee Houston .... Senior Vice President & Chief Credit Officer
Gary Richardson .... Senior Vice President & Big Stone Gap Office Manager
Browning Wynn, II .... Senior Vice President & Loan Officer
Susan Barber .... Vice President & Director of Personnel
Matthew Eades .... Vice President & Business Development Officer
Mark Farris .... Vice President & Business Development Officer
Ross Hawkins .... Vice President & Collections Officer
Aaron C. Hicks .... Vice President & Chief Financial Officer
Paula Lawson .... Vice President & Loan Officer
Douglas McDonald .... Vice President & Duffield Office Manager
Brent D. Mullins .... Vice President & Kingsport Office Manager
Mike Sprinkle .... Vice President & Loan Officer
James D. Swartz .... Vice President & Loan Review Officer
Jeff Woodard .... Vice President, Jonesville Office Manager, & Security Officer
Karen Wright .... Senior Auditor
Deborah Bonham .... Assistant Vice President
Tiffany Collier .... Assistant Vice President
Jason Laster .... Assistant Vice President
Amy Mellinger .... Assistant Vice President
Marsha Nickodam .... Assistant Vice President
Linda Thomas .... Assistant Vice President

T. Allen Poole .... Investment Executive for Powell Valley Investment Services

STAFF

Jonesville
Charlie Carroll
Betty Jo Carter
Angela Combs
Margaret Elkins
Karen Ellison
Mary Ann Fannon
Cameron Gill
Ashley Hammonds
Sharon Harber
Amanda Huff
Howard Jones
Candice Lane
Tammy Large
Rachel Marshall
Sarah Moore
Julia Napier
Debra Qualls
Ashley Robbins
Crissie Robinson

Pennington Gap
Lisa Bailey
Buffy Burgan
Lisa Christie
Sharon Garrett
Kayla Gilbert
Norma Grace
Teresa Kelly
Brittney Nelson

Wise
Jenna Duffy
Angie Farmer
Rachel Houston
Melody Lovell
Courtney Meade

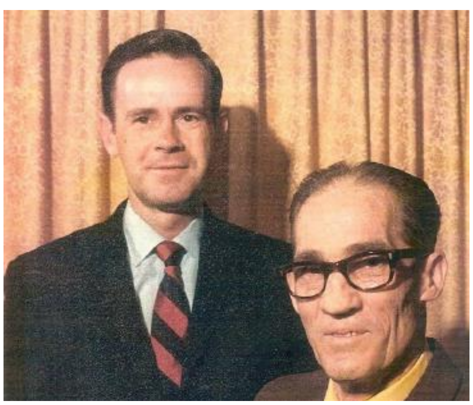
Big Stone Gap
Barbara Bowman
Janis Collins
Gina Cothron
Cassie Dotson
Sue Huff
Mary Oakes
Jamie Stapleton

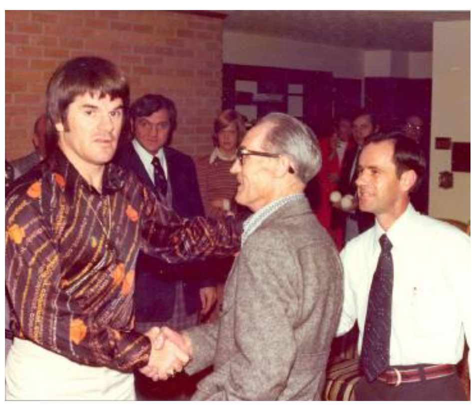
Duffield
Kathy Arwood
Buford Ervin
Kelli Page
Pamela Rose
Cindy Tipton

Kingsport
Tracy Allen
Makayla Blevins
Margaret Hensley
Roy Richmond
Angela Provett-Ricker

Abingdon
Tonya Buchanan
Candice Hogston
Dawn Yarber


In Loving Memory
Lloyd Clinton "Sonny" Martin
July 7, 1935 - March 8, 2018






In Loving Memory
George F. Cridlin
March 10, 1947-December 14, 2018


PVB

POWELL VALLEY
NATIONAL BANK

powellvalleybank.com