PANDORA BANCSHARES, INC.
Pandora, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

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March 1, 2013

Dear Shareholders and Friends:

Pandora Bancshares, Inc. is pleased to announce that 2012 has been another profitable year that adds value for our shareholders. Our leadership team is pleased with these results, especially given the economic challenges our nation continues to face. The lack of economic growth has applied negative pressure to our net interest margin; however the reduction in interest rates also spurred a flurry of residential real estate refinancing which contributed to an increase in our non-interest fee income. Through December 31, 2012, your bank has grown assets by $8.6 million, an increase of 6.6%, in the previous 12 months. Management is adamant that growth comes cautiously and credit quality remains high. This is evidenced by First National Bank's annual average loan delinquency rate of .94%. This is compared to our peers at 3.05%.

2012 was a very exciting year. The Findlay West Office was opened in February to great fanfare. It has exceeded expectations for profitability in its first few quarters of operation. This branch, along with our Findlay East branch, has created a synergy that will multiply productivity in our Findlay Market. The opportunity to purchase the vacant bank branch office on Locust Street in Ottawa is a blessing and a perfect fit into our strategic planning. We are also very excited about our results of rewards checking that assisted in the increasing of core deposits by 26.2% during 2012.

We continue to be blessed with our outstanding staff. We have promoted Kim Reese to BSA/CRA/Compliance and Security Officer, Mike Bell to Branch Manager at our Findlay East Office, Kable Deidrick to Lead Customer Service Representative, Findlay East Office, and Abbie Loy to Lead Customer Service Representative at our Findlay West Office. We have brought on three excellent individuals in Susan Pancake as Operations Administrator, Devin Ellerbrock as Credit Analyst/Collections and Robin Romick as Lead Customer Service Representative at our Bluffton Office. Our staff continues to be highly involved in our community and we take great pride in our civic partnership.

First National Bank continues with its mission of being a premier community bank, knowing our customers by name, investing in our local communities and providing financial solutions to our neighbors. In this "new normal" of banking in 2013, we understand that banking regulation will increase, margins will continue to be tight, and competition will be fierce. The leaders that emerge will be those that provide the highest level of customer service through the most user friendly methods of product delivery. We will continue to be the leading community bank in our region and will adamantly follow our mission.

The directors, management and staff are extremely excited about the continued positive direction of First National Bank and the strategy to increase shareholder value. We thank you for your investment, your business and your future business. We look forward to seeing you at the Shareholder Meeting on April 27, 2013, at 10:00 a.m., at the Findlay County Club in Findlay, OH.

Respectfully,

Todd A. Mason	Charles Niswander	Donald R. Dreisbach
President & CEO	Chairman	Chairman
The First National Bank	Pandora Bancshares, Inc.	The First National Bank

PANDORA BANCSHARES, INC.

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	Years ended December 31				
	2012	2011	2010	2009	2008
	(Dollars in thousands, except per share data)				
Statements of operations:					
Total interest income	$ 5,348	$ 5,454	$ 5,770	$ 6,111	$ 6,665
Total interest expense	917	1,076	1,304	1,861	2,560
Net interest income	4,431	4,378	4,466	4,250	4,105
Provision for loan losses	350	225	465	140	30
Net interest income after provision for loan losses	4,081	4,153	4,001	4,110	4,075
Total non-interest income	1,440	1,059	1,123	946	567
Total non-interest expenses	4,940	4,183	4,027	3,935	3,517
Income before federal income taxes	581	1,029	1,097	1,121	1,125
Federal income taxes	118	266	287	315	334
Net income	$ 463	$ 763	$ 810	$ 806	$ 791
Per share of common stock:					
Net income	$ 3.81	$ 6.26	$ 6.62	$ 6.47	$ 6.11
Dividends	1.85	1.80	1.80	1.60	1.40
Book value	99.01	97.22	90.48	87.16	81.48
Year-end balances					
Loans, net (A)	$ 80,999	$ 74,137	$ 73,962	$ 76,863	$ 74,898
Securities and restricted stock	41,892	40,794	38,468	28,897	26,966
Total assets	140,572	132,032	128,446	122,770	110,188
Deposits	122,203	111,199	110,111	104,425	91,158
Stockholders' equity	12,028	11,829	11,017	10,796	10,263
Average balances:					
Loans, net (A)	$ 77,341	$ 73,643	$ 74,448	$ 74,636	$ 70,293
Securities	42,812	38,942	31,046	27,204	28,327
Total assets	134,833	127,654	120,012	113,924	108,924
Deposits	113,983	109,085	102,077	95,969	90,364
Stockholders' equity	11,936	11,644	11,009	10,529	9,978
Selected ratios:					
Net yield on average interest-earning assets	3.59%	3.72%	4.03%	4.05%	4.06%
Return on average assets	0.34%	0.60%	0.68%	0.71%	0.73%
Return on average stockholders' equity	3.86%	6.55%	7.36%	7.66%	7.93%
Allowance for loan losses as a percentage of year-end loans	1.69%	1.65%	1.60%	1.58%	1.43%
Year-end stockholders' equity as a percentage of year-end assets	8.56%	8.96%	8.58%	8.79%	9.31%

(A) Includes loans held for sale

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditors' Report

Board of Directors
Pandora Bancshares, Inc.
Pandora, Ohio

We have audited the accompanying consolidated financial statements of Pandora Bancshares, Inc. and its subsidiary, which comprise the balance sheets, as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Board of Directors
Pandora Bancshares, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pandora Bancshares, Inc. and its subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Toledo, Ohio
February 22, 2013

PANDORA BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2012 and 2011

ASSETS	2012	2011
Cash and due from banks	$ 4,142,198	$ 4,105,048
Federal funds sold	4,798,000	5,142,000
Total cash and cash equivalents	8,940,198	9,247,048
Securities, available-for-sale	40,913,352	39,815,306
Restricted stock	979,050	979,050
Loans held for sale	389,103	87,000
Loans, net of allowance for loan losses of $1,388,293 in 2012 and $1,244,358 in 2011	80,609,525	74,049,592
Premises and equipment, net	4,128,566	3,316,073
Other real estate owned	66,947	29,233
Accrued interest receivable	640,792	674,393
Cash surrender value of life insurance	3,052,122	2,957,929
Other assets	852,203	876,727
TOTAL ASSETS	$ 140,571,858	$ 132,032,351
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 22,921,111	$ 16,227,789
Interest-bearing	99,282,312	94,970,953
Total deposits	122,203,423	111,198,742
Federal Home Loan Bank borrowings	5,041,633	7,564,028
Other liabilities	1,299,264	1,440,327
Total liabilities	128,544,320	120,203,097
STOCKHOLDERS' EQUITY		
Common stock, $5.00 par value. Authorized 500,000 shares; issued 159,388 shares	796,942	796,942
Additional paid-in capital	2,559,415	2,559,415
Retained earnings	10,483,114	10,248,267
Accumulated other comprehensive income	545,403	566,945
Treasury stock, at cost – 37,911 shares in 2012 and 37,718 shares in 2011	(2,357,336)	(2,342,315)
Total stockholders' equity	12,027,538	11,829,254
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 140,571,858	$ 132,032,351

The accompanying notes are an integral part of the consolidated financial statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2012 and 2011

	2012	2011
INTEREST INCOME		
Loans – including fees	$ 4,569,483	$ 4,629,629
Securities:		
Taxable	579,486	632,235
Tax-exempt	151,510	140,809
Dividends on restricted stock	41,973	42,373
Other	5,555	8,994
Total interest income	5,348,007	5,454,040
INTEREST EXPENSE		
Deposits	718,780	868,899
Other borrowings	198,472	206,774
Total interest expense	917,252	1,075,673
Net interest income	4,430,755	4,378,367
PROVISION FOR LOAN LOSSES	350,000	225,000
Net interest income after provision for loan losses	4,080,755	4,153,367
NON-INTEREST INCOME		
Service charges:		
Deposit accounts	259,825	239,713
Other	28,871	26,651
Gain on sale of securities	166,344	62,826
Gain on sale of loans	699,826	475,376
Increase in cash surrender value of life insurance	91,547	96,475
Other, net	193,813	157,581
Total non-interest income	1,440,226	1,058,622
NON-INTEREST EXPENSES		
Salaries, wages and employee benefits	2,444,495	2,107,409
Occupancy and equipment	410,614	330,624
Data processing	580,768	519,442
Federal deposit insurance assessment	93,735	123,572
Professional and director fees	257,986	281,526
Advertising and marketing	188,077	146,334
Franchise tax	145,091	133,216
Other operating expenses	818,722	541,053
Total non-interest expenses	4,939,488	4,183,176
Income before income taxes	581,493	1,028,813
PROVISION FOR INCOME TAXES	118,100	265,900
NET INCOME	$ 463,393	$ 762,913
Net income per share (basic and diluted)	$ 3.81	$ 6.26

The accompanying notes are an integral part of the consolidated financial statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2012 and 2011

	2012	2011
NET INCOME	$ 463,393	$ 762,913
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gains on available-for-sale securities	133,704	483,475
Reclassification adjustments for securities gains realized in income	(166,344)	(62,826)
Net unrealized gains (losses)	(32,640)	420,649
Income tax effect	(11,098)	143,020
Other comprehensive income (loss)	(21,542)	277,629
TOTAL COMPREHENSIVE INCOME	$ 441,851	$ 1,040,542

The accompanying notes are an integral part of the consolidated financial statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2012 and 2011

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other compre-hensive income	Treasury stock	Total
BALANCE AT DECEMBER 31, 2010	$ 796,942	$ 2,559,415	$ 9,707,023	$ 289,316	$(2,336,006)	$ 11,016,690
Net income	-	-	762,913	-	-	762,913
Other comprehensive income	-	-	-	277,629	-	277,629
Purchase of 498 treasury shares	-	-	-	-	(29,880)	(29,880)
Grant of 160 shares to officers	-	-	-	-	9,467	9,467
Sale of 227 treasury shares	-	-	(2,663)	-	14,104	11,441
Dividends declared – $1.80 per share	-	-	(219,006)	-	-	(219,006)
BALANCE AT DECEMBER 31, 2011	796,942	2,559,415	10,248,267	566,945	(2,342,315)	11,829,254
Net income	-	-	463,393	-	-	463,393
Other comprehensive loss	-	-	-	(21,542)	-	(21,542)
Purchase of 1,348 treasury shares	-	-	-	-	(87,918)	(87,918)
Grant of 310 shares to officers	-	-	-	-	18,600	18,600
Sale of 845 treasury shares	-	-	(3,605)	-	54,297	50,692
Dividends declared – $1.85 per share	-	-	(224,941)	-	-	(224,941)
BALANCE AT DECEMBER 31, 2012	$ 796,942	$ 2,559,415	$ 10,483,114	$ 545,403	$(2,357,336)	$ 12,027,538

The accompanying notes are an integral part of the consolidated financial statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 463,393	$ 762,913
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	425,529	314,209
Provision for loan losses	350,000	225,000
Securities premium amortization, net of discount accretion	328,246	347,076
Deferred federal income taxes	(6,902)	1,980
Grant of stock to officer	18,600	9,467
Increase in cash surrender value of life insurance	(91,547)	(96,475)
Gain on sale of securities	(166,344)	(62,826)
Gain on sale of loans	(699,826)	(475,376)
Loss on sale of other real estate owned	30,296	16,561
Effects of changes in operating assets and liabilities:		
Loans held for sale	(302,103)	639,749
Accrued interest receivable	33,601	61,305
Other assets	105,076	245,396
Other liabilities	(129,032)	169,257
Net cash provided by operating activities	358,987	2,158,236
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-sale securities:		
Sales	8,107,006	4,201,623
Maturities, prepayments and calls	6,396,107	14,421,439
Purchases	(15,795,701)	(20,813,504)
Proceeds from sale of life insurance policy	10,150	-
Net increase in loans	(6,634,649)	(809,667)
Proceeds from sale of other real estate owned	50,442	53,703
Premiums paid on life insurance policies	(12,796)	(5,948)
Additions to premises and equipment	(1,012,484)	(916,310)
Net cash used in investing activities	(8,891,925)	(3,868,664)

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	$ 11,004,681	$ 1,088,058
Federal Home Loan Bank borrowings	6,200,000	1,500,000
Principal payments on Federal Home Loan Bank borrowings	(8,722,395)	(73,212)
Proceeds from sale of treasury shares	50,692	11,441
Purchase of treasury shares	(87,918)	(29,880)
Payment of dividends	(218,972)	(219,180)
Net cash provided by financing activities	8,226,088	2,277,227
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(306,850)	566,799
CASH AND CASH EQUIVALENTS		
At beginning of year	9,247,048	8,680,249
At end of year	$ 8,940,198	$ 9,247,048
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for:		
Interest	$ 931,094	$ 1,078,966
Income taxes	$ 150,000	$ 170,000
Non-cash operating activity:		
Change in deferred income taxes on net unrealized gains on available-for-sale securities	$ 11,098	$ (143,020)
Non-cash investing activity:		
Change in net unrealized gains on available-for-sale securities	$ (32,640)	$ 420,649
Non-cash operating and investing activity:		
Transfer of loans to other real estate owned	$ 118,452	$ 16,668

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pandora Bancshares, Inc. (the "Corporation") was incorporated in 1986 in the state of Ohio as a single-bank holding company for First National Bank of Pandora (the "Bank"). The Corporation, through its wholly-owned subsidiary, the Bank, operates in one industry segment, the commercial banking industry. The Bank, organized in 1919 as a national chartered bank, is headquartered in Pandora, Ohio, with branch offices in Bluffton and Findlay, Ohio.

The primary source of revenue of the Bank is providing loans to customers primarily located in Northwestern and West Central Ohio. Such customers are predominately small and middle-market businesses and individuals.

Significant accounting policies followed by the Corporation are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 each reporting period. Actual results could differ from those estimates. The most significant estimates susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of servicing assets.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold which mature overnight or within four days, and bank certificates of deposit with original maturities of 90 days or less.

Restrictions on Cash

The Bank was required to maintain $588,000 and $381,000, respectively, of cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at December 31, 2012 and 2011.

Securities and Restricted Stock

Securities are classified as available-for-sale and recorded at fair value, with unrealized gains and losses, net of applicable income taxes, excluded from income and reported as accumulated other comprehensive income (loss).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities and Restricted Stock, Continued

The cost of available-for-sale debt securities is adjusted for amortization of premiums to call date and accretion of discounts to date of maturity. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in fair value of securities below their cost that are deemed to be other than temporary are reflected in income as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the intent to sell the securities and the more likely than not requirement for the Corporation will be required to sell the securities prior to recovery, (2) the length of time and the extent to which the fair value has been less than cost, and (3) the financial condition and near-term proposals of the issuer. Gains and losses on the sale of securities are recorded on the trade date, using the specific identification method, and are included in non-interest income.

Investments in restricted stock, principally consisting of Federal Home Loan Bank of Cincinnati and Federal Reserve Bank stock, are classified as restricted securities, carried at cost, and evaluated for impairment.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are stated at their outstanding principal amount adjusted for charge-offs and the allowance for loan losses. Interest is accrued as earned based upon the daily outstanding principal balance. Loan origination fees and certain direct obligation costs are capitalized and recognized as an adjustment of the yield of the related loan.

The accrual of interest is generally discontinued at the time a loan is 90 days past due unless the credit is well-secured and in process of collection. 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 placed on nonaccrual or charged-off is reversed against interest income. 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 the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of 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. Due to potential changes in conditions, it is at least reasonably possible that changes in estimates will occur in the near term and that such changes could be material to the amounts reported in the Corporation's consolidated financial statements.

The allowance consists of specific, general and unallocated components. The specific component relates to impaired loans 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 classified loans (substandard or special mention) without specific reserves, as well as 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 classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses, Continued

Under certain circumstances, the Bank may provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Concessions may include reduction of interest rates, extension of maturity dates, forgiveness of principal or interest due, or acceptance of other assets in full or partial satisfaction of the debt. TDR loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment, as previously described. TDR loans that have performed as agreed under the restructured terms for a period of 12 months or longer may cease to be reported as a TDR loan. However, the loan continues to be individually evaluated for impairment.

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.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated costs to sell and any loan balance in excess of such value is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and fair value adjustments are included in other operating expenses.

Servicing

Mortgage servicing rights are recognized as an asset when acquired through sale of loans. Capitalized servicing rights are reported in other assets and amortized to expense in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Mortgage servicing rights are evaluated for impairment based upon the estimated fair value of the rights as compared to amortized cost. Fair value is determined based upon estimated discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount.

Servicing fee income is recorded for fees earned for servicing loans and is included in other operating income, net of amortization of mortgage servicing rights.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment

Premises and equipment is stated at cost, less accumulated depreciation. Upon the sale or disposition of the assets, the difference between the depreciated cost and proceeds is charged or credited to income. Depreciation is determined based on the estimated useful lives of the individual assets (typically 20 to 40 years for buildings and 3 to 10 years for equipment) and is computed using the straight-line method.

Premises and equipment are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

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 credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Supplemental Retirement and Postretirement Benefits

Annual provisions are made for the estimated liability for accumulated supplemental retirement benefits under agreements with certain officers, directors, and former employees of the Bank. These provisions are determined based on the terms of the agreements, as well as certain assumptions including estimated service periods and discount rates.

Advertising Costs

Advertising costs are expensed as incurred.

Federal Income Taxes

The Corporation and Bank are currently subject only to federal income taxes. Any penalties resulting from the filing of its income tax returns are included in the provision for income taxes and any interest is included in interest expense.

Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in a financial asset must have all of the following characteristics: (1) from the date of transfer, it must represent a proportionate ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except cash flows allocated as compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, and (4) no party has the right to pledge or change the entire financial asset unless all participating interest holders agree to do so.

Comprehensive Income

Recognized revenue, expenses, gains and losses are included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income.

Rate Lock Commitments

Loan commitments related to the origination or acquisition of mortgage loans that will be held for sale are accounted for as derivative instruments. The Bank enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are to be recorded at fair value as derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considers the difference between current levels of interest rates and the committed rates. At December 31, 2012 and 2011, derivative assets and liabilities relating to rate lock commitments were not material to the consolidated financial statements.

Per Share Data

Basic net income per common share represents net income divided by weighted average number of common shares outstanding during the year. Diluted net income per common share includes any dilutive effect of additional potential common shares issuable under stock options. The weighted average number of shares used in the computation of basic and diluted net income per share was 121,495 in 2012 and 121,904 in 2011.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through February 22, 2013, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior to February 22, 2013 that provided additional evidence about conditions that existed at December 31, 2012, have been recognized in the financial statements for the year ended December 31, 2012. Events or transactions that provided evidence about conditions that did not exist at December 31, 2012 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2012.

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, The Financial Accounting Standards Board (FASB) issued ASU 2011-04, *Fair Value Measurement*; amending ASC Topic 820 which eliminates terminology differences between U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS) on the measurement of fair value and related fair value disclosures. While largely consistent with existing fair value measurement principles and disclosures, the changes were made as part of the continuing efforts to converge GAAP and IFRS. ASU 2011-04 was adopted effective January 1, 2012, but did not have any impact on the Corporation's financial position or results of operations.

In June 2011, FASB issued ASU 2011-05 *Comprehensive Income*; amending ASC Topic 220 to require that all non-owner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, the guidance requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of net income and the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of stockholders' equity was eliminated. The amendments in ASU 2011-05 do not change the items that must be reported in other comprehensive income or, when an item of other comprehensive income must be reclassified to net income.

The Corporation adopted ASU-2011-05 in 2012 and has elected to present the components of other comprehensive income in a separate statement. The adoption of ASU 2011-05 did not have any impact on the Corporation's financial position or results of operations.

NOTE 3 - SECURITIES

The amortized cost and fair value of securities, with gross unrealized gains and losses, at December 31, 2012 and 2011, are as follows:

2012	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities:				
U.S. Treasury bonds	$ 1,081,922	$ 11,828	$ -	$ 1,093,750
U.S. Government and federal agency obligations	20,066,450	243,936	20,866	20,289,520
Obligations of state and political subdivisions	8,291,705	273,711	6,461	8,558,955
Mortgage-backed	8,919,908	318,928	-	9,238,836
Bank certificates of deposit	1,727,000	5,291	-	1,732,291
Total available-for-sale securities	$ 40,086,985	$ 853,694	$ 27,327	$ 40,913,352
2011				
Available-for-sale securities:				
U.S. Treasury bonds	$ 2,062,221	$ 49,653	$ -	$ 2,111,874
U.S. Government and federal agency obligations	21,133,559	225,616	1,290	21,357,885
Obligations of state and political subdivisions	8,795,655	288,082	-	9,083,737
Mortgage-backed	6,229,864	297,478	-	6,527,342
Bank certificates of deposit	735,000	-	532	734,468
Total available-for-sale securities	$ 38,956,299	$ 860,829	$ 1,822	$ 39,815,306

The amortized cost and fair value of securities at December 31, 2012, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized cost	Fair value
Due in one year or less	$ 5,614,706	$ 5,652,466
Due after one year through five years	17,317,157	17,746,069
Due after five years through ten years	8,235,214	8,275,981
Total	31,167,077	31,674,516
Mortgage-backed securities	8,919,908	9,238,836
Total available-for-sale securities	$ 40,086,985	$ 40,913,352

NOTE 3 - SECURITIES (CONTINUED)

At December 31, 2012 and 2011, securities with an amortized cost of $24,177,207 and $17,757,444, respectively, and a fair value of $24,555,972 and $18,068,784, respectively, were pledged to secure borrowing public deposits, borrowings, and for other purposes required or permitted by law.

The following table presents gross unrealized losses and fair value of securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2012 and 2011:

	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
2012						
U.S. Government and federal agency obligations	$ 20,866	$ 2,863,670	$ -	$ -	$ 20,866	$ 2,863,670
Obligations of state and political subdivisions	6,461	392,854	-	-	6,461	392,854
Total	$ 27,327	$ 3,256,524	$ -	$ -	$ 27,327	$ 3,256,524
2011						
U.S. Government and federal agency obligations	$ 1,290	$ 2,412,752	$ -	$ -	$ 1,290	$ 2,412,752
Certificate of deposit	532	244,468	-	-	532	244,468
Total	$ 1,822	$ 2,657,220	$ -	$ -	$ 1,822	$ 2,657,220

There were four securities in an unrealized loss position at December 31, 2012. These securities impairments, which existed less than twelve months, are considered temporary and were the result of customary and expected fluctuations in the bond market.

Gross realized gains (there were no gross realized losses) from sales of securities amounted to $166,344 in 2012, with the income tax provision applicable to such gains amounting to $56,557. Gross realized gains (there were no gross realized losses) from sales of securities amounted to $62,826 in 2011, with the income tax provision applicable to such gains amounting to $21,361.

Restricted stock includes Federal Home Loan Bank of Cincinnati stock of $853,000 and Federal Reserve Bank stock of $ 85,050 at December 31, 2012 and 2011.

NOTE 4 - LOANS

Most of the Bank's lending activities are with customers located in Northwestern and West Central Ohio. As of December 31, 2012 and 2011 the Bank's loans to borrowers in the agriculture industry represent the single largest industry and represented 15% of the Bank's loan portfolio. Agriculture loans are generally secured by property, equipment, and crop income. Repayment is expected from cash flow from the harvest and sale of crops. Agriculture customers are subject to the risks of weather and market prices of crops which could have an impact on the ability of these customers to repay their loans. Credit losses arising from the Bank's lending experience in the agriculture industry compare favorably with the Bank's loss experience on their loan portfolio as a whole. Credit evaluation of agriculture lending is based on an evaluation of cash flow coverage of principal and interest payments and the adequacy of collateral received.

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan customers of the Bank. Such loans are made in the ordinary course of business in accordance with the normal lending policies of the Bank, including the interest rate charged and collateralization, and do not represent more than a normal collection risk. The following is a summary of activity during 2012 and 2011 for such loans:

	2012	2011
Beginning of year	$ 73,479	$ 69,371
Additions	19,819	47,526
Repayments	(49,808)	(43,418)
End of year	$ 43,490	$ 73,479

Additions and repayments include loan renewals, as well as net borrowings and repayments under revolving lines-of-credit.

NOTE 4 – LOANS (CONTINUED)

The following is a summary of activity in the allowance for loan losses, as well as the Bank's recorded investment in loans, by portfolio segment and based on impairment method, as of and for the years ended December 31, 2012 and 2011:

2012			**Real estate mortgage**			
	Commercial	**Consumer**	**Commercial**	**Residential**	**Home equity**	**Total**
Allowance for Loan Losses:						
Balance at January 1, 2012	$ 262,998	$ 25,199	$ 584,637	$ 246,417	$ 125,107	$ 1,244,358
Provision (credit) for loan losses	(109,500)	13,258	215,144	266,008	(34,910)	350,000
Loans charged off	-	(21,166)	(104,177)	(158,869)	-	(284,212)
Recoveries	-	16,780	48,946	7,688	4,733	78,147
Balance at December 31, 2012	153,498	34,071	744,550	361,244	94,930	1,388,293
Ending balance individually evaluated for impairment	-	-	277,318	-	-	277,318
Ending balance collectively evaluated for impairment	$ 153,498	$ 34,071	$ 467,232	$ 361,244	$ 94,930	$ 1,110,975
Loans:						
Ending balance	$ 19,834,157	$ 2,766,034	$ 40,156,319	$ 10,952,116	$ 8,289,192	$ 81,997,818
Ending balance individually evaluated for impairment	-	-	1,184,384	173,367	12,393	1,370,144
Ending balance collectively evaluated for impairment	$ 19,834,157	$ 2,766,034	$ 38,971,935	$ 10,778,749	$ 8,276,799	$ 80,627,674

NOTE 4 - LOANS (CONTINUED)

2011			**Real estate mortgage**			
	Commercial	**Consumer**	**Commercial**	**Residential**	**Home equity**	**Total**
Allowance for Loan Losses:						
Balance at January 1, 2011	$ 258,119	$ 28,880	$ 523,614	$ 282,944	$ 100,181	$ 1,193,738
Provision (credit) for loan losses	4,879	(3,681)	154,557	47,684	21,561	225,000
Loans charged off	-	-	(113,785)	(89,761)	-	(203,546)
Recoveries	-	-	20,251	5,550	3,365	29,166
Balance at December 31, 2011	262,998	25,199	584,637	246,417	125,107	1,244,358
Ending balance individually evaluated for impairment	-	-	281,140	16,000	-	297,140
Ending balance collectively evaluated for impairment	$ 262,998	$ 25,199	$ 303,497	$ 230,417	$ 125,107	$ 947,218
Loans:						
Ending balance	$ 18,066,398	$ 2,316,178	$ 34,496,801	$ 11,922,922	$ 8,491,651	$ 75,293,950
Ending balance individually evaluated for impairment	-	-	1,263,688	106,430	-	1,370,118
Ending balance collectively evaluated for impairment	$ 18,066,398	$ 2,316,178	$ 33,233,113	$ 11,816,492	$ 8,491,651	$ 73,923,832

NOTE 4 - LOANS (CONTINUED)

Construction loans are underwritten utilizing independent appraisals, sensitivity analysis of absorption, vacancy and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of funds with repayment substantially dependent on the success of the ultimate project. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. The Bank may require guarantees on these loans. The Bank's construction loans are secured primarily by properties located in its primary market area.

The Bank originates 1 – 4 family real estate and consumer loans utilizing credit reports to supplement the underwriting process. The Bank's manual underwriting standards for 1 – 4 family loans are generally in accordance with FHLMC and FNMA manual underwriting guidelines. Properties securing 1 – 4 family real estate loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and have been approved by the Board of Directors. The loan-to-value ratios normally do not exceed 80% without credit enhancements such as mortgage insurance. The Bank will lend up to 100% of the lesser of the appraised value or purchase price for conventional 1 – 4 family real estate loans, provided private mortgage insurance is obtained. The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of their ability to meet existing obligations and payments on the proposed loan. To monitor and manage loan risk, policies and procedures are developed and modified, as needed by management. This activity, coupled with smaller loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, market conditions are reviewed by management on a regular basis. The Bank's 1 – 4 family real estate loans are secured primarily by properties located in its primary market area.

Commercial and agricultural real estate loans are subject to underwriting standards and processes similar to commercial and agricultural operating loans, in addition to those unique to real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial and agricultural real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Loan to value is generally 75% of the cost or value of the assets. Appraisals on properties securing these loans are generally performed by fee appraisers approved by the Board of Directors. Because payments on commercial and agricultural real estate loans are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. Management monitors and evaluates commercial and agricultural real estate loans based on collateral and risk rating criteria. The Bank may require guarantees on these loans. The Bank's commercial and agricultural real estate loans are secured primarily by properties located in its primary market area.

NOTE 4 - LOANS (CONTINUED)

Commercial and agricultural operating loans are underwritten based on the Bank's examination of current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. This underwriting includes the evaluation of cash flows of the borrower, underlying collateral, if applicable, and the borrower's ability to manage its business activities. The cash flows of borrowers and the collateral securing these loans may fluctuate in value after the initial evaluation. A first priority lien on the general assets of the business normally secures these types of loans. Loan to value limits vary and are dependent upon the nature and type of the underlying collateral and the financial strength of the borrower. Crop and hail insurance is required for most agricultural borrowers. Loans are generally guaranteed by the principal(s). The Bank's commercial and agricultural operating lending is principally in its primary market area.

The Bank has an internal credit analyst who reviews and validates credit risk on a periodic basis, as well as an external loan review performed annually or semi-annually. Results of the credit analyst and external loan reviews are presented to management and the Audit Committee. The credit analyst and loan review processes compliment and reinforce the risk identification and assessment decisions made by lenders and credit personnel, as well as the Bank's policies and procedures.

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2012 and 2011:

	2012		2011	
	Unpaid principal balance	Allowance for loan losses allocated	Unpaid principal balance	Allowance for loan losses allocated
With an allowance recorded:				
Real estate:				
Commercial	$ 875,534	$ 277,318	$ 1,110,002	$ 281,140
Residential	-	-	41,693	16,000
With no related allowance recorded:				
Real estate:				
Commercial	308,850	-	153,686	-
Residential	173,367	-	64,737	-
Home equity	12,393	-	-	-
Total	$ 1,370,144	$ 277,318	$ 1,370,118	$ 297,140

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2012 and 2011.

NOTE 4 - LOANS (CONTINUED)

The following is a summary of information for the years ended December 31, 2012 and 2011 pertaining to impaired loans:

	2012	2011
Average investment in impaired loans	$ 1,262,470	$ 1,377,959
Interest income recognized on impaired loans	17,253	67,199
Interest income recognized on a cash basis on impaired loans	17,253	67,199

Included in impaired loans at December 31, 2012 and 2011 were two commercial real estate loans, with outstanding balances aggregating $984,497 and $1,096,948, respectively, that have been modified in troubled debt restructurings. The Corporation has allocated specific reserves of $277,318 and $247,137 at December 31, 2012 and 2011, respectively, to these loans. The Corporation intends to lend no additional amounts to these customers. There were no TDRs occurring during 2012.

The following table presents the aging of the recorded investment in past due and nonaccrual loans for the years ended December 31, 2012 and 2011 by class of loans:

	Loans past due accruing interest						
	30 – 59 days	60 – 89 days	Over 90 days	Total	Loans on non-accrual	Loans not past due or on non-accrual	Total
2012							
Commercial	$ 42,344	$ -	$ -	$ 42,344	$ -	$ 19,791,813	$ 19,834,157
Real estate:							
Commercial	-	-	-	-	1,184,384	38,971,935	40,156,319
Home Equity	22,490	-	-	22,490	12,393	8,254,309	8,289,192
Residential	123,253	107,359	59,877	290,489	173,367	10,488,260	10,952,116
Consumer	3,126	16,253	-	19,379	-	2,746,655	2,766,034
Total	$ 191,213	$ 123,612	$ 59,877	$ 374,702	$ 1,370,144	$ 80,252,972	$ 81,997,818
2011							
Commercial	$ 119,664	$ -	$ -	$ 119,664	$ -	$ 17,946,734	$ 18,066,398
Real estate:							
Commercial	-	-	-	-	1,263,688	33,233,113	34,496,801
Home Equity	22,784	15,000	12,963	50,747	-	8,440,904	8,491,651
Residential	159,561	18,932	92,118	270,611	106,430	11,545,881	11,922,922
Consumer	17,024	305	1,701	19,030	-	2,297,148	2,316,178
Total	$ 319,033	$ 34,237	$ 106,782	$ 460,052	$ 1,370,118	$ 73,463,780	$ 75,293,950

NOTE 4 - LOANS (CONTINUED)

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes all loans from the commercial loan department. This analysis is performed at least annually. The Company uses the following definitions for risk ratings:

- **Special Mention:** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

- **Substandard:** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

- **Doubtful:** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans.

As of December 31, 2012, based on the most recent analysis performed, the risk category of loans by class of loans was as follows:

2012	Pass	Special mention	Substandard	Doubtful	Total
Commercial	$ 19,459,810	$ 84,616	$ 289,731	$ -	$ 19,834,157
Real estate:					
Commercial	36,460,008	899,022	2,797,289	-	40,156,319
Home Equity	8,089,501	-	199,691	-	8,289,192
Residential	10,952,116	-	-	-	10,952,116
Consumer	2,766,034	-	-	-	2,766,034
Total	$ 77,727,469	$ 983,638	$ 3,286,711	$ -	$ 81,997,818

NOTE 4 - LOANS (CONTINUED)

2011	Pass	Special mention	Substandard	Doubtful	Total
Commercial	$ 17,106,460	$ 718,330	$ 241,608	$ -	$ 18,066,398
Real estate:					
Commercial	31,628,185	779,344	2,089,272	-	34,496,801
Home Equity	8,355,688	-	135,963	-	8,491,651
Residential	11,054,848	-	868,074	-	11,922,922
Consumer	2,316,178	-	-	-	2,316,178
Total	$ 70,461,359	$ 1,497,674	$ 3,334,917	$ -	$ 75,293,950

NOTE 5 - PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment consists of the following at December 31, 2012 and 2011:

	2012	2011
Land	$ 1,143,031	$ 1,042,023
Buildings and building improvements	4,729,048	3,239,629
Furniture, fixtures, and equipment	1,294,294	1,100,485
Construction in progress	-	797,136
	7,166,373	6,179,273
Less accumulated depreciation	3,037,807	2,863,200
Net premises and equipment	$ 4,128,566	$ 3,316,073

Depreciation of premises and equipment for the years ended December 31, 2012 and 2011 amounted to $199,991 and $142,169, respectively.

Construction-in-progress costs at December 31, 2011 related to the new Findlay West branch which was completed during the first quarter of 2012.

The Company has entered into an agreement to lease the land serving as the site for its Findlay East branch. Rent expense under the lease, which expires December 31, 2020, amounted to $20,000 in 2012 and 2011. Future commitments at December 31, 2012 under the lease aggregated $160,000 with $20,000 payable annually through 2020. The Company has renewal options to extend the lease through December 31, 2050.

NOTE 6 - SECONDARY MARKET LENDING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others approximated $79,838,000 and $66,315,000 at December 31, 2012 and 2011 respectively.

NOTE 6 - SECONDARY MARKET LENDING (CONTINUED)

The balance of capitalized servicing rights included in other assets amounted to $565,741 and $485,189 at December 31, 2012 and 2011, respectively.

During the years ended December 31, 2012 and 2011, the Bank capitalized $306,090 and $229,455, respectively, of servicing rights and such amounts are included in gain on sale of loans. Amortization of mortgage servicing rights amounted to $225,538 in 2012 and $172,040 in 2011.

During 2012, the Bank repurchased certain loans originally sold on the secondary market resulting in a loss of $120,785 which is reported in other operating expenses in the accompanying 2012 consolidated statement of operations.

NOTE 7 - DEPOSITS

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 2012 and 2011 approximated $17,973,000 and $17,406,000, respectively. Interest expense on these deposits amounted to $205,110 in 2012 and $237,426 in 2011.

At December 31, 2012, the scheduled maturities of time deposits are as follows:

2013	$ 25,512,645
2014	11,046,496
2015	4,390,088
2016	5,018,135
2017	964,447
Thereafter	59,249
Total	$ 46,991,060

NOTE 8 - FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank borrowings consist of the following at December 31, 2012 and 2011:

	2012	2011
Secured note, with interest at 5.04%, due August 2012	$ -	$ 500,000
Secured note, with interest at 3.84%, due November 2012	-	2,000,000
Secured note, with interest at 2.70%, due October 2013	2,500,000	2,500,000
Secured note, with interest at .92%, due October 2014	1,500,000	1,500,000
Secured note, with interest at 2.82%, due January 2015	1,000,000	1,000,000
Advances secured by individual residential mortgages under blanket agreement	41,633	64,028
Total Federal Home Loan Bank borrowings	$ 5,041,633	$ 7,564,028

NOTE 8 - FEDERAL HOME LOAN BANK BORROWINGS (CONTINUED)

Interest on advances outstanding at December 31, 2012 secured by individual mortgages under blanket agreement ranged from 5.95 % to 7.00 %, with interest payable monthly and maturities ranging through July 2018. The weighted average interest rate of Federal Home Loan Bank borrowings outstanding at December 31, 2012 and 2011 was 2.23% and 2.85%, respectively. Borrowings are secured by mortgage loans approximating $15,119,000 as of December 31, 2012. Advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank.

Future maturities of Federal Home Loan Bank borrowings at December 31, 2012, are as follows:

2013	$ 2,519,504
2014	1,510,803
2015	1,003,829
2016	3,327
2017	2,881
Thereafter	1,289
Total	$ 5,041,633

NOTE 9 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2012 and 2011 consist of the following:

	2012	**2011**
Current provision	$ 125,002	$ 263,920
Deferred provision (credit)	(6,902)	1,980
Total provision for income taxes	$ 118,100	$ 265,900

NOTE 9 - INCOME TAXES (CONTINUED)

The income tax provision attributable to income from operations differed from the amounts computed by applying the U.S. federal income tax rate of 34% to income before income taxes as a result of the following:

	2012	2011
Expected tax using statutory tax rate of 34%	$ 197,700	$ 349,800
Increase (decrease) resulting from:		
Tax-exempt interest income, net of interest expense associated with cost to carry	(53,400)	(53,300)
Tax-exempt income on life insurance policies, net of premiums paid	(31,100)	(32,800)
Other, net	4,900	2,200
Total provision for income taxes	$ 118,100	$ 265,900

The deferred income tax (credit) provision of ($6,902) in 2012 and $1,980 in 2011 resulted from the tax effects of temporary differences. There was no impact for changes in tax laws and rates or changes in the valuation allowance for deferred tax assets.

The components of deferred tax liabilities and assets consist of the following at December 31, 2012 and 2011:

	2012	2011
Deferred tax liabilities:		
Net unrealized gain on securities available-for-sale	$ 280,964	$ 292,062
Federal Home Loan Bank stock dividends	146,900	146,900
Depreciation	80,000	25,200
Mortgage servicing rights	192,400	165,000
Other	1,336	29,838
Total deferred tax liabilities	701,600	659,000
Deferred tax assets:		
Allowance for loan losses	396,100	347,100
Accrued employee benefits	233,500	221,900
Total deferred tax assets	629,600	569,000
Net deferred tax liabilities	$ 72,000	$ 90,000

Net deferred tax liabilities are included in other liabilities in the accompanying consolidated balance sheets.

The federal income tax returns of the Corporation that remain open and subject to examination at December 31, 2012 are years 2009 – 2012. Management does not believe the Corporation has any significant uncertain tax positions at December 31, 2012.

Management believes it is more likely than not that the benefit of deferred tax assets will be realized. Therefore, no valuation allowance for deferred tax assets is deemed necessary as of December 31, 2012 and 2011.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Corporation sponsors a defined contribution 401(k) plan for the benefit of eligible employees. Substantially all employees participate in the plan. Employer contributions are discretionary as determined by the Board of Directors and may be basic, optional, and/or matching in nature. Basic and optional contributions are allocated to participants based on the relative compensation of each participant. Matching contributions are determined as a percentage of participating employee contributions. Participants are immediately vested in employer basic and matching contributions. Employer optional contributions are subject to a six-year vesting schedule. Employer matching contributions amounted to $51,167 in 2012 and $48,294 in 2011. There were no basic or optional employer contributions made during 2012 or 2011.

Under an employee stock purchase plan, eligible employees may defer a portion of their compensation and use the proceeds to purchase stock of the Corporation at a discount determined by the Board of Directors as stipulated in the plan. The Corporation sold from treasury 306 shares of stock in 2012 and 227 shares in 2011 under the plan.

The Bank has entered into various agreements with certain directors to provide for supplemental retirement benefits under deferred board of director fees, as specified by the individuals. The agreements provide for monthly retirement benefits based on the value of the individual's deferred compensation account. As of December 31, 2012 and 2011, the Bank's liability for such deferred compensation payments amounted to $482,206 and $468,743, respectively. The Bank has also entered into agreements with certain officers and directors to provide for supplemental retirement benefits. The Bank has provided a liability for estimated accumulated supplemental retirement benefits of $123,985 at December 31, 2012 and $102,837 at December 31, 2011. The Bank has established a non-qualified deferred compensation plan for four senior officers which provides for deferred compensation benefits in the event the individuals attain certain annual goals established in the plan. The Bank has provided a liability for accumulated deferred compensation benefits under the plan amounting to $69,081 and $54,193, respectively, as of December 31, 2012 and 2011.

The Bank has purchased life insurance policies on such individuals, as well as certain previously terminated participants, to assist in funding future deferred compensation obligations. The aggregate cash surrender value of life insurance policies amounted to $3,052,122 and $2,957,929 at December 31, 2012 and 2011, respectively.

NOTE 11 - STOCK OPTIONS

Under the Corporation's Stock Option Plan, the Corporation may grant options to its directors, officers, and employees for up to 29,551 shares of common stock, 19,819 of which have been granted and exercised as of December 31, 2012. Both incentive stock options and nonqualified stock options may be granted under the plan. The exercise price of each option equals the market price of the Corporation's stock on the date of grant, and an option's maximum term is 10 years.

NOTE 11 - STOCK OPTIONS (CONTINUED)

Outstanding stock option information as of December 31, 2012 and 2011 is as follows:

	2012		2011	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding at end of year	7,400	$ 60.99	7,400	$ 60.99
Options exercisable at end of year	7,200	$ 61.00	7,100	$ 61.01

Additional information pertaining to options outstanding at December 31, 2012 is as follows:

	Outstanding		Exercisable	
Exercise Price	Number	Weighted Average Remaining Contractual Life	Number	Weighted Average Exercise Price
$ 57.50	4,000	2.2	4,000	$ 57.50
$ 60.50	1,000	1.2	800	$ 60.50
$ 67.00	2,400	.4	2,400	$ 67.00
Total	7,400	1.5	7,200	$ 61.00

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

	December 31, contract amount	
	2012	2011
Commitments to extend credit, including unfunded commitments under lines of credit	$ 13,358,000	$ 11,579,000
Commercial and standby letters of credit	465,000	465,000

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Bank generally holds collateral supporting those commitments if deemed necessary. The amount and nature of the collateral obtained are based on the Bank's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, and equipment, and real estate.

NOTE 13 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2012 and 2011, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2012, the most recent notification from federal banking agencies categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", an institution must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

NOTE 13 - REGULATORY MATTERS (CONTINUED)

The actual capital amounts and ratios of the Bank as of December 31, 2012 and 2011 are presented in the following table:

	Actual		Minimum capital requirement		Minimum to be "well capitalized" under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(thousands of dollars)					
As of December 31, 2012						
Total Capital (to Risk-Weighted Assets)	$ 12,548	13.2%	$ 7,604	≥ 8.0%	$ 9,506	≥ 10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 11,357	12.0%	$ 3,802	≥ 4.0%	$ 5,703	≥ 6.0%
Tier I Capital (to Average Assets)	$ 11,357	8.0%	$ 5,651	≥ 4.0%	$ 7,064	≥ 5.0%
As of December 31, 2011						
Total Capital (to Risk-Weighted Assets)	$ 12,411	14.2%	$ 7,018	≥ 8.0%	$ 8,773	≥ 10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 11,313	12.9%	$ 3,509	≥ 4.0%	$ 5,264	≥ 6.0%
Tier I Capital (to Average Assets)	$ 11,313	8.6%	$ 5,249	≥ 4.0%	$ 6,561	≥ 5.0%

On a parent company only basis, the Corporation's primary source of funds is dividends paid by the Bank. The ability of the Bank to pay dividends is subject to limitations under various laws and regulations, and to prudent and sound banking principles. Generally, subject to certain minimum capital requirements, the Bank may declare dividends without the approval of the Office of the Comptroller of the Currency, unless the total dividends in a calendar year exceed the total of the Bank's net profits for the year combined with its retained profits of the two preceding years.

The Board of Governors of the Federal Reserve System generally considers it to be an unsafe and unsound banking practice for a bank holding company to pay dividends except out of current operating income, although other factors such as overall capital adequacy and projected income may also be relevant in determining whether dividends should be paid.

NOTE 14 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, requires the use of valuation techniques that should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820-10 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Corporation’s own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Corporation’s own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes financial assets (there were no financial liabilities) measured at fair value as of December 31, 2012 and 2011, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total fair value
2012				
Recurring – securities available-for-sale:				
U.S. Treasury bonds	$ 1,093,750	$ -	$ -	$ 1,093,750
U.S. Government and federal agency obligations	20,289,520	-	-	20,289,520
Obligations of state and political subdivisions	-	8,558,955	-	8,558,955
Mortgage-backed	-	9,238,836	-	9,238,836
Bank certificates of deposit	-	1,732,291	-	1,732,291
Total recurring	$ 21,383,270	$ 19,530,082	$ -	$ 40,913,352
Nonrecurring:				
Other real estate owned	$ -	$ -	$ 66,947	$ 66,947
Impaired loans	-	-	1,092,826	1,092,826
Total nonrecurring	$ -	$ -	$ 1,159,773	$ 1,159,773
2011				
Recurring – securities available-for-sale:				
U.S. Treasury bonds	$ 2,111,874	$ -	$ -	$ 2,111,874
U.S. Government and federal agency obligations	21,357,885	-	-	21,357,885
Obligations of state and political subdivisions	-	9,083,737	-	9,083,737
Mortgage-backed	-	6,527,342	-	6,527,342
Bank certificates of deposit	-	734,468	-	734,468
Total recurring	$ 23,469,759	$ 16,345,547	$ -	$ 39,815,306
Nonrecurring:				
Other real estate owned	$ -	$ -	$ 29,233	$ 29,233
Impaired loans	-	-	1,072,978	1,072,978
Total nonrecurring	$ -	$ -	$ 1,102,211	$ 1,102,211

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

Impaired loans are reported net of an allowance for loan losses of $277,318 in 2012 and $297,140 in 2011.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy during 2012 and 2011 due to the lack of observable quotes in inactive markets for those instruments at December 31, 2012 and 2011.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, follows.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Corporation's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Corporation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available-for-Sale

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities typically include U.S. treasury bonds and agency securities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include corporate and municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. The Corporation did not have any available-for-sale securities classified as Level 3 as of and for the years ended December 31, 2012 and 2011.

Impaired Loans

The Corporation does not record impaired loans at fair value on a recurring basis. However, periodically, a loan is considered impaired and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs, including recent appraisals and Level 3 inputs based on customized discounting criteria. Due to the significance of the Level 3 inputs, impaired loans fair values have been classified as Level 3.

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

Other Real Estate Owned

The Bank values other real estate owned at the estimated fair value of the underlying collateral less expected selling costs. Such values are estimated primarily using appraisals and reflect a market value approach. Due to the significance of the Level 3 inputs, other real estate owned has been classified as Level 3.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. Financial assets and financial liabilities, excluding impaired loans and other real estate owned, measured at fair value on a nonrecurring basis were not significant at December 31, 2012 and 2011.

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated carrying amounts and related fair values of financial instruments at December 31, 2012 and 2011, are as follows:

	2012		2011	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:				
Cash and cash equivalents	$ 8,940,198	$ 8,940,198	$ 9,247,048	$ 9,247,048
Securities, including restricted stock	41,892,402	41,892,402	40,794,356	40,794,356
Loans, net (including loans held for sale)	80,998,678	85,341,000	74,136,592	77,977,000
Accrued interest receivable	640,792	640,792	674,393	674,393
Financial liabilities:				
Deposits	122,203,423	122,748,000	111,198,742	112,070,000
FHLB borrowings	5,041,633	5,115,000	7,564,028	7,806,000
Accrued interest payable	32,261	32,261	46,103	46,103

The above summary does not include mortgage servicing rights, cash surrender value of life insurance and other liabilities which are also considered financial instruments. The estimated fair value of such items is considered to closely approximate their carrying amounts.

There are also unrecognized financial instruments at December 31, 2012 and 2011 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments amounts to $13,823,000 at December 31, 2012 and $12,044,000 at December 31, 2011. Such amounts are also considered to be the estimated fair values.

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments shown above:

Cash and cash equivalents:

Fair value is determined to be the carrying amount for these items because they represent cash or mature in 90 days or less and do not represent unanticipated credit concerns.

Securities:

Fair value is determined based on quoted market prices of the individual securities or, if not available, estimated fair value was obtained by comparison to other known securities with similar risk and maturity characteristics. Such value does not consider possible tax ramifications or estimated transaction costs. The carrying value of restricted stock approximates fair value based on the redemption provisions of the entities.

Loans:

Fair value was estimated for portfolios of loans with similar financial characteristics. For adjustable rate loans, which re-price at least annually and generally possess low risk characteristics, the carrying amount is believed to be a reasonable estimate of fair value. For fixed rate loans the fair value is estimated based on a discounted cash flow analysis, considering weighted average rates and terms of the portfolio, adjusted for credit and interest rate risk inherent in the loans. Fair value for nonperforming loans is based on recent appraisals or estimated discounted cash flows. The estimated value of credit card loans is based on existing loans and does not include the value that relates to estimated cash flows from new loans generated from existing cardholders over the remaining life of the portfolio.

Deposit liabilities:

The fair value of core deposits, including demand deposits, savings accounts, and certain money market deposits, is the amount payable on demand. The fair value of fixed-maturity certificates of deposit is estimated using the rates offered at year end for deposits of similar remaining maturities. The estimated fair value does not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the marketplace.

Other financial instruments:

The fair value of commitments to extend credit and letters of credit is determined to be the contract amount, since these financial instruments generally represent commitments at existing rates. The fair value of other borrowings is determined based on a discounted cash flow analysis using current interest rates.

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Other financial instruments, continued:

The fair value estimates of financial instruments are made at a specific point in time based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument over the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Since no ready market exists for a significant portion of the financial instruments, fair value estimates are largely based on judgments after considering such factors as future expected credit losses, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

NOTE 16 - CONTINGENT LIABILITIES

In the normal course of business, the Corporation and Bank may be involved in various legal actions, but in the opinion of management and legal counsel, the ultimate disposition of such matters is not expected to have a material adverse effect on the consolidated financial statements.

Directors

Charles Niswander, Chairman; retired from Blanchard Valley Health System

Donald Dreisbach, Vice Chairman; retired Vice President of Sky Bank

David Rodabaugh, Secretary and Treasurer; Attorney at Law

Todd A. Mason, President and Chief Executive Officer

Martin Terry, Vice President, Business Affairs, University of Findlay

J. Peter Suter, Associate Professor of Business at Bluffton University

Jared Lehman, Executive Director Otterbein Cridersville

Executive Officer of Pandora Bancshares, Inc.

Todd A. Mason, President and Chief Executive Officer

Executive Officers of First National Bank of Pandora

Todd A. Mason, President and Chief Executive Officer

Annual Meeting
April 27, 2013 – 10:00 a.m.
Findlay Country Club
1500 Country Club Drive
Findlay, OH 45840

Investor Information:
Investors, analysts and others seeking financial information may contact:

Todd A. Mason, CEO
Pandora Bancshares, Inc.
102 E. Main St.
Pandora, Ohio 45877

Bank Locations:

First National Bank 102 E. Main St. Pandora, OH 45877 419-384-3221	First National Bank 112 Cherry St. Bluffton, OH 45817 419-358-5500	First National Bank 1630 Tiffin Ave. Findlay, OH 45840 419-429-6000	First National Bank 1114 Trenton Ave, Findlay, OH 45840 419-425-2500

Officers and Employees
As of January 31, 2013

Todd A. Mason	President and Chief Executive Officer
Larry Hoffman	Senior Vice President/CFO
Mark DePue	Senior Vice President
Brendon Matthews	Senior Vice President
Chris Alexander	Vice President
Nita Crawford	Vice President/Human Resources
Patricia Garlock	Vice President
Doug Shaneyfelt	Vice President/IT
Vanessa Greer	Assistant Vice President
Janet Kingen	Assistant Vice President
Susan Pancake	Assistant Vice President
Kimberly Reese	Assistant Vice President
Vicki Rossman	Assistant Vice President
Shari Schwab	Assistant Vice President
Amy Searfoss	Assistant Vice President

Michael Bell
Casandra Bennett
Adam Burris
Sally Burris
Dave Culver
Jolinda Dailey
Kable Deidrick
Deborah Diller
Chris Eaton
Devin Ellerbrock
Linda Fleming
Tom Hageman
Jo Ann Kuhlman
Kristine Lowry
Abbie Loy
Debra Mack
Kelly McCluer
Jennifer Mershman
Jessica Meyer
Barbara Ranes
Wynne Reynolds
Robin Romick
Sherry Schlumbohm
Laura Schwab
Terry Sears
Lori Siefker
Ashley Sprunger
Jeff Stratton
Stacy Stumbaugh
Christina Torres
Adrienne Warren
Sharla Welty

Directors of the First National Bank of Pandora and Pandora Bancshares, Inc.

P. D. Bixel, MD
1919, 1934 – 1937
Carl Grismore
1919
J. A. Huffman
1919 – 1924
Noah Schumacher
1919 - 1933
C. Henry Smith*
1919 – 1948
P.C. Steiner
1919 – 1933
M. I. Trostle*
1919 – 1957
Louis Basinger
1920 – 1922
Otto McDowell
1920 – 1922
Elmer Campbell
1923 – 1924
J.A. Schutz
1923 – 1937
P.A. Suter
1923 – 1933
C.C. Wehly *
1923 – 1956
L. Shirl Hatfield*
1934 - 1954
Peter Hilty
1934 – 1952
Julian Kempf
1934 – 1952
Wilmer D. Niswander*
1938 – 1955, 1958 – 1961
Clifford Pierman
1949 – 1955

Irwin Hilty
1953 – 1968
Francis C. Marshall*
1953 – 1973
John H. Styer
1955 – 1969
Randall C. Etling
1956 – 1973
Lowell E. Hatfield*
1956 – 1961, 1964 – 1986
Francis Kempf
1957 – 1963
Milo B. Rice, MD*
1962-1973
Edward E. Schutz
1962
Warren Bridenbaugh*
1963 – 1979
Daniel W. Cook
1969 – 1984
Grover Geiger, Jr.*
1970 – 1986, 1988 – 1993
William Cupp
1974 – 1976
Robert R. Reese
1974 – 1986
Russell Suter
1974 – 1984
Daryl E. Amstutz
1977 – 1993
Robert Rice
1980 – 1986
Paul Bixel
1985 – 1986, 1988 – 1995
Lois Rodabaugh
1985 – 1989

Burnette Powell
1986 – 1987
Malcolm Basinger
1987 – 1999
David Emans
1988 – 2008
Mary S. Amstutz
1989 – 2001
Harold Van Scoder
1990 – 1996
Douglas Edinger
1994 – 2006
Paul Freeman*
1992 – 2002
David Rodabaugh
1994 – Present
James Stechschulte
1995 – 2003
Charles Niswander
1997 – Present
Donald Dreisbach
2003 – Present
G.W. Holden*
2003 – 2004
Martin Terry
2003 – Present
James A. Downhower*
2004 - 2005
F. Alan Blackburn*
2005 –2007
J. Peter Suter
2006 - Present
John Arnold
2007- 2009
Todd A. Mason*
2007- Present
Jared Lehman
2011 - Present

*Designates CEO

We wish to express our appreciation to the late Mr. Lowell Hatfield for his assistance compiling the above list. We appreciate the many years of service he and his family contributed to The First National Bank of Pandora.

We welcome your additions and corrections so that we may properly recognize those who have served our company. Please contact Nita Crawford at (419) 384-3221, Extension 1102.