PANDORA BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

CliftonLarsonAllen

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January 29, 2016

Dear Shareholders and Friends:

Pandora Bancshares, Inc. is pleased to announce that 2015 results have exceeded our expectations. Net income increased 31.2%, total assets increased 4.0% and Pandora Bancshares stock price increased 10.3%. We are also encouraged by the strong growth in our loan portfolio as evidenced by loan balances increasing 9.3%.

In 2015, our national economy continued to show signs of improvement. This improvement prompted the Federal Reserve to increase the discount rate for the first time since May of 2006. Since this interest rate increase in December 2015, we have witnessed a continued unstable global economy and a stock market that dropped 8% in the first month of 2016. However, the volatility in the financial markets has not negatively impacted consumer confidence. A resilient labor market and low gasoline and utilities prices have driven the University of Michigan's consumer sentiment index upward. It is our opinion that the 2016 national economy will not detract from our strategic growth goals at FNB.

We are excited about the variety of products and services available at FNB. A few examples include Rewards Interest Checking for consumers, Business Interest Checking, Online banking, Mobile check deposit and the First Time Homebuyers program. These competitive products will continue to help us grow our assets and customer base in 2016.

In our Strategic Planning session this fall we spent a lot of time on our Mission Statement (why we exist). After much discussion we agreed the Mission at FNB is "Improving lives through Community banking". All decisions we make must positively answer the question, "Does this decision improve the lives of our customers, shareholders, employees, and communities". This principle is the reason FNB is special. This is why we are relevant in our communities. I know our staff lives and breathes this mission. The proof is in the fact that our team members spent 2,173 hours volunteering locally in 2015.

In 2015, we began to use Greig McDonald from Community Banc Investments as a market maker for our stock. Community Banc Investments deals only with Community bank stocks in Ohio. Greig's experience in community banks and his unbiased opinion on the value of our stock is a huge asset for FNB. Since working with Greig, we have seen a 10.3% increase in our stock price. If you are interested in purchasing or selling Pandora Bancshares, Inc. stock, please contact Greig McDonald at Greig@cbibankstocks.com or 1-800-224-1013.

Our Directors, Management and Staff are very 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 Annual Shareholder Meeting on April 30, 2016, at 10:00 AM at the Findlay Country Club, Findlay, Ohio.

Respectfully,

Todd A. Mason
President and CEO
First National Bank

J. Peter Suter
J. Peter Suter
Chairman
Pandora Bancshares, Inc.

David A. Rodabaugh
Chairman
The First National Bank

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PANDORA BANCSHARES, INC.
FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA (UNAUDITED)

	Years Ended December 31				
	2015	2014	2013	2012	2011
	(Dollars in Thousands, Except per Share Data)				
Statements of Operations:					
Total Interest Income	$ 5,774	$ 5,408	$ 5,268	$ 5,348	$ 5,454
Total Interest Expense	584	611	689	917	1,076
Net Interest Income	5,190	4,797	4,579	4,431	4,378
Provision for Loan Losses	80	58	120	350	225
Net Interest Income After Provision for Loan Losses	5,110	4,739	4,459	4,081	4,153
Total Non-Interest Income	1,196	912	1,153	1,440	1,059
Total Non-Interest Expenses	5,229	4,848	4,942	4,940	4,183
Income Before Federal Income Taxes	1,077	803	670	581	1,029
Federal Income Taxes	254	176	144	118	266
Net Income	$ 823	$ 627	$ 526	$ 463	$ 763
Per Share of Common Stock:					
Net Income	$ 6.51	$ 5.07	$ 4.31	$ 3.81	$ 6.26
Dividends	2.10	2.00	1.90	1.85	1.80
Book Value	103.63	100.11	95.92	99.01	97.22
Year-End Balances					
Loans, Net (A)	$ 104,341	$ 95,738	$ 91,473	$ 80,999	$ 74,137
Securities and Restricted Stock	33,547	34,003	36,436	41,892	40,794
Total Assets	154,228	148,362	146,391	140,572	132,032
Deposits	133,450	130,950	127,593	122,203	111,199
Stockholders' Equity	13,093	12,514	11,762	12,028	11,829
Average Balances:					
Loans, Net (A)	$ 97,998	$ 92,376	$ 86,551	$ 77,341	$ 73,643
Securities	33,735	35,443	37,969	42,812	38,942
Total Assets	146,250	142,098	138,766	134,833	127,654
Deposits	123,705	121,011	118,600	113,983	109,085
Stockholders' Equity	12,771	12,176	11,874	11,936	11,644
Selected Ratios:					
Net Yield on Average Interest-Earning Assets	3.88%	3.70%	3.61%	3.59%	3.72%
Return on Average Assets	0.56%	0.44%	0.38%	0.34%	0.60%
Return on Average Stockholders' Equity	6.37%	5.15%	4.44%	3.86%	6.55%
Allowance for Loan Losses as a Percentage of Year-End Loans	1.39%	1.49%	1.65%	1.69%	1.65%
Year-End Stockholders' Equity as a Percentage of Year-End Assets	8.49%	8.44%	8.03%	8.56%	8.96%

(A) Includes Loans Held for Sale.

CliftonLarsonAllen LLP
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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 consolidated balance sheets, as of December 31, 2015 and 2014, and the related consolidated statements of operations, 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.

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 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 auditors' 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.

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, 2015 and 2014, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Toledo, Ohio
February 12, 2016

PANDORA BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Due From Banks	$ 5,375,951	$ 4,865,030
Federal Funds Sold	2,176,000	5,012,000
Total Cash and Cash Equivalents	7,551,951	9,877,030
Securities, Available-for-Sale	32,567,689	33,023,867
Restricted Stock	979,050	979,050
Loans Held for Sale	139,500	535,800
Loans, Net of Allowance for Loan Losses of $1,469,083 in 2015 and $1,446,933 in 2014	104,201,291	95,202,296
Premises and Equipment, Net	3,794,227	3,982,530
Other Real Estate Owned	269,840	158,625
Accrued Interest Receivable	709,565	681,097
Cash Surrender Value of Life Insurance	3,360,015	3,266,015
Other Assets	655,108	655,549
Total Assets	$ 154,228,236	$ 148,361,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-Interest-Bearing	$ 16,787,495	$ 20,959,449
Interest-Bearing	116,662,934	109,990,437
Total Deposits	133,450,429	130,949,886
Federal Home Loan Bank Borrowings	6,113,981	3,537,358
Other Liabilities	1,571,264	1,360,189
Total Liabilities	141,135,674	135,847,433
STOCKHOLDERS' EQUITY		
Common Stock, $5.00 Par Value; Authorized 500,000 Shares Issued 164,388 Shares in 2015 and 163,321 in 2014	821,942	816,607
Additional Paid-in Capital	2,846,415	2,783,297
Retained Earnings	11,711,546	11,152,810
Accumulated Other Comprehensive Income	91,083	156,293
Treasury Stock, at Cost - 38,054 Shares in 2015 and 38,311 Shares in 2014	(2,378,424)	(2,394,581)
Total Stockholders' Equity	13,092,562	12,514,426
Total Liabilities and Stockholders' Equity	$ 154,228,236	$ 148,361,859

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
INTEREST INCOME		
Loans - Including Fees	$ 5,147,618	$ 4,739,171
Securities:		
Taxable	350,456	414,197
Tax-Exempt	230,252	209,377
Dividends on Restricted Stock	41,195	41,211
Other	4,794	4,469
Total Interest Income	5,774,315	5,408,425
INTEREST EXPENSE		
Deposits	529,667	521,764
Other Borrowings	54,572	89,389
Total Interest Expense	584,239	611,153
NET INTEREST INCOME	5,190,076	4,797,272
PROVISION FOR LOAN LOSSES	80,000	58,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,110,076	4,739,272
NON-INTEREST INCOME		
Service Charges	294,393	272,958
Gain on Sale of Securities	75,322	9,582
Gain on Sale of Loans	267,959	175,635
Increase in Cash Surrender Value of Life Insurance	94,000	88,131
Other, Net	464,043	366,157
Total Non-Interest Income	1,195,717	912,463
NON-INTEREST EXPENSES		
Salaries, Wages and Employee Benefits	2,588,329	2,431,720
Occupancy and Equipment	502,827	490,923
Data Processing	505,596	422,317
Federal Deposit Insurance Assessment	111,692	104,397
Professional and Director Fees	343,619	364,875
Advertising and Marketing	141,879	150,253
Ohio Franchise and Financial Institution Taxes	100,115	94,093
Other Operating Expenses	934,801	789,486
Total Non-Interest Expenses	5,228,858	4,848,064
INCOME BEFORE INCOME TAXES	1,076,935	803,671
PROVISION FOR INCOME TAXES	253,800	176,400
NET INCOME	$ 823,135	$ 627,271
NET INCOME PER SHARE		
Basic	$ 6.51	$ 5.07
Diluted	$ 6.51	$ 5.06

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
NET INCOME	$ 823,135	$ 627,271
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in Unrealized Gains on Available-for-Sale Securities	(23,481)	357,441
Reclassification Adjustments for Securities Gains Realized in Income	(75,322)	(9,582)
Net Unrealized Gains (Losses)	(98,803)	347,859
INCOME TAX EFFECT	(33,593)	118,272
OTHER COMPREHENSIVE INCOME (LOSS)	(65,210)	229,587
TOTAL COMPREHENSIVE INCOME	$ 757,925	$ 856,858

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE - DECEMBER 31, 2013	$ 804,107	$ 2,636,447	$ 10,776,150	$ (73,294)	$ (2,381,805)	$ 11,761,605
Net Income	-	-	627,271	-	-	627,271
Other Comprehensive Income	-	-	-	229,587	-	229,587
Purchase of 813 Treasury Shares	-	-	-	-	(62,196)	(62,196)
Grant of 340 Shares to Officers	-	-	-	-	24,803	24,803
Sale of 369 Treasury Shares	-	-	(591)	-	24,617	24,026
Common Shares Issued From Exercise of 2,500 Stock Options	12,500	132,450	-	-	-	144,950
Tax Benefit of Exercise of Stock Options	-	14,400	-	-	-	14,400
Dividends Declared - $2.00 Per Share	-	-	(250,020)	-	-	(250,020)
BALANCE - DECEMBER 31, 2014	816,607	2,783,297	11,152,810	156,293	(2,394,581)	12,514,426
Net Income	-	-	823,135	-	-	823,135
Other Comprehensive Loss	-	-	-	(65,210)	-	(65,210)
Purchase of 467 Treasury Shares	-	-	-	-	(37,341)	(37,341)
Grant of 389 Shares to Officers	-	-	-	-	29,854	29,854
Sale of 335 Treasury Shares	-	-	902	-	23,644	24,546
Common Shares Issued From Exercise of 1,067 Stock Options	5,335	56,018	-	-	-	61,353
Tax Benefit of Exercise of Stock Options	-	7,100	-	-	-	7,100
Dividends Declared - $2.10 Per Share	-	-	(265,301)	-	-	(265,301)
BALANCE - DECEMBER 31, 2015	$ 821,942	$ 2,846,415	$ 11,711,546	$ 91,083	$ (2,378,424)	$ 13,092,562

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 823,135	$ 627,271
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	395,455	397,438
Provision for Loan Losses	80,000	58,000
Securities Premium Amortization, Net of Discount Accretion	217,742	238,050
Deferred Federal Income Taxes	(32,807)	63,128
Grant of Common Stock to Officers	29,854	24,803
Increase in Cash Surrender Value of Life Insurance	(94,000)	(88,131)
Gain on Sale of Securities	(75,322)	(9,582)
Gain on Sale of Loans	(267,959)	(175,635)
Gain on Sale of Other Real Estate Owned	(10,448)	-
Loss on Disposal of Equipment	208	4,803
(Increase) Decrease in Assets:		
Loans Held for Sale	396,300	(299,400)
Accrued Interest Receivable	(28,468)	(47,918)
Other Assets	15,506	(11,471)
Increase (Decrease) in Liabilities:		
Other Liabilities	202,894	(156,242)
Net Cash Provided by Operating Activities	1,652,090	625,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-Sale Securities:		
Sales	5,339,369	359,222
Maturities, Prepayments, and Calls	4,281,909	4,641,668
Purchases	(9,406,323)	(2,447,982)
Proceeds From Redemption of Life Insurance Policy	-	75,914
Net Increase in Loans	(9,191,059)	(4,075,768)
Proceeds From Sale of Equipment	-	1,500
Proceeds From Sale of Other Real Estate Owned	169,073	-
Premiums Paid on Life Insurance Policies	-	(130,000)
Additions to Premises and Equipment	(45,842)	(235,141)
Net Cash Used by Investing Activities	(8,852,873)	(1,810,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	2,500,543	3,357,274
Federal Home Loan Bank Borrowings	13,800,000	10,000,000
Principal Payments on Federal Home Loan Bank Borrowings	(11,223,377)	(11,985,812)
Proceeds From Issuance of Common Stock	61,353	144,950
Proceeds From Sale of Treasury Shares	24,546	24,026
Purchase of Treasury Shares	(37,341)	(62,196)
Payment of Dividends	(250,020)	(232,966)
Net Cash Provided by Financing Activities	4,875,704	1,245,276

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (2,325,079)	$ 59,803
Cash and Cash Equivalents - Beginning of Year	9,877,030	9,817,227
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,551,951	$ 9,877,030
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for:		
Interest	$ 587,406	$ 613,459
Income Taxes	$ 93,667	$ 170,000
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES		
Non-Cash Operating Activity:		
Change in Deferred Income Taxes on Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ (33,593)	$ 118,272
Non-Cash Investing Activity:		
Change in Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ (98,803)	$ 347,859
Non-Cash Operating and Investing Activity:		
Transfer of Loans to Other Real Estate Owned	$ 269,840	$ 158,625

See accompanying Notes to 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, Findlay and Ottawa, 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 accounting principles generally accepted in the United States of America 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 not required to maintain cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at December 31, 2015 and December 31, 2014.

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 and accretion of discounts. 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment (Continued)

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 and Marketing Costs

Advertising and marketing 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets (Continued)

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, 2015 and 2014, 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 net income per share was 126,376 in 2015 and 123,726 in 2014 for basic and 126,376 in 2015 and 123,996 in 2014 for diluted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through February 12, 2016, the date the consolidated financial statements were available to be issued.

NOTE 2 SECURITIES

The amortized cost and fair value of securities, with gross unrealized gains and losses, at December 31, 2015 and 2014, are as follows:

December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities:				
U.S. Treasury Bond	$ 5,628,797	$ 1,503	$ 47,801	$ 5,582,499
U.S. Government and Federal Agency Obligations	6,968,403	3,856	61,695	6,910,564
Obligations of State and Political Subdivisions	15,948,854	188,902	25,046	16,112,710
Mortgage-Backed	3,635,630	85,939	7,988	3,713,581
Bank Certificates of Deposit	248,000	335	-	248,335
Total Available-for-Sale Securities	$ 32,429,684	$ 280,535	$ 142,530	$ 32,567,689
December 31, 2014				
Available-for-Sale Securities:				
U.S. Treasury Bond	$ 2,100,490	$ 1,915	$ 7,717	$ 2,094,688
U.S. Government and Federal Agency Obligations	10,159,580	32,129	86,946	10,104,763
Obligations of State and Political Subdivisions	12,731,164	168,985	40,878	12,859,271
Mortgage-Backed	7,051,825	169,301	2,235	7,218,891
Bank Certificates of Deposit	744,000	2,254	-	746,254
Total Available-for-Sale Securities	$ 32,787,059	$ 374,584	$ 137,776	$ 33,023,867

The amortized cost and fair value of securities at December 31, 2015, 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	$ 1,648,535	$ 1,662,710
Due After One Year Through Five Years	16,372,056	16,348,982
Due After Five Years Through Ten Years	10,773,463	10,842,416
Total	28,794,054	28,854,108
Mortgage-Backed Securities	3,635,630	3,713,581
Total Available-for-Sale Securities	$ 32,429,684	$ 32,567,689

NOTE 2 SECURITIES (CONTINUED)

At December 31, 2015 and 2014, securities with an amortized cost of $25,497,777 and $25,562,652, respectively, and a fair value of $25,579,915 and $25,660,983, 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, 2015 and 2014:

	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
December 31, 2015						
U.S. Treasury Bond	$ 47,801	$ 4,550,450	$ -	$ -	$ 47,801	$ 4,550,450
U.S. Government and Federal Agency Obligations	27,638	2,021,037	34,057	1,846,898	61,695	3,867,935
Obligations of State and Political Subdivisions	20,673	3,533,926	4,373	389,716	25,046	3,923,642
Mortgage-Backed	7,988	1,201,321			7,988	1,201,321
Total	$ 104,100	$ 11,306,734	$ 38,430	$ 2,236,614	$ 142,530	$ 13,543,348
December 31, 2014						
U.S. Treasury Bond	$ 703	$ 526,133	$ 7,014	$ 1,044,688	$ 7,717	$ 1,570,821
U.S. Government and Federal Agency Obligations	30,143	3,132,740	56,803	1,816,384	86,946	4,949,124
Obligations of State and Political Subdivisions	10,507	702,074	30,371	3,251,885	40,878	3,953,959
Mortgage-Backed	2,235	1,083,167	-	-	2,235	1,083,167
Total	$ 43,588	$ 5,444,114	$ 94,188	$ 6,112,957	$ 137,776	$ 11,557,071

There were 20 securities in an unrealized loss position at December 31, 2015, 17 of which were in a loss position less than 12 months. These unrealized losses are considered temporary and were the result of customary and expected fluctuations in the bond market.

Gross realized gains from sales of securities amounted to $75,322 in 2015 and $9,582 in 2014, with the income tax provision applicable to such gains amounting to $25,609 in 2015 and $3,258 in 2014. There were no gross realized losses from sales of securities in 2015 and 2014.

Restricted stock includes Federal Home Loan Bank of Cincinnati stock of $853,000 and Federal Reserve Bank stock of $85,050 at December 31, 2015 and 2014.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES

Most of the Bank's lending activities are with customers located in Northwestern and West Central Ohio. As of December 31, 2015 and 2014, the Bank's loans to borrowers in the agriculture industry represent the single largest industry and represented 13% and 16% of the Bank's loan portfolio, respectively. 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 2015 and 2014 for such loans:

	2015	2014
Beginning of Year	$ 116,576	$ 12,457
Additions	255,270	118,964
Repayments	(210,355)	(14,845)
End of Year	$ 161,491	$ 116,576

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

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (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, 2015 and 2014:

December 31, 2015	Commercial	Consumer	Commercial Real Estate	Real Estate Mortgage Residential	Real Estate Mortgage Home Equity	Total
Allowance for Loan Losses:						
Balance at January 1, 2015	$ 227,574	$ 40,115	$ 617,979	$ 403,119	$ 158,146	$ 1,446,933
Provision (Credit) for Loan Losses	94,775	17,519	(25,277)	5,102	(12,119)	80,000
Loans Charged Off	(7,039)	(25,407)	(24,058)	(14,573)	(33,716)	(104,793)
Recoveries	10,413	12,443	18,014	1,148	4,925	46,943
Balance at December 31, 2015	325,723	44,670	586,658	394,796	117,236	1,469,083
Ending Balance Individually Evaluated for Impairment	87,193	-	17,924	-	-	105,117
Ending Balance Collectively Evaluated for Impairment	$ 238,530	$ 44,670	$ 568,734	$ 394,796	$ 117,236	$ 1,363,966

December 31, 2015 Loans:	Commercial	Consumer	Commercial Real Estate	Real Estate Mortgage Residential	Real Estate Mortgage Home Equity	Total
Ending Balance	$ 17,271,391	$ 3,208,055	$ 43,173,235	$ 31,716,810	$ 10,300,883	$ 105,670,374
Ending Balance Individually Evaluated for Impairment	440,424	-	1,985,475	196,771	-	2,622,670
Ending Balance Collectively Evaluated for Impairment	$ 16,830,967	$ 3,208,055	$ 41,187,760	$ 31,520,039	$ 10,300,883	$ 103,047,704

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

				Real Estate Mortgage		
December 31, 2014	Commercial	Consumer	Commercial Real Estate	Residential	Home Equity	Total
Allowance for Loan Losses:						
Balance at January 1, 2014	$ 162,924	$ 26,169	$ 839,619	$ 405,677	$ 100,232	$ 1,534,621
Provision (Credit) for Loan Losses	64,650	24,284	(142,833)	53,985	57,914	58,000
Loans Charged Off		(12,811)	(92,530)	(65,255)	-	(170,596)
Recoveries	-	2,473	13,723	8,712	-	24,908
Balance at December 31, 2014	227,574	40,115	617,979	403,119	158,146	1,446,933
Ending Balance Individually Evaluated for Impairment	-	-	20,866	-	-	20,866
Ending Balance Collectively Evaluated for Impairment	$ 227,574	$ 40,115	$ 597,113	$ 403,119	$ 158,146	$ 1,426,067
Loans:						
Ending Balance	$ 15,439,701	$ 3,281,000	$ 43,772,638	$ 24,034,821	$ 10,121,069	$ 96,649,229
Ending Balance Individually Evaluated for Impairment	46,568	-	2,157,209	170,783	-	2,374,560
Ending Balance Collectively Evaluated for Impairment	$ 15,393,133	$ 3,281,000	$ 41,615,429	$ 23,864,038	$ 10,121,069	$ 94,274,669

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.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

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.

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.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

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, 2015 and 2014:

	2015		2014	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With an Allowance Recorded:				
Real Estate:				
Commercial	$ 708,946	$ 17,924	$ 753,832	$ 20,866
Commercial	$ 243,500	$ 87,193	-	-
With no Related Allowance Recorded:				
Real Estate:				
Commercial	1,276,529	-	1,403,377	-
Residential	196,771	-	170,783	-
Commercial	196,924	-	46,568	-
Total	$ 2,622,670	$ 105,117	$ 2,374,560	$ 20,866

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2015 and 2014.

The following is a summary of information for the years ended December 31, 2015 and 2014 pertaining to impaired loans:

	2015	2014
Average Investment in Impaired Loans	$ 2,536,888	$ 2,274,161
Interest Income Recognized on Impaired Loans	122,612	40,419
Interest Income Recognized on a Cash Basis on Impaired Loans	122,612	40,419

Included in impaired loans at December 31, 2015 and 2014 were commercial real estate loans with outstanding balances aggregating $2,103,570 and $2,203,777, respectively, which have been modified in troubled debt restructurings. The Corporation has allocated specific reserves of $32,168 and $20,866 at December 31, 2015 and 2014, respectively, to these loans. The Corporation intends to lend no additional amounts to these customers.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following table presents the aging of the recorded investment in past due and nonaccrual loans for the years ended December 31, 2015 and 2014 by class of loans:

	Loans Past Due Accruing Interest					Loans	
			Over		Loans	not Past	
	30 – 59	60 – 89	90		on Non-	Due or on	
December 31, 2015	Days	Days	Days	Total	Accrual	Non-Accrual	Total
Commercial	$ 80,752	$ -	$ -	$ 80,752	$ 392,662	$ 16,797,977	$ 17,271,391
Real Estate:							
Commercial	71,555	-	49,027	120,582	802,563	42,250,090	43,173,235
Home Equity	47,003	-	21,545	68,548	-	10,232,335	10,300,883
Residential	239,889	184,491	341,315	765,695	196,771	30,754,344	31,716,810
Consumer	8,893	23,087	6,434	38,414	-	3,169,641	3,208,055
Total	$ 448,092	$ 207,578	$ 418,321	$ 1,073,991	$ 1,391,996	$ 103,204,387	$ 105,670,374
December 31, 2014							
Commercial	$ -	$ 67,641	$ 163,094	$ 230,735	$ 36,180	$ 15,172,786	$ 15,439,701
Real Estate:							
Commercial	-	-	71,555	71,555	899,523	42,801,560	43,772,638
Home Equity	87,715	-	143,676	231,391	-	9,889,678	10,121,069
Residential	335,219	40,357	162,380	537,956	170,783	23,326,082	24,034,821
Consumer	27,125	14,212	1,459	42,796	-	3,238,204	3,281,000
Total	$ 450,059	$ 122,210	$ 542,164	$ 1,114,433	$ 1,106,486	$ 94,428,310	$ 96,649,229

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:

- **Pass:** Loans classified as pass have no existing or known potential weaknesses requiring management’s close attention.

- **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.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

- **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, 2015 and 2014, based on the most recent analysis performed, the risk category of loans by class of loans was as follows:

December 31, 2015	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 15,107,037	$ 1,625,335	$ 539,019	$ -	$ 17,271,391
Real Estate:					
Commercial	39,955,181	185,624	3,032,430	-	43,173,235
Home Equity	10,238,249	-	62,634	-	10,300,883
Residential	31,072,484	-	644,326	-	31,716,810
Consumer	3,196,094	-	11,961	-	3,208,055
Total	$ 99,569,045	$ 1,810,959	$ 4,290,370	$ -	$ 105,670,374
December 31, 2014					
Commercial	$ 15,216,865	$ -	$ 222,836	$ -	$ 15,439,701
Real Estate:					
Commercial	40,851,175	-	2,921,463	-	43,772,638
Home Equity	9,907,774	-	213,295	-	10,121,069
Residential	23,633,229	-	401,592	-	24,034,821
Consumer	3,279,541	-	1,459	-	3,281,000
Total	$ 92,888,584	$ -	$ 3,760,645	$ -	$ 96,649,229

Newly classified troubled debt restructurings during the year ended December 31, 2015 (there were none during the year ended December 31, 2014) consisted of the following:

	# Loans	Balance
Commercial	1	$118,094

The pre and post-modification recorded balances for this loan were the same. The troubled debt restructuring described above resulted in an increase to the allowance for loan losses of $14,244 for 2015 and resulted in no charge-off during the year ended December 31, 2015. The newly restructured loan referenced above has modified repayment terms.

NOTE 4 PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment consists of the following at December 31, 2015 and 2014:

	2015	2014
Land	$ 1,084,023	$ 1,084,023
Buildings and Building Improvements	4,914,872	4,914,872
Furniture, Fixtures, and Equipment	1,183,555	1,148,309
Total Cost	7,182,450	7,147,204
Less: Accumulated Depreciation	3,388,223	3,164,674
Net Premises and Equipment	$ 3,794,227	$ 3,982,530

Depreciation of premises and equipment for the years ended December 31, 2015 and 2014 amounted to $233,937 and $226,157, respectively.

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 2015 and 2014. Future commitments at December 31, 2015 under the lease aggregated $100,000 with $20,000 payable annually through 2020. The Company has renewal options to extend the lease through December 31, 2050.

NOTE 5 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 $77,949,200 and $79,100,700 at December 31, 2015 and 2014, respectively.

The balance of capitalized servicing rights included in other assets amounted to $390,230 and $441,565 at December 31, 2015 and 2014, respectively.

During the years ended December 31, 2015 and 2014, the Bank capitalized $110,183 and $69,362, respectively, of servicing rights and such amounts are included in gain on sale of loans. Amortization of mortgage servicing rights amounted to $161,518 in 2015 and $171,281 in 2014.

NOTE 6 DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more at December 31, 2015 and 2014 approximated $15,244,000 and $12,219,000, respectively. Interest expense on these deposits amounted to $60,190 in 2015 and $36,034 in 2014.

At December 31, 2015, the scheduled maturities of time deposits are as follows:

Year Ending December 31,	Amount
2016	$ 30,818,760
2017	6,804,352
2018	4,649,679
2019	1,680,889
2020	3,260,629
Thereafter	28,870
Total	$ 47,243,179

NOTE 7 FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank borrowings consist of the following at December 31, 2015 and 2014:

	2015	2014
Secured note, With Interest at 2.82%, due January 2015	$ -	1,000,000
Short-term Secured Variable Rate Note, with Interest at .45%, due February 4, 2016	4,000,000	-
Advances Secured by Individual Residential Mortgages Under Blanket Agreement	2,113,981	2,537,358
Total Federal Home Loan Bank Borrowings	$ 6,113,981	$ 3,537,358

Interest on advances outstanding at December 31, 2015 secured by individual mortgages under blanket agreement ranged from 1.08% to 1.95%, with interest payable monthly and maturities ranging through August 2028. The weighted-average interest rate of Federal Home Loan Bank borrowings outstanding at December 31, 2015 and 2014 was 0.84% and 1.94%, respectively. Borrowings are secured by mortgage loans approximating $36,813,000 as of December 31, 2015. 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, 2015, are as follows:

Year Ending December 31,	Amount
2016	$ 4,369,162
2017	307,672
2018	265,452
2019	228,440
2020	196,031
Thereafter	747,224
Total	$ 6,113,981

NOTE 8 INCOME TAXES

The provision for income taxes for the years ended December 31, 2015 and 2014 consist of the following:

	2015	2014
Current Provision	$ 286,607	$ 113,272
Deferred Provision (Credit)	(32,807)	63,128
Total Provision for Income Taxes	$ 253,800	$ 176,400

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:

	2015	2014
Expected Tax Using Statutory Tax Rate of 34%	$ 366,200	$ 273,200
Increase (Decrease) Resulting From:		
Tax-Exempt Interest Income, Net of Interest Expense Associated With Cost to Carry	(79,800)	(71,000)
Tax-Exempt Income on Life Insurance Policies, Net of Premiums Paid	(32,000)	(30,000)
Other, Net	(600)	4,200
Total Provision for Income Taxes	$ 253,800	$ 176,400

The deferred income tax credit of $32,807 in 2015 and provision of $63,128 in 2014 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 assets and liabilities consist of the following at December 31, 2015 and 2014:

	2015	2014
Deferred Tax Assets:		
Allowance for Loan Losses	$ 414,600	$ 407,000
Accrued Employee Benefits	230,600	248,000
Total Deferred Tax Assets	645,200	655,000
Deferred Tax Liabilities:		
Net Unrealized Gain on Securities Available-for-Sale	46,922	80,515
Federal Home Loan Bank Stock Dividends	146,900	146,900
Depreciation	90,300	113,500
Mortgage Servicing Rights	132,700	150,100
Other	20,378	22,385
Total Deferred Tax Liabilities	437,200	513,400
Net Deferred Tax Assets	$ 208,000	$ 141,600

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

NOTE 8 INCOME TAXES (CONTINUED)

The federal income tax returns of the Corporation that remain open and subject to examination at December 31, 2015 are years 2012 – 2015. Management does not believe the Corporation has any significant uncertain tax positions at December 31, 2015.

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, 2015 and 2014.

NOTE 9 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 vested in employer basic and matching contributions based on years of service. Employer matching contributions amounted to $43,367 in 2015 and $46,516 in 2014. There were no basic or optional employer contributions made during 2015 or 2014.

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 153 shares of stock in 2015 and 237 shares in 2014 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, 2015 and 2014, the Bank's liability for such deferred compensation payments amounted to $511,241 and $527,496, 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 $149,107 at December 31, 2015 and $156,705 at December 31, 2014.

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 $3,360,015 and $3,266,015 at December 31, 2015 and 2014, respectively.

NOTE 10 STOCK OPTIONS

Under the Corporation's Stock Option Plan, the Corporation may grant options to its directors, officers, and employees for up to 30,551 shares of common stock, 24,819 of which have been granted and exercised as of December 31, 2015. 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.

A summary of activity in the plan for the years ended December 31, 2015 and 2014 is as follows:

	2015		2014	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	1,067	$ 57.50	3,567	$ 57.84
Exercised	(1,067)	(57.50)	(2,500)	(57.98)
Forfeited	-	-	-	-
Outstanding at End of Year	-	$ -	1,067	$ 57.50
Options Exercisable at End of Year	-	$ -	1,067	$ 57.50

No options were outstanding at December 31, 2015.

NOTE 11 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	
	2015	2014
Commitments to Extend Credit, Including Unfunded Commitments Under Lines of Credit	$ 15,518,000	$ 14,547,000
Commercial and Standby Letters of Credit	596,000	517,000

NOTE 11 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 12 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. These capital requirements were modified in 2013 with the Basel III capital rules which establish a new comprehensive capital framework for U.S. banking organizations. The Corporation and Bank became subject to the new rules on January 1, 2015, with a phase-in period for many of the new provisions.

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 Common Equity Tier 1, Tier I and total 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, 2015 and 2014, that the Bank met all capital adequacy requirements to which it is subject.

NOTE 12 REGULATORY MATTERS (CONTINUED)

As of December 31, 2015, 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. The Bank also believes it would meet all of the new Basel III capital requirements on a fully phased-in basis if such requirements were currently effective.

The actual capital amounts and ratios of the Bank as of December 31, 2015 and 2014 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, 2015						
Total Capital (to Risk-Weighted Assets)	$ 14,284	12.55%	$ 9,102	≥ 8.0%	$ 11,378	≥ 10.0%
Common Equity Tier I Capital (to Risk Weighted Assets)	$ 12,861	11.30%	$ 5,120	≥ 4.5%	$ 7,396	≥ 6.5%
Tier I Capital (to Risk-Weighted Assets)	$ 12,861	11.30%	$ 6,827	≥ 6.0%	$ 9,102	≥ 8.0%
Tier I Capital (to Average Assets)	$ 12,861	8.50%	$ 6,052	≥ 4.0%	$ 7,566	≥ 5.0%
As of December 31, 2014						
Total Capital (to Risk-Weighted Assets)	$ 13,467	12.30%	$ 8,792	≥ 8.0%	$ 10,990	≥ 10.0%
Tier I Capital (to Risk-Weighted Assets)	$ 12,092	11.00%	$ 4,396	≥ 4.0%	$ 6,594	≥ 6.0%
Tier I Capital (to Average Assets)	$ 12,092	8.40%	$ 5,751	≥ 4.0%	$ 7,188	≥ 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.

NOTE 12 REGULATORY MATTERS (CONTINUED)

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 13 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 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes financial assets (there were no financial liabilities) measured at fair value as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

December 31, 2015	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Recurring - Securities				
Available-for-Sale:				
U.S. Treasury Bonds	$ 5,582,499	$ -	$ -	$ 5,582,499
U.S. Government and Federal Agency Obligations	6,910,564	-	-	6,910,564
Obligations of State and Political Subdivisions	-	16,112,710	-	16,112,710
Mortgage-Backed	780,124	2,933,457	-	3,713,581
Bank Certificates of Deposit	-	248,335	-	248,335
Total Recurring	$ 13,273,187	$ 19,294,502	$ -	$ 32,567,689
Nonrecurring:				
Other Real Estate Owned	$ -	$ -	$ 269,840	$ 269,840
Impaired Loans	-	-	2,517,553	2,517,553
Total Nonrecurring	$ -	$ -	$ 2,787,393	$ 2,787,393
December 31, 2014				
Recurring - Securities				
Available-for-Sale:				
U.S. Treasury Bonds	$ 2,094,688	$ -	$ -	$ 2,094,688
U.S. Government and Federal Agency Obligations	10,104,763	-	-	10,104,763
Obligations of State and Political Subdivisions	-	12,859,271	-	12,859,271
Mortgage-Backed	-	7,218,891	-	7,218,891
Bank Certificates of Deposit	-	746,254	-	746,254
Total Recurring	$ 12,199,451	$ 20,824,416	$ -	$ 33,023,867
Nonrecurring:				
Other Real Estate Owned	$ -	$ -	$ 158,625	$ 158,625
Impaired Loans	-	-	2,353,694	2,353,694
Total Nonrecurring	$ -	$ -	$ 2,512,319	$ 2,512,319

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Impaired loans are reported net of an allowance for loan losses of $105,117 in 2015 and $20,866 in 2014.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy during 2015 and 2014 due to the lack of observable quotes in inactive markets for those instruments at December 31, 2015 and 2014.

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 credit worthiness, 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 municipal bonds and mortgage-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, 2015 and 2014.

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 13 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, 2015 and 2014.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated carrying amounts and related fair values of financial instruments at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Cash and Cash Equivalents	$ 7,551,951	$ 7,551,951	$ 9,877,030	$ 9,877,030
Securities, Including Restricted Stock	33,546,739	33,546,739	34,002,917	34,002,917
Loans, Net (Including Loans Held for Sale)	104,340,791	106,710,000	95,738,096	99,353,000
Accrued Interest Receivable	709,565	709,565	681,097	681,097
Financial Liabilities:				
Deposits	133,450,429	133,468,000	130,949,886	131,150,000
FHLB Borrowings	6,113,981	5,976,000	3,537,358	3,409,000
Accrued Interest Payable	21,533	21,533	24,700	24,700

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, 2015 and 2014 which relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments amounts to $16,114,000 at December 31, 2015 and $15,064,000 at December 31, 2014. Such amounts are also considered to be the estimated fair values.

NOTE 14 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 14 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 15 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.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

In January 2014, the FASB issued ASU 2014-04, *Receivables - Troubled Debt Restructurings by Creditors* to reduce diversity by clarifying when an in-substance repossession or foreclosure occurs. That is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real property recognized. The amendments in ASU 2014-04 are effective for annual periods, and interim periods beginning after December 15, 2014. The provisions of ASU 2014-04 did not have a material impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other provisions not applicable to the Company, the amendments eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities (PBEs), eliminate the requirement for PBEs to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments for disclosure purposes, and require PBEs to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for certain provisions of the amendment. The Corporation does not expect the provisions of ASU 2016-01 to have a material impact on the consolidated financial statements.

Directors of Pandora Bancshares, Inc.

J. Peter Suter, Chairman; Local Business Owner
David Rodabaugh, Vice Chairman; Attorney at Law
Jared Lehman, Secretary; President & CEO Lima Family YMCA
Charles Niswander, retired from Blanchard Valley Health System
Todd A. Mason, President and Chief Executive Officer
Randal J. Verhoff, CPA, Verhoff & Company, LLC
John B. Arnold, Local Business Owner

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
Larry E. Hoffman, Executive Vice President and Chief Financial Officer
Brendon Matthews, Executive Vice President and Senior Lender
Chris Alexander, Executive Vice President and Sales Director

Annual Meeting

April 30, 2016 – 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:

102 E. Main St. Pandora, OH 45877 419-384-3221	112 Cherry St. Bluffton, OH 45817 419-358-5500	1630 Tiffin Ave. Findlay, OH 45840 419-429-6000	1114 Trenton Ave, Findlay, OH 45840 419-425-2500
855 N. Locust St. Ottawa, OH 45875 419-523-5500			

Officers and Employees
As of December 31, 2015

Todd A. Mason	President and Chief Executive Officer
Larry E. Hoffman	Executive Vice President/CFO
Brendon Matthews	Executive Vice President/Senior Lender
Chris Alexander	Executive Vice President/Sales Director
Nita Crawford	Vice President/Human Resources
Susan Pancake	Vice President
Doug Shaneyfelt	Vice President/IT
Michelle Brandt	Assistant Vice President
Vanessa Greer	Assistant Vice President
Janet Kingen	Assistant Vice President
Kristine Lowry	Assistant Vice President
Shari Schwab	Assistant Vice President
Jennifer Vastano	Assistant Vice President

Heidi Allen
Samantha Bryan
Megan Bright
Sally Burris
Deborah Diller
Drena Doseck
Allie Dukes
Kacy Duling
Chris Eaton
Devin Ellerbrock
Megan Fetter
Linda Fleming
Amy Groves
Gen Hernandez
Alison Hovest
Tessa Howe
Christy Lugibihl
Alice Maag
Angie Morman
Jessica Parker
Victoria Parsons
Heather Rakay
Barbara Ranes
Tiffany Reinhart
Kyle Roby
Dawn Snider
Laci Stewart
Stacy Stumbaugh
Dave Walter
Tammy Walter
Adrienne Warren

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 – 2015
G.W. Holden*
2003 – 2004
Martin Terry
2003 – 2015
James A. Downhower*
2004 - 2005
F. Alan Blackburn*
2005 –2007
J. Peter Suter
2006 - Present
John Arnold
2007- 2009, 2015 - Present
Todd A. Mason*
2007- Present
Jared Lehman
2011 – Present
Randal Verhoff
2013 – Present

*Designates CEO

We welcome your additions and corrections so that we may properly recognize those who have served our community bank. Please contact Heather Rakay at (419) 384-9104.