FIRST FARMERS FINANCIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

FIRST FARMERS FINANCIAL CORPORATION
Converse, Indiana

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
First Farmers Financial Corporation
Converse, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Farmers Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Farmers Financial Corporation as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
March 20, 2015

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013
(Dollar amounts in thousands except share and per share data)

	2014	2013
ASSETS		
Cash and due from financial institutions	$ 69,777	$ 36,264
Money market funds	6,838	12,849
Cash and cash equivalents	76,615	49,113
Interest-bearing deposits in other financial institutions	2,920	2,620
Securities available for sale	216,386	179,072
Securities held to maturity (fair value $14,784 in 2014 and $20,632 in 2013)	14,259	19,873
Restricted stock, at cost	7,477	7,790
Loans held-for-sale	3,978	3,173
Loans, net of allowance of $12,327 and $12,284	959,049	911,357
Premises and equipment, net	16,680	15,277
Goodwill	8,729	8,482
Core deposit and other intangibles	3,121	2,470
Bank-owned life insurance	4,748	4,622
Investments in affordable housing partnerships	9,598	10,237
Accrued interest receivable and other assets	16,110	14,501
	$1,339,670	$1,228,587
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing deposits	$ 258,659	$ 228,587
Interest-bearing deposits	842,737	783,181
Total deposits	1,101,396	1,011,768
Federal Home Loan Bank (FHLB) advances	85,250	79,625
Notes payable	10,883	9,751
Subordinated debentures	18,000	18,000
Accrued interest payable and other liabilities	11,997	11,199
Total liabilities	1,227,526	1,130,343
Stockholders' equity		
Common stock, $1 stated value, 5,000,000 shares authorized, 3,571,812 issued and 3,568,758 outstanding in 2014; 3,571,812 issued and 3,562,172 outstanding in 2013	3,572	3,572
Additional paid-in capital	3,626	3,434
Retained earnings	104,861	92,381
Treasury Stock (3,054 shares in 2014 and 9,640 shares in 2013)	(86)	(254)
Accumulated other comprehensive income (loss)	171	(889)
Total stockholders' equity	112,144	98,244
	$1,339,670	$1,228,587

See accompanying notes.

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2014 and 2013
(Dollar amounts in thousands except share and per share data)

	2014	2013
Interest and dividend income		
Loans, including fees	$ 46,776	$ 44,414
Securities		
Taxable	2,515	2,213
Non-taxable	1,827	1,829
Other	83	68
	51,201	48,524
Interest expense		
Deposits	3,130	3,235
Short-term borrowings	12	33
Note payable and FHLB advances	1,695	1,426
Subordinated debentures	470	478
	5,307	5,172
Net interest income	45,894	43,352
Provision for loan losses	1,500	3,435
Net interest income after provision for loan losses	44,394	39,917
Other income		
Trust and investment product fees	852	1,001
Service charges on deposit accounts	2,086	2,007
Interchange income	1,998	1,672
Net gain (loss) on sale and redemption of securities	(13)	13
Net gain on sale of loans	2,563	3,856
Other income	2,916	2,513
	10,402	11,062
Other expenses		
Salaries and employee benefits	19,188	17,510
Occupancy and equipment expense	4,368	3,829
Amortization of intangible assets	646	705
FDIC insurance	732	675
Other operating expenses	7,308	6,685
	32,242	29,404
Income before income taxes	22,554	21,575
Provision for income taxes	6,328	5,758
Net income	$ 16,226	$ 15,817
Basic and diluted earnings per common share	$ 4.55	$ 4.44
Basic and diluted average common shares outstanding	3,566,604	3,559,410

See accompanying notes.

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2014 and 2013
(Dollar amounts in thousands except share and per share data)

	2014	2013
Net income	$ 16,226	$ 15,817
Other comprehensive income (loss):		
Change in securities available for sale:		
Unrealized holding gains/(losses) on securities available-for-sale	2,307	(4,603)
Reclassification adjustments for (gains)/losses later recognized in income	13	(13)
Net unrealized gains/(losses)	2,320	(4,616)
Tax effect	(844)	1,618
Net of tax amount	1,476	(2,998)
Cash flow hedges:		
Change in fair value of derivatives used for cash flow hedges	(724)	419
Reclassification adjustments for (gains)/losses realized in income	-	-
Net unrealized gains/(losses)	(724)	419
Tax effect	308	(166)
Net of tax amount	(416)	253
Other comprehensive income (loss), net of tax	1,060	(2,745)
Comprehensive income	$ 17,286	$ 13,072

See accompanying notes.

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2014 and 2013
(Dollar amounts in thousands except share and per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 1, 2013	$ 1,786	$ 3,440	$ 81,174	$ (510)	$ 1,856	$ 87,746
Net income			15,817			15,817
Other comprehensive loss					(2,745)	(2,745)
Purchase of treasury stock, 594 shares				(18)		(18)
Sale of treasury stock, 3,596 shares		18		93		111
Retirement of treasury stock, 464 shares	-		(12)	12		-
Restricted stock awards from treasury, 7,400 shares		(178)		178		-
Stock-based compensation, net of 350 shares forfeited		154		(9)		145
Stock split	1,786		(1,786)			-
Dividends declared ($0.79 per share)			(2,812)			(2,812)
Balance at December 31, 2013	3,572	3,434	92,381	(254)	(889)	98,244
Net income			16,226			16,226
Other comprehensive income					1,060	1,060
Purchase of treasury stock, 230 shares				(10)		(10)
Sale of treasury stock, 2,566 shares		40		67		107
Restricted stock awards from treasury, 4,250 shares		(111)		111		-
Stock-based compensation		163				163
Stock activity under incentive compensation plan		100				100
Dividends declared ($1.05 per share)			(3,746)			(3,746)
Balance at December 31, 2014	$ 3,572	$ 3,626	$ 104,861	$ (86)	$ 171	$ 112,144

See accompanying notes.

FIRST FARMERS FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013
(Dollar amounts in thousands except share and per share data)

	2014	2013
Cash flows from operating activities		
Net income	$ 16,226	$ 15,817
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,322	1,231
Amortization of intangible assets	646	705
Net securities amortization	385	683
Servicing rights amortization and impairment	810	548
Stock-based compensation	163	145
Provision for loan losses	1,500	3,435
Net gain on sale of loans	(2,563)	(3,856)
Net (gain)/loss on sale and redemption of securities	13	(13)
Net loss on sale and write-down of premises and equipment	-	102
Net loss on sale and write-down of other real estate	33	22
Impairment of branch facility	300	218
Earnings on bank-owned life insurance	(125)	(130)
Bargain purchase gain	(265)	-
Pass thru losses in community development investments	639	533
Loans originated for resale	(43,841)	(70,689)
Proceeds from sale of loans	44,974	95,829
Changes in assets and liabilities		
Interest receivable and other assets	(1,906)	2,343
Interest payable and other liabilities	1,173	(3,327)
Net cash from operating activities	19,484	43,596
Cash flows from investing activities		
Net change in interest-bearing deposits in other financial institutions	(300)	(2,620)
Securities available-for-sale		
Proceeds from sales	2,594	795
Purchases	(67,241)	(68,599)
Proceeds from principal payments, calls and maturities	29,263	49,603
Securities held-to-maturity		
Proceeds from principal payments, calls and maturities	5,603	2,750
Loans made to customers, net of payments received	(49,916)	(43,342)
Net cash received in acquisition	117,929	50,367
Premises and equipment expenditures	(1,825)	(1,201)
Proceeds from the sale of fixed assets	-	184
Investments in affordable housing partnerships	(970)	(2,213)
Proceeds from the sale of other real estate owned	508	2,336
Redemptions of excess restricted stock	501	-
Purchase of restricted stock	(188)	(222)
Net cash from investing activities	35,958	(12,162)
Cash flows from financing activities		
Net change in deposit accounts	(31,301)	(11,588)
Net change in short-term borrowings	-	(10,850)
Advances from notes payable	2,500	10,000
Payments on notes payable	(1,367)	(4,749)
Payments on FHLB advances	(152,375)	(32,725)
Proceeds from FHLB advances	158,000	29,000
Purchase of treasury stock	(10)	(18)
Sale of treasury stock	107	111
Dividends paid	(3,494)	(2,029)
Net cash from financing activities	(27,940)	(22,848)
Net change in cash and cash equivalents	27,502	8,586
Cash and cash equivalents at beginning of year	49,113	40,527
Cash and cash equivalents at end of year	$ 76,615	$ 49,113

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	2014	2013
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 5,367	$ 5,257
Income taxes	5,441	5,387
Supplemental non-cash disclosures		
Transfers from premises and equipment to real estate owned	416	-
Real estate acquired in satisfaction of debts previously contracted	578	455
Assets acquired	119,981	76,687
Liabilities assumed	(121,013)	(77,311)

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Nature of Operations: The consolidated financial statements of First Farmers Financial Corporation ("Corporation") include its wholly-owned subsidiaries, First Farmers Bank & Trust ("Bank"), First Farmers Risk Management, Inc. and 46992 Holdings, LLC and the Bank's wholly-owned subsidiaries Security Capital, Inc. ("SCI"), Mark Tully Investments II, Inc. ("MTII"), Mark Tully Holdings II, Inc. ("MTHI"), and Mark Tully II, LLC ("MTL"). Security Capital Inc. originates and services leases on behalf of Midwestern financial institutions. First Farmers Risk Management, Inc. is a captive reinsurance subsidiary. MTII owns 100% of MTHI, and MTII and MTHI own 1% and 99% of MTL, which manages investment securities. All significant intercompany transactions and balances have been eliminated in consolidation.

The Corporation and Bank operate primarily in the banking industry. The Bank makes commercial, installment and mortgage loans to and receives deposits from customers through its offices located in the Indiana counties of Miami, Grant, Hamilton, Howard, Huntington, Johnson, Tipton, Madison, Cass, Clay, Marshall, Starke, Sullivan, Vermillion, Vigo and Wabash; and Illinois counties of Coles and Edgar. Although the overall loan portfolio is diversified, a substantial portion of its debtors' ability to honor their contracts is dependent upon the agricultural industry. The majority of the Corporation's loans are secured by specific items of collateral including business assets, consumer assets and real property.

Subsequent Events: The Corporation has evaluated subsequent events for recognition and disclosure through March 20, 2015, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents are defined as cash and deposits with other financial institutions with maturities of less than 90 days, money market funds and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, federal funds purchased and repurchase agreements.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management evaluates securities for other than temporary impairment ("OTTI") on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. In estimating other-than-temporary losses, management considers: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Corporation has the intent to sell the security or more likely than not will be required to sell the security before its anticipated recovery in fair value.

Loans Held for Sale: The Corporation sells certain mortgage and guaranteed loans on the secondary market. Loans held for sale are carried at the lower of cost or estimated fair value, in aggregate. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal balance outstanding, net of deferred loan fees and costs and an allowance for loan losses. Interest income on loans is accrued over the term of the loans based on the principal outstanding. Loan fees, net of certain direct loan origination costs, are deferred and recognized as an element of interest income over the term of the loan using the level yield method.

For all classes of loans, interest income is discontinued when full loan repayment is in doubt, typically when the loan is impaired or payments are past due over 90 days. Past due status is based on the contractual terms of the loan. Loans are placed on non-accrual or charged off at an earlier date if collection of principal and interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to non-accrual status in accordance with the Corporation's policy, typically after 90 days of non-payment.

For all classes of loans, all interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such 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.

Certain Purchased Loans: The Corporation has purchased certain loans which have shown evidence of credit deterioration since origination. These purchased loans are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, losses will be recognized by an increase in the allowance for loan losses.

Such purchased loans are accounted for individually or aggregated into pools of loans based on loan type. The Corporation estimates the amount and timing of expected cash flows for each purchased loan or pool, and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan or pool (accretable yield). The excess of the loan's or pool's contractual principal and interest over expected cash flows is not recorded (nonaccretable difference).

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded as a provision for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance For Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Charge-offs of the commercial, agriculture, and real estate portfolio segments are recognized when the loss is confirmed and the amount of the charge-off is the difference in the recorded investment in the loan and the discounted collateral value or the discounted future cash flows, whichever is deemed to be the most likely source of repayment. Loans in the other portfolio segment are typically charged-off no later than 120 days past due. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller balance loans of similar nature such as residential mortgage, consumer, and credit card loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Corporation determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Corporation. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment including consideration of the following: trends in delinquencies and adversely classified loans; trends and conditions in the local and national economies; and industry-specific economic trends and conditions where credit concentrations to the industry are material. The following portfolio segments have been identified: Commercial; Agriculture; Residential Mortgage; and Other.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each of these portfolio segments has different risk characteristics and the allowance for loan loss methodology addresses these risks as follows:

Commercial loans include those secured by pledged assets of the customer's business (such as inventories, property and equipment, or accounts receivable), those secured by mortgages or other liens on real property, and those that are unsecured. Such loans include term loans and revolving arrangements. Repayment may be structured for full, partial, or no amortization of principal. These types of loans are primarily underwritten with expected repayment to be from the cash flow from the business operations of the customer. In underwriting these types of loans, the customer's ability to repay as well as the value of any pledged assets, are considered. Repayment is dependent upon the business operations of the borrowers, which is impacted by various factors including the industry in which the customer operates and the general economy.

Agriculture loans are secured by farm real estate, farm equipment or other farm business assets such as crops or livestock. Such loans include term loans and revolving arrangements. Repayment may be structured for full, partial, or no amortization of principal. These types of loans are primarily underwritten with expected repayment to be from farm operations of the customer. In underwriting these types of loans, the customer's ability to repay as well as the value of any pledged assets, are considered. Repayment is dependent upon the farm operations of the borrowers, which can be impacted by various factors including the price of agricultural commodities, machinery, real estate, and the general economy.

Residential Mortgage loans are those that are secured by senior or junior liens on residential property. This portfolio segment includes fixed-and adjustable-rate mortgage loans that provided for the full amortization of principal and home equity lines of credit. Repayment of real estate loans is primarily dependent upon the personal income of the borrowers, which can be impacted by the economic conditions in their market area. The Corporation seeks to mitigate the risk of the uncertainty of economic conditions with its current underwriting standards, which include a required loan-to-value ratio of at least 80% of each loan originated. The losses experienced within this segment will be impacted by changes in real estate values for the collateral securing these loans.

The Other portfolio segment includes consumer installment loans and leases. Repayment of the consumer loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions such as unemployment levels. Loans to consumers are extended after a credit evaluation, including the creditworthiness of the borrower(s), the purpose of the credit, and the secondary source of repayment. Consumer loans are made at fixed and variable interest rates. The repayment of the loans in this segment is dependent upon the willingness and ability of the customers to repay any outstanding balance. Leases are generally secured by commercial or agriculture-related equipment and repayment is expected to come primarily from the business or farm operations, and secondarily from the residual value of the equipment. Management tracks the risk in this segment based on the level of past due loans and the actual net charge-offs experienced.

Direct Financing Leases: Direct financing leases are recorded at the aggregate future minimum lease payments plus estimated residual value of leased assets less unearned income. Income on direct financing leases is recognized by a method that approximates a level rate of return. Leases are included in Loans on the consolidated balance sheet.

(Continued)

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

Servicing Assets: Servicing assets are recognized separately when they are acquired through sales of loans. For sales of mortgage loans, servicing assets are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. All servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Servicing assets are $2,830 and $3,100 at December 31, 2014 and 2013, respectively, and are included in accrued interest receivable and other assets in the consolidated balance sheets.

Servicing assets are evaluated for impairment based upon the fair value of the assets as compared to carrying amount. Impairment is determined by stratifying assets into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Corporation later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with other income on the income statement. The fair values of servicing assets are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income which is reported on the income statement as other income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of servicing assets is netted against loan servicing fee income. Servicing fees totaled $1,657 and $1,415 for the years ended December 31, 2014 and 2013. Late fees and ancillary fees related to loan servicing are not material.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated selling costs when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed. The balance of foreclosed assets was $1,635 and $866 at December 31, 2014 and 2013, respectively and is included in other assets in the consolidated balance sheets.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Premises and equipment are depreciated primarily on the straight-line method over the estimated useful lives of the assets. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

(Continued)

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

Federal Reserve Bank (FRB) Stock: The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank-Owned Life Insurance: The Corporation acquired life insurance policies on certain key executives through acquisitions in 2009 and 2012. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Other Intangible Assets: Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually. The Corporation has selected June 30 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on the balance sheet.

Core deposit intangible and other intangible assets arise from bank branch and other business acquisitions. They are initially measured at fair value and then are amortized on a straight line or accelerated method over their estimated useful lives, which range from 4 to 12 years for core deposit intangibles.

Repurchase Agreements: Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are now such matters that will have a material effect on the financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to stockholders. Additionally, the Corporation may not declare dividends if it has deferred interest payments or is in default on its subordinated debentures.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives: At the inception of a derivative contract, the Corporation designates the derivative as one of three types based on the Corporation's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("stand-alone derivative"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For both types of hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as noninterest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in noninterest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Corporation formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Corporation discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

Stock Based Compensation: Compensation cost is recognized for restricted stock awards issued to employees, based on the market price of the Corporation's common stock at the date of grant. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Common Share: Basic earnings per common share is based on net income divided by the weighted-average number of common shares outstanding during the year. All outstanding unvested share-based payment awards contain rights to nonforfeitable dividends and are considered participating securities for this calculation so there is no difference between dilutive and basic earnings per share. All share and per share data are restated for all stock splits and stock dividends through the date of issuance of the financial statements.

Stock Splits: Stock splits are recorded by adjusting stated value. All share and per share data have been restated for all stock splits, including the two for one stock split in 2013.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale and unrealized gains and losses on cash flow hedges, which are also recognized as separate components of equity.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Corporation, 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 the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

NOTE 2 - SECURITIES

The fair value of securities available for sale and the related unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury and government agency securities	$ 80,357	$ 99	$ (696)	$ 79,760
Obligations of states and political subdivisions	65,358	1,141	(107)	66,392
Corporate obligations	2,254	23	-	2,277
Mortgage-backed securities, residential	67,675	525	(266)	67,934
Marketable equity securities	9	14	-	23
	$ 215,653	$ 1,802	$ (1,069)	$ 216,386

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 2 - SECURITIES (Continued)

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury and government agency securities	$ 75,351	$ 52	$ (1,772)	$ 73,631
Obligations of states and political subdivisions	53,958	930	(431)	54,457
Corporate obligations	2,262	45	-	2,307
Mortgage-backed securities, residential	49,079	337	(748)	48,668
Marketable equity securities	9	-	-	9
	$ 180,659	$ 1,364	$ (2,951)	$ 179,072

The carrying amount, unrecognized gains and losses, and fair value of securities held to maturity were as follows:

	2014			
	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Obligations of states and political subdivisions	$ 14,259	$ 525	$ -	$ 14,784

	2013			
	Carrying Amount	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Obligations of states and political subdivisions	$ 19,873	$ 759	$ -	$ 20,632

Securities with a carrying value of $93,793 and $73,827 were pledged to secure repurchase agreements and other borrowings at December 31, 2014 and 2013.

At December 31, 2014 and 2013, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in any amount greater than 10% of stockholders' equity.

Proceeds from sales of securities available for sale during 2014 and 2013 were $2,594 and $795, respectively. There were no held to maturity securities sold in 2014 and 2013. Gross gains of $31 and $13 and no gross losses were recognized on the sales of securities available for sale during 2014 and 2013, respectively. During 2014 and 2013, an additional $(44) and $0, respectively, in gains (losses) resulted from net redemption premiums on called securities.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 2 - SECURITIES (Continued)

The amortized cost and fair value of investment securities by contractual maturity are shown below. Securities not due at a single maturity date or with no maturity date, primarily mortgage-backed and marketable equity securities are shown separately.

	2014			
	Held to Maturity		Available for Sale	
	Carrying Value	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,210	$ 2,219	$ 9,017	$ 9,071
Due after one year through five years	9,909	10,306	106,898	106,869
Due after five years through ten years	2,030	2,149	32,054	32,489
Due after ten years	110	110	-	-
Mortgage-backed securities and marketable equity securities	-	-	67,684	67,957
	$ 14,259	$ 14,784	$ 215,653	$ 216,386

Securities with unrealized losses at December 31, 2014 and 2013 are as follows, presented by length of the time the securities have been in an unrealized loss position.

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2014						
U.S. treasury and government agency	$ 15,563	$ (45)	$ 40,778	$ (651)	$ 56,341	$ (696)
Obligations of states and political subdivisions	10,011	(61)	3,663	(46)	13,674	(107)
Mortgage-backed securities, residential	15,248	(74)	11,407	(192)	26,655	(266)
Total temporarily impaired	$ 40,822	$ (180)	$ 55,848	$ (889)	$ 96,670	$ (1,069)

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2013						
U.S. treasury and government agency	$ 58,616	$ (1,681)	$ 1,911	$ (91)	$ 60,527	$ (1,772)
Obligations of states and political subdivisions	15,861	(431)	120	-	15,981	(431)
Mortgage-backed securities, residential	30,048	(748)	-	-	30,048	(748)
Total temporarily impaired	$104,525	$ (2,860)	$ 2,031	$ (91)	$106,556	$ (2,951)

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 2 - SECURITIES (Continued)

Unrealized losses on investments have not been recognized into income because the issuers are insured or of high credit quality, management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to market interest rates and other economic factors. The fair value is expected to recover as the investments approach their maturity date and/or market rates change.

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are comprised of the following:

	2014	2013
Commercial		
Commercial real estate	$ 167,347	$ 163,271
Commercial & industrial	176,847	158,665
Construction & development	13,676	9,882
Agriculture		
Farm real estate	248,835	239,636
Other	232,612	214,872
Residential Mortgage		
Residential real estate	78,996	84,352
Other		
Leases	40,085	42,131
Consumer & other	12,978	10,832
Subtotal	971,376	923,641
Less: Allowance for loan losses	(12,327)	(12,284)
Loans, net	$ 959,049	$ 911,357

Lease financing consists of the following:

	2014	2013
Total minimum lease payments receivable	$ 37,719	$ 41,303
Total residual	7,693	7,641
Unearned income	(5,327)	(6,813)
Total lease financing	$ 40,085	$ 42,131

Minimum lease payments receivable are as follows:

Year Ending December 31,	
2015	$ 11,770
2016	8,698
2017	6,707
2018	4,798
2019 and thereafter	5,746
	$ 37,719

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The Corporation has purchased loans, for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The carrying amount of those loans is as follows:

	2014	2013
Commercial	$ 7,347	$ 8,454
Residential Mortgage	2,436	3,049
Outstanding balance	$ 9,783	$ 11,503
Carrying amount, net of allowance of $55 and $318	$ 6,157	$ 6,970

Accretable yield, or income expected to be collected, is as follows:

	2014	2013
Balance at January 1	$ 951	$ 943
New loans purchased	-	414
Accretion of income	(478)	(97)
Reclassifications from non-accretable difference	171	311
Disposals	(167)	(620)
Balance at December 31	$ 477	$ 951

For those purchased credit impaired loans disclosed above, the Corporation increased the allowance for loan losses during 2014 and 2013 by $55 and $318, respectively.

Purchased credit impaired loans, for which it was probable at acquisition that all contractually required payments would not be collected, are as follows. There were no loans acquired during the year ended December 31, 2014. Amounts are presented as of the acquisition dates which occurred during the years ended December 31, 2013:

	2013
Contractually required payments receivable of loans purchased during the year:	
Commercial	$6,889
Residential Mortgage	1,266
Cash flows expected to be collected at acquisition:	
Commercial	$3,859
Residential Mortgage	671
Fair value of acquired loans at acquisition:	
Commercial	$3,503
Residential Mortgage	612

Income is not recognized on certain purchased loans if the Corporation cannot reasonably estimate cash flows expected to be collected. During the years ended December 31, 2014 and 2013 the Corporation had no such loans.

(Continued)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Certain directors, executive officers and principal stockholders of the Corporation, including their immediate families and companies in which they are principal owners, were loan customers of the Bank. At December 31, 2014 and 2013, loans to these individuals totaled approximately $14,021 and $12,646.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2014 and 2013:

	Commercial	Agriculture	Residential Mortgage	Other	Unallocated	Total
December 31, 2014						
Allowance for loan losses						
Beginning balance	$ 3,501	$ 6,709	$ 811	$ 47	$ 1,216	$ 12,284
Provision for loan losses	867	426	148	15	44	1,500
Loans charged-off	(1,561)	(4)	(426)	(14)	-	(2,005)
Recoveries	367	81	2	98	-	548
Ending balance	$ 3,174	$ 7,212	$ 535	$ 146	$ 1,260	$ 12,327
December 31, 2013						
Allowance for loan losses						
Beginning balance	$ 3,854	$ 5,095	$ 486	$ 41	$ 787	$ 10,263
Provision for loan losses	71	2,023	562	350	429	3,435
Loans charged-off	(758)	(418)	(262)	(366)	-	(1,804)
Recoveries	334	9	25	22	-	390
Ending balance	$ 3,501	$ 6,709	$ 811	$ 47	$ 1,216	$ 12,284

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2014 and 2013:

	Commercial	Agriculture	Residential Mortgage	Other	Unallocated	Total
December 31, 2014						
Allowance for loan losses						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 88	$ 384	$ 101	$ -	$ -	$ 573
Collectively evaluated for impairment	3,086	6,828	434	146	1,260	11,754
Total ending allowance balance	$ 3,174	$ 7,212	$ 535	$ 146	$ 1,260	$ 12,327
Loans						
Loans individually evaluated for impairment	$ 3,784	$ 20,368	$ 2,568	$ -	$ N/A	$ 26,720
Loans collectively evaluated for impairment	354,086	461,079	76,428	53,063	N/A	944,656
Total ending loans balance	$ 357,870	$ 481,447	$ 78,996	$ 53,063	$ N/A	$ 971,376
December 31, 2013						
Allowance for loan losses						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 102	$ 662	$ 405	$ -	$ -	$ 1,169
Collectively evaluated for impairment	3,399	6,047	406	47	1,216	11,115
Total ending allowance balance	$ 3,501	$ 6,709	$ 811	$ 47	$ 1,216	$ 12,284
Loans						
Loans individually evaluated for impairment	$ 4,985	$ 15,945	$ 2,710	$ -	$ N/A	$ 23,640
Loans collectively evaluated for impairment	326,833	438,563	81,642	52,963	N/A	900,001
Total ending loans balance	$ 331,818	$ 454,508	$ 84,352	$ 52,963	$ N/A	$ 923,641

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents information related to impaired loans by class of loans as of and for the years ended December 31, 2014 and 2013:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
December 31, 2014						
With no related allowance recorded:						
Commercial						
Commercial real estate	$ 50	$ 50	$ -	$ 1,405	$ 43	$ 39
Commercial & industrial	292	256	-	1,733	25	20
Construction & development	334	334	-	334	3	3
Agricultural						
Farm real estate	3,904	3,866	-	8,308	101	105
Other	883	883	-	1,052	35	40
Residential Mortgage	1,141	1,140	-	1,455	13	13
Subtotal	6,604	6,529	-	14,287	220	220
With an allowance recorded:						
Commercial						
Commercial real estate	$ 1,256	$ 1,204	$ 44	$ 1,232	$ 67	$ 67
Commercial & industrial	782	782	10	807	48	45
Construction & development	1,121	1,158	34	1,180	-	-
Agricultural						
Farm real estate	9,245	9,246	177	9,548	321	331
Other	6,373	6,373	207	6,705	345	346
Residential Mortgage	1,431	1,428	101	1,455	72	70
Subtotal	20,208	20,191	573	20,927	853	859
Total	$ 26,812	$ 26,720	$ 573	$ 35,214	$ 1,073	$ 1,079

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
December 31, 2013						
With no related allowance recorded:						
Commercial						
Commercial real estate	$ 375	$ 375	$ -	$ 481	$ 17	$ 17
Commercial & industrial	792	774	-	2,426	56	85
Construction & development	1,507	1,507	-	2,434	-	-
Agricultural						
Farm real estate	4,267	4,266	-	4,959	226	230
Other	269	265	-	307	19	18
Residential Mortgage	1,235	1,235	-	1,833	70	72
Subtotal	8,445	8,422	-	12,440	388	422
With an allowance recorded:						
Commercial						
Commercial real estate	$ 2,202	$ 2,204	$ 95	$ 2,243	$ 124	$ 106
Commercial & industrial	125	125	7	129	7	7
Agricultural						
Farm real estate	10,424	10,363	622	9,443	148	187
Other	1,051	1,051	40	1,083	60	54
Residential Mortgage	1,475	1,475	405	1,501	99	101
Subtotal	15,277	15,218	1,169	14,399	438	455
Total	$ 23,722	$ 23,640	$ 1,169	$ 26,839	$ 826	$ 877

The recorded investment in loans includes loan origination fees, net and purchase related discounts.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following tables present the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2014 and 2013:

	Nonaccrual		Loans Past Due Over 90 Days Still Accruing	
	2014	2013	2014	2013
Commercial				
Commercial real estate	$ 179	$ 359	$ -	$ -
Commercial & industrial	265	71	50	-
Construction & development	1,455	1,507	-	-
Agriculture				
Farm real estate	10,896	2,440	-	1,815
Other	21	21	-	-
Residential Mortgage				
Residential real estate	1,219	1,509	158	35
Other				
Leases	214	55	111	-
Consumer & other	-	-	-	-
Total	$ 14,249	$ 5,962	$ 319	$ 1,850

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2014 and 2013 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2014						
Commercial						
Commercial real estate	$ 1,710	$ 294	$ 179	$ 2,183	$ 165,164	$ 167,347
Commercial & industrial	185	512	307	1,004	175,843	176,847
Construction & development	-	-	1,455	1,455	12,221	13,676
Agriculture						
Farm real estate	5,692	298	3,991	9,981	238,854	248,835
Other	503	468	21	992	231,620	232,612
Residential Mortgage						
Residential real estate	1,312	920	903	3,135	75,861	78,996
Other						
Leases	291	4	144	439	39,646	40,085
Consumer & Other	38	24	-	62	12,916	12,978
Total	$ 9,731	$ 2,520	$ 7,000	$ 19,251	$ 952,125	$ 971,376
December 31, 2013						
Commercial						
Commercial real estate	$ 480	$ 110	$ 249	$ 839	$ 162,432	$ 163,271
Commercial & industrial	207	-	71	278	158,387	158,665
Construction & development	85	-	1,507	1,592	8,290	9,882
Agriculture						
Farm real estate	54	-	4,255	4,309	235,327	239,636
Other	-	-	21	21	214,851	214,872
Residential Mortgage						
Residential real estate	1,825	202	1,389	3,416	80,936	84,352
Other						
Leases	22	-	55	77	42,054	42,131
Consumer & Other	19	-	-	19	10,813	10,832
Total	$ 2,692	$ 312	$ 7,547	$ 10,551	$ 913,090	$ 923,641

Troubled Debt Restructurings:

As of December 31, 2014 and 2013, the Corporation has a recorded investment in troubled debt restructurings of $21,261 and $20,554, respectively. The Corporation has allocated $401 and $921 of specific reserves for those loans at December 31, 2014 and 2013, and has no commitments to lend to these borrowers at either period.

During the years ending December 31, 2014 and 2013, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan or an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 1 month to 15 years. Modifications involving an extension of the maturity date were for periods ranging from 3 months to 15 years.

The following table presents loans by class modified as troubled debt restructurings that occurred during the years ending December 31, 2014 and 2013:

	Number of of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2014			
Troubled Debt Restructurings:			
Commercial			
Commercial real estate	2	68	38
Construction & industrial	4	545	545
Agriculture			
Farm real estate	3	5,362	5,253
Other	4	1,183	1,315
Residential Mortgage	5	215	98
Total	18	$ 7,373	$ 7,249

The troubled debt restructurings described above increased the allowance for loan losses by $30 and resulted in charge offs of $234 during the year ending December 31, 2014.

	Number of of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2013			
Troubled Debt Restructurings:			
Commercial			
Commercial & industrial	2	686	686
Construction & development	1	1,184	1,184
Agriculture			
Farm real estate	6	5,567	5,567
Other	3	155	147
Residential Mortgage	6	370	317
Total	18	$ 7,962	$ 7,901

The troubled debt restructurings described above increased the allowance for loan losses by $412 and resulted in charge offs of $404 during the year ending December 31, 2013.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents loans by class modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the years ending December 31, 2014 and 2013:

	Number of Loans	Recorded Investment
December 31, 2014		
Commercial & industrial	1	$ 223
Residential Mortgage	2	151
Total	3	$ 374

The troubled debt restructurings that subsequently defaulted described above increased the allowance for loan losses by $6 and resulted in charge offs of $234 during the year ending December 31, 2014.

	Number of Loans	Recorded Investment
December 31, 2013		
Construction & development	1	$ 1,174
Residential Mortgage	2	1,303
Total	3	$ 2,477

The troubled debt restructurings that subsequently defaulted described above increased the allowance for loan losses by $318 and resulted in charge offs of $294 during the year ending December 31, 2013.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Corporation's internal underwriting policy.

Credit Quality Indicators:

The Corporation 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 Corporation analyzes loans individually by classifying the loans as to credit risk. All loans are graded at origination. On a quarterly basis, all loans with exposure greater than $500 or graded special mention, substandard or doubtful are reviewed for potential grade changes. Other loans outside of this scope are re-graded only as additional financial information is received or delinquency status changes. The Corporation 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 institution's credit position at some future date.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

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 institution 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.

Based on the most recent analysis performed, the risk category of loans by class of loans as of December 31, 2014 and 2013 is as follows:

	Pass	Special Mention	Substandard	Doubtful
December 31, 2014				
Commercial				
Commercial real estate	$ 158,495	$ 7,156	$ 1,696	$ -
Commercial & industrial	175,392	-	1,455	-
Construction & development	8,282	4,541	853	-
Agriculture				
Farm real estate	234,074	1,975	12,786	-
Other	222,789	777	9,046	-
Residential Mortgage	76,267	715	2,014	-
Other				
Leases	38,961	778	346	-
Consumer & Other	12,978	-	-	-
Total	$ 927,238	$ 15,942	$ 28,196	$ -
December 31, 2013				
Commercial				
Commercial real estate	$ 152,283	$ 9,231	$ 1,757	$ -
Commercial & industrial	153,043	4,802	820	-
Construction & development	8,375	-	1,507	-
Agriculture				
Farm real estate	223,392	9,799	6,445	-
Other	199,587	8,205	7,080	-
Residential Mortgage	81,158	1,326	1,868	-
Other				
Leases	40,672	1,223	236	-
Consumer & Other	10,832	-	-	-
Total	$ 869,342	$ 34,586	$ 19,713	$ -

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 4 - PREMISES AND EQUIPMENT

A summary of premises and equipment is detailed below as of December 31:

	2014	2013
Land	$ 3,342	$ 2,950
Buildings and improvements	15,061	14,226
Furniture and equipment	8,838	7,974
Total cost	27,241	25,150
Accumulated depreciation	(11,217)	(10,325)
	16,024	14,825
Buildings and equipment in process	656	452
	$ 16,680	$ 15,277

During 2014 and 2013, the Corporation recognized impairment charges on branch facilities of $300 and $218.

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

Goodwill

The change in balance for goodwill during the year is as follows:

	2014	2013
Beginning of year	$ 8,482	$ 8,393
Measurement period adjustments to previously recorded goodwill	247	57
Acquired goodwill	-	32
End of year	$ 8,729	$ 8,482

Acquired Intangible Assets

	2014		2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Core deposit intangible	$ 10,384	$ 7,263	$ 9,087	$ 6,617

Aggregate amortization expense for 2014 and 2013 was $646 and $705.

Estimated amortization expense for each of the next five years:

2015	$ 849
2016	682
2017	548
2018	438
2019	344

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 6 - SERVICING ASSETS

Loans and leases serviced for others are not reported as assets of the Corporation and total $612,340 and $609,469 at December 31, 2014 and 2013.

Activity for capitalized loan servicing assets (included in accrued interest receivable and other assets on the consolidated balance sheets) and the related valuation allowance follow.

	2014	2013
Servicing assets		
Beginning of year	$ 4,299	$ 3,960
Acquired servicing rights	-	274
Additions	540	1,045
Direct write-downs	(44)	(394)
Amortized to expense	(643)	(586)
End of year	$ 4,152	$ 4,299

	2014	2013
Valuation allowance		
Beginning of the year	$ 1,199	$ 1,630
Direct write-downs	(44)	(394)
Net additions/(recoveries) expensed	167	(37)
End of year	$ 1,322	$ 1,199
Net servicing assets	$ 2,830	$ 3,100

The fair value of servicing assets for 2014 and 2013 was approximately $2,880 and $3,119. Fair value at year-end 2014 and 2013 was primarily determined based on a valuation model that calculates the present value of estimated net servicing income. Fair value at year-end 2014 was determined using a weighted average discount rate of 7.00% and an immediate and long-term weighted average prepayment speed of 11.6% and 10.4% respectively. Fair value at year-end 2013 was determined using a weighted average discount rate of 7.52% and an immediate and long-term weighted average prepayment speed of 12.8% and 11.9% respectively.

The weighted average amortization period is 5 years. Estimated amortization expense for each of the next five years is:

2015	$ 658
2016	564
2017	469
2018	387
2019	269

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 7 - INTEREST-BEARING DEPOSITS

Interest-bearing deposits consisted of the following at December 31:

	2014	2013
Interest-bearing demand deposits	$ 337,878	$ 301,408
Savings	240,159	212,439
Time deposits over $250,000	83,494	117,582
Other time deposits	181,206	151,752
	$ 842,737	$ 783,181

At December 31, 2014, stated maturities of time deposits were:

2015	$ 126,865
2016	60,773
2017	44,123
2018	24,951
2019	2,990
Thereafter	4,998
	$ 264,700

NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were as follows:

	2014	2013
Maturity of September 2017 with a floating rate tied to 3 month LIBOR plus a spread of 0.25% capped at 2.25% with quarterly reset dates. With a current rate of 0.49% is unchanged from the rate of 0.49% as of December 31, 2013.	$ 3,000	$ 3,000
Maturity of August 2015, with floating rates based upon 3-month LIBOR that may vary between 0.00% and the initial rate. Current rate, which is also the initial rate of 2.08% is unchanged from the rate of 2.08% as of December 31, 2013.	5,000	5,000
Maturity of June 2018, with a floating rate tied to 1 month LIBOR plus a spread of 0.21% with monthly reset dates, With a rate of 0.37% as of December 31, 2014 and a rate of 0.38% as of December 31, 2013.	5,000	5,000
Maturities from February 2015 through July 2021, with fixed rates from 0.60% to 2.80%, with a weighted average rate of 1.50% at December 31, 2014. Maturities from March 2014 through August 2018, with fixed rates from 0.60% to 3.23%, with a weighted average rate of 1.51% at December 31, 2013.	72,250	66,625
Total	$ 85,250	$ 79,625

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES (Continued)

Maturities and scheduled principal reductions are as follows:

2015	$ 30,950
2016	12,000
2017	12,300
2018	19,000
2019	5,000
Thereafter	6,000
	$ 85,250

On June 18, 2014 the Bank entered into an interest rate swap designated as a cash flow hedge to convert the floating interest payments to a fixed rate on a future $5,000 floating rate FHLB advanced tied to 3 month LIBOR for the period from December 15, 2015 to December 16, 2019. See note 14 Derivatives and Hedging Activities for additional information on this transaction.

On August 15, 2014 the Bank entered into an interest rate swap designated as a cash flow hedge to convert the floating interest payments to a fixed rate on a future $5,000 floating rate FHLB advance tied to 1 month LIBOR for the period from February 16, 2016 to February 16, 2021. See note 14 Derivatives and Hedging Activities for additional information on this transaction.

On October 9, 2014 the Bank entered into an interest rate swap designated as a cash flow hedge to convert the floating interest payments to a fixed rate on a future $5,000 floating rate FHLB advance tied to 1 month LIBOR for the period from April 15, 2016 to April 15, 2021. See note 14 Derivatives and Hedging activities for additional information on this transaction.

On February 27, 2013 the Bank entered into an interest rate swap designated as a cash flow hedge to convert the floating interest payments to a fixed rate on the $5,000 floating rate FHLB advance tied to 1 month LIBOR for the period from June 15, 2013 to June 15, 2018. See Note 14 Derivatives and Hedging Activities for additional information on this transaction.

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances and the floating advances tied to 3 month LIBOR except for those payments made on various contractual prepayment dates. The advances were collateralized by $151,370 and $133,082 under a blanket lien arrangement at December 31, 2014 and 2013. At December 31, 2014, outstanding advances are secured by specific securities totaling $52,039 and a blanket pledge of all qualifying one-to-four family real estate loans totaling $40,780, qualifying multifamily loans totaling $1,883, qualifying commercial real estate loans totaling $29,042, qualifying small business loans totaling $3,451, and qualifying small farm loans totaling $25,913. Based on this collateral and the Corporation’s holdings of FHLB stock, the Corporation is eligible to borrow up to a total of $25,248 at December 31, 2014.

NOTE 9 - OTHER BORROWINGS

On September, 30, 2014 the Corporation entered into a term loan agreement for $2,500 with a fixed rate of 3.95%. The payments for the $2,500 loan are based on a 7 year amortization schedule with quarterly payments of $103 including principal and interest with a balloon payment of $894 to be paid in full by September 30, 2019. The proceeds from this loan of $2,499 were invested directly into the Bank. Legal fees of $1 were expensed.

(Continued)

NOTE 9 – OTHER BORROWINGS (Continued)

On September 5, 2013 the Corporation entered into a term loan agreement for up to $10,000. At that time the Corporation advanced $8,000 with a fixed rate of 3.85%. The payments for the $8,000 loan are based on a seven year amortization schedule with quarterly payments of $327 including principal and interest with a balloon payment of $2,852 to be paid in full by September 5, 2018. On December 27, 2013 the Corporation exercised its option to draw the additional $2,000 term loan with a fixed rate of 3.89%. This loan is also based on a seven year amortization schedule with quarterly payments of $85 including principal and interest with a balloon payment of $731 to be paid in full by September 5, 2018. The combination of the $8,000 and $2,000 loans were used to pay off an existing loan with a balance of $3,765 including principal and interest while the remaining $6,223 was invested directly into the Bank. Fees of $12, including legal fees and commitment fees, were capitalized and are being amortized over five years.

As of December 31, 2014 and 2013 the balance on the term loans totaled $10,883 and $9,751, respectively.

On September 30, 2014 the Corporation executed a renewal of a $5,000 revolving credit line amending the maturity date to September 5, 2015. The Corporation originally entered into this revolving credit line on September 5, 2013. As of December 31, 2014 the revolving line has a balance of $0. As of December 31, 2013 the revolving line had not been drawn on.

The term loans and the revolving credit line have covenants relating to earnings, asset quality and capitalization for which the Corporation was in compliance as of December 31, 2014 and 2013.

NOTE 10 - SUBORDINATED DEBENTURES

In December 2004, a trust formed by the Corporation issued $5,000 of fixed to floating rate trust preferred securities as part of a pooled offering of such securities. The Corporation issued subordinated debentures to the trust in exchange for the proceeds of the offering, which debentures represent the sole asset of the trust. The Corporation may redeem the subordinated debentures, in whole but not in part, any time after 2009 at face value. The subordinated debentures must be redeemed no later than 2034. On December 15, 2009 the fixed rate period expired and the floating rate commenced based on 3-month LIBOR plus 2.10%. As of December 31, 2014 and 2013, the variable rate of the debentures was 2.34%. Interest payments are payable quarterly in arrears and the Corporation has the option to defer interest payments from time to time for a period not to exceed 20 consecutive quarters.

On February 13, 2014 the Corporation executed an interest rate cap designated as a cash flow hedge on the $5,000 subordinated debenture. The interest rate cap is effective from December 15, 2014 through December 15, 2019. This interest rate cap replaced the interest rate swap that matured December 14, 2014. On January 5, 2009, the Corporation entered into an interest rate swap designated as a cash flow hedge to convert the floating rate period from December 15, 2009 to December 14, 2014 to a fixed rate. See Note 14 - Derivatives and Hedging Activities for additional information on these transactions.

In May 2007, a second trust formed by the Corporation issued $13,000 of fixed to floating rate trust preferred securities as part of a pooled offering of such securities. The Corporation issued subordinated debentures to the trust in exchange for the proceeds of the offering, which debentures represent the sole asset of the trust. The Corporation may redeem the subordinated debentures, in whole but not in part, any time after 2012 at face value. The subordinated debentures must be redeemed no later than 2037. On June 15, 2012, the fixed rate period expired and the floating rate period commenced based on 3-month LIBOR plus 1.48%.

(Continued)

NOTE 10 - SUBORDINATED DEBENTURES (Continued)

As of December 31, 2014 and 2013 the variable rate of the debentures was 1.72%. Interest payments are payable quarterly in arrears and the Corporation has the option to defer interest payments from time to time for a period not to exceed 20 consecutive quarters.

On February 4, 2013, the Corporation executed an interest rate cap designated as a fair value hedge on the first $5,000 of the $13,000 subordinated debentures. The interest rate cap is effective from March 15, 2013 through December 15, 2019. Subsequently on February 14, 2013, the Corporation entered into an interest rate swap designated as a cash flow hedge to convert the floating interest payments to a fixed rate on the remaining $8,000 of the $13,000 subordinated debentures beginning March 15, 2015 until December 15, 2019. See note 14 Derivatives and Hedging Activities for additional information on these transactions.

NOTE 11 - EMPLOYEE BENEFIT PLANS

The Corporation maintains a 401(k) profit sharing plan, covering employees who have completed six months of service. Employer contributions to the plan are at the discretion of the board of directors. In addition, the plan provides for the Corporation to match employee 401(k) contributions at a percentage determined annually by the board of directors. Employer contributions charged to operations were $934 and $855 for 2014 and 2013.

Under employment agreements with certain executives, certain events leading to separation from the Corporation could result in cash payments equal to 2 times the average of the employee’s base pay plus any cash bonuses for the last 3 complete calendar years preceding the employee’s termination of employment. The President will receive 2.99 times the average base pay plus any cash bonuses.

As a result of the May 1, 2012 acquisition of First Citizens of Paris, Inc. the Corporation assumed obligations under existing employment agreements for senior officers of Citizens National Bank of Paris. One executive’s agreement provided for a payment of equal to 2 times the employee’s annualized base pay plus cash bonuses over the prior six months and continuation of health benefits, if requested, for up to one year. This executive is being paid over a two-year period and as of December 31, 2014 and 2013 remaining accrued benefits were $0 and $85, respectively.

As a result of the May 1, 2012 acquisition of First Citizens of Paris, Inc., the Corporation has assumed obligations under a Supplemental Executive Retirement Plan (SERP) for certain senior officers of Citizens National Bank of Paris. Under the provisions of the SERP, each participant will receive at retirement an annual benefit for a fifteen-year period as stated in the agreement. Participants who were not yet fully vested as of May 1, 2012 fully vested based on the terms of their SERP agreement. Total expense of $32 and $22 was recorded during 2014 and 2013, respectively. As of December 31, 2014 and 2013, accrued benefits payable totaled $510 and $525, respectively.

As a result of the December 4, 2009 acquisition of C.B. Bankshares, Inc., the Corporation has assumed obligations under a Supplemental Executive Retirement Plan (SERP) for certain senior officers of Central Bank. Under the provisions of the SERP, each participant will receive at retirement an annual benefit for a ten-year period as stated in the agreement. Participants fully vested upon the acquisition date. Total expense of $36 and $44 was recorded during 2014 and 2013, respectively. As of December 31, 2014 and 2013, accrued benefits payable totaled $1,238 and $1,243, respectively.

As a result of the December 4, 2009 acquisition of C.B. Bankshares, Inc., the Corporation entered five-year employment agreements with two former executives of Central Bank. In addition a seven year non-competition agreement was entered with one of the individuals.

(Dollar amounts in thousands except share and per share data)

NOTE 12 - STOCK-BASED COMPENSATION

The Corporation has adopted a Restricted Stock Plan (“RSP”) which provides for the issuance of shares to officers and employees. Compensation expense is recognized over the vesting period of the shares based on the market value of the shares at issue date. The market value of the stock was determined using an independent appraisal, which is performed at least annually. Annually, the Corporation may issue up to 6,000 shares, although shares not issued during the year are not available to be granted in future periods. During the years from 2012 to 2013, the Corporation could issue up to 8,000 shares annually. RSP grants cliff vest over a four year period. 4,250 and 7,400 shares were granted during 2014 and 2013 with a fair value per share of $41.50 and $31.00, respectively. Compensation expense of $163 and $145 was recorded during 2014 and 2013 for shares granted.

A summary of changes in the Corporation’s nonvested shares for the year follows:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2014	23,500	$ 26.29
Granted	4,250	
Vested	(5,800)	
Forfeited	-	
Nonvested at December 31, 2014	21,950	$ 30.37

As of December 31, 2014 and 2013, there was $326 and 312, respectively of total unrecognized compensation cost related to non-vested shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.0 years.

All information related to the Plan has been restated for the two-for-one stock split that occurred on October 23, 2013.

NOTE 13 - INCOME TAXES

The provision for income taxes consists of the following:

	2014	2013
Current payable	$ 5,274	$ 4,959
Deferred income tax (benefit)	1,054	799
	$ 6,328	$ 5,758

	2014	2013
Income tax provision computed at statutory federal rate of 35%	$ 7,894	$ 7,551
Tax effect of:		
Income from tax exempt securities and loans	(739)	(775)
State income tax (net of federal tax effect)	757	832
Tax credits	(1,427)	(1,430)
Other	(157)	(420)
	$ 6,328	$ 5,758

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 13 - INCOME TAXES (Continued)

	2014	2013
Deferred tax asset	$ 7,308	$ 8,470
Deferred tax liability	(9,457)	(9,020)
Net deferred tax liability	$ (2,149)	$ (550)

The deferred tax asset is primarily due to accumulated differences in the allowance for loan losses, SERP liabilities, other real estate write-downs, deferred loan fees, non-accrual loan interest income and purchase accounting adjustments. The Corporation has an Illinois NOL of $2,216 that begins to expire in 2024. The deferred tax liability is primarily due to fair value depreciation on securities available for sale, accumulated differences in lease activity, depreciation, bad debt reserve recapture, accumulated differences on partnership investments, mortgage servicing rights, amortization of intangibles and prepaid expenses.

There was no interest and penalties recognized or accrued during the years ended December 31, 2014 and 2013.

The Corporation and its subsidiaries are subject to U.S. federal income tax as well as income tax of the states of Indiana and Illinois. The Corporation is no longer subject to examination by federal or state taxing authorities for years before 2011.

NOTE 14 - DERIVATIVES AND HEDGING ACTIVITIES

The Corporation uses various derivative instruments, including designated and non-designated hedge instruments. These derivative instruments may include interest rate caps, floors and swaps. The Corporation does not use derivatives for speculative purposes.

While authorized to use a variety of derivative products the Corporation primarily utilizes interest rate swaps as a means to offer borrowers credit-based products that meet their needs and may from time to time utilize interest rate swaps to manage the macro interest rate risk profile of the Corporation. The interest rate swaps are used to mitigate overall risk to changes in interest rates during the life of the swaps and are a component of the Corporation's asset liability management strategy to reduce the risk that changes in interest rates will change net interest margin.

The interest rate swap agreement establishes the basis on which interest rate payments are exchanged with counterparties, referred to as the notional amount. The notional amount of the interest rate swaps do not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the interest rate swap.

The Corporation's exposure to credit loss, in the event of nonperformance by a borrower or counterparty, is limited to the market value of the derivative instrument associated with that borrower or counterparty as provided in regulatory guidance as calculated by the Remaining Maturity Method. The Corporation monitors its derivative credit exposure to borrowers by monitoring the creditworthiness of the related loan customers through the normal credit review process the Corporation performs on all borrowers. The Corporation manages the market value credit risk of the counterparty through the Regulation F compliance review and the quarterly derivative review.

(Continued)

NOTE 14 - DERIVATIVES AND HEDGING ACTIVITIES (Continued)

All swaps were determined to be fully effective at inception and are expected to remain effective at December 31, 2014 and 2013.

In connection with its use of derivative instruments, the Corporation is required from time to time to post collateral with its counterparties to offset its market position. The Corporation had pledged short-term certificates of deposit, cash and securities with a carrying value of $3,478 and $4,144, at December 31, 2014 and 2013, respectively, in satisfaction of credit support agreements with derivative counterparties.

The following table summarizes the notional values of the derivative financial instruments utilized by the Corporation. The instruments are broken out by their designation.

	December 31, 2014						December 31, 2013					
				Weighted- Average Rate						Weighted- Average Rate		
(Dollars in thousands)	Notional Amount	Weighted Average Maturity (years)	Fair Value	Receive	Pay	Strike Rate	Notional Amount	Weighted Average Maturity (years)	Fair Value	Receive	Pay	Strike Rate
Non-Designated Hedge Instruments												
C-1 Interest Rate Cap	$25,000	0.59	$ -	0.26%	-	4.5%	$25,000	1.60	$ -	0.24%	-	4.5%
S-1 Interest Rate Swaps - matched to loan prepayment	29,988	3.34	(1,186)	2.57%	5.61%	-	32,090	4.35	(1,524)	2.57%	5.62%	-
S-1 Prepayment penalty of matched loans	-	-	1,186	-	-	-	-	-	1,524	-	-	-
Total Non Designated Hedge Instruments	$54,988		$ -				$57,090		$ -			
Designated as Cash Flow Hedge Instruments												
C-2 Interest Rate Cap - subordinate debt	$ 5,000	4.96	$ 137	-	-	2.00%	$ -	-	$ -	-	-	-
C-3 Interest Rate Cap - subordinate debt	5,000	4.96	156	-	-	1.80%	5,000	5.96	303	-	-	1.80%
S-2 Interest Rate Swap - subordinate debt	-	-	-	-	-	-	5,000	0.96	(126)	0.24%	2.79%	-
S-3 Interest Rate Swap - subordinate debt	8,000	4.96	(134)	1.74%	3.54%	-	8,000	5.96	159	1.92%	3.54%	-
S-4 Interest Rate Swap - Federal Home Loan Bank	5,000	4.96	(99)	(f-1)	2.57%	-	-	-	-	-	-	-
S-5 Interest Rate Swap - Federal Home Loan Bank	5,000	6.13	(84)	(f-2)	2.48%	-	-	-	-	-	-	-
S-6 Interest Rate Swap - Federal Home Loan Bank	5,000	6.29	(68)	(f-3)	2.48%	-	-	-	-	-	-	
S-7 Interest Rate Swap - Federal Home Loan Bank	5,000	3.46	25	0.16%	1.15%	-	5,000	4.46	68	0.20%	1.15%	-
Total Cash Flow Hedge Instruments	$38,000		$ (67)				$23,000		$ 404			
Total	$92,988		$ (67)				$80,090		$ 404			
(f-1) Forward starting 12/15/15 indexed to 3 month LIBOR												
(f-2) Forward starting 2/16/16 indexed to 1 month LIBOR												
(f-3) Forward starting 4/15/16 indexed to 1 month LIBOR												

Non-Designated Hedge Instruments

The Corporation has one interest rate cap agreement (Table Reference C-1) that is considered a non-designated hedging instrument. The interest rate cap notional amount is $25,000. This cap is indexed to 3-month LIBOR. The Corporation paid $281 to enter into this transaction in 2010. For the years ended December 31, 2014 and 2013 losses relating to this freestanding derivative of $0 and $3 are included in other non-interest income on the Consolidated Statement of Income.

(Continued)

NOTE 14 - DERIVATIVES AND HEDGING ACTIVITIES (Continued)

Certain interest rate swaps (Table Reference S-1) entered into during 2012 and prior were also classified as non-designated hedge instruments due to their offsetting matched terms with prepayment penalties on the associated loans. The offsetting changes in the fair value of these instruments are reflected in earnings. The Corporation did not enter into any new non-designated interest rate swaps during 2014 or 2013 and the notional amount of these swaps as of December 31, 2014 and 2013 was $29,988 and $32,090.

Cash Flow Hedge Instruments

The Corporation has two interest rate cap agreements designated as a cash flow hedge instruments for portions of the Corporation's subordinated debentures.

The Corporation entered into a forward starting interest rate cap agreement (Table Reference C-2) on February 13, 2014, designated as a cash flow hedge instrument against the Corporation's subordinated debenture issued in December 2004. See Note 10 for Subordinated Debentures for additional information on these transactions. The interest rate cap notional amount is $5,000 and the effective date of the cap is December 15, 2014 with an expiration date of December 15, 2019. The cap has a strike rate of 2.00% and is indexed to 3 month LIBOR. The Corporation paid $253 to enter into this transaction in 2014. As of December 31, 2014, the fair value of the Cap was $137. For the periods ended December 31, 2014 the effective portion of losses relating to this derivative of ($67) are included in other comprehensive losses.

The Corporation has another interest rate cap agreement (Table Reference C-3) also designated as a cash flow hedge instrument against a portion of the Corporation's subordinated debenture issued in May 2007. The interest rate cap notional amount is $5,000 the effective date of the cap was March 15, 2013 with a maturity date of December 15, 2019. The cap has a strike rate of 1.80% and is indexed to 3 month LIBOR. As of December 31, 2014, the fair value of the cap was $156. For the periods ended December 31, 2014 losses relating to the effective portion of this derivative of ($85) are included in other comprehensive loss. The Corporation paid $222 to enter into this transaction in 2013. For the period ended December 31, 2013, the effective portion of the gains relating to this derivative of $49 are included in other comprehensive income.

Interest rate swaps with notional amounts of $5,000 and $8,000 were designated as cash flow hedges of the Corporation's subordinated debentures. The $5,000 hedge (Table Reference S-2) commenced December 15, 2009 and expired on December 15, 2014 and was determined to be fully effective. As of December 31, 2014 and 2013, the fair value of the swap was $0 and ($126) with $72 and ($67) reflected as other comprehensive income (loss), respectively. Interest expense recorded on the $5,000 swap transaction was $122 and $126 during 2014 and 2013 and is reported as a component of interest expense on subordinated debentures.

On February 14, 2013 the Corporation executed a cash flow hedge utilizing an interest rate swap (Table Reference S-3) to hedge against interest rate volatility on $8,000 of the Corporation's subordinated debentures with an effective date of December 15, 2014. As of December 31, 2014 and 2013, the fair value of the swap was ($134) and $159 with ($168) and $96 reflected as other comprehensive income/(loss), respectively. The Corporation expects the hedge to remain fully effective during the remaining term of the swap. Interest expense recorded on the $8,000 swap transaction was $0 and $0 during 2014 and 2013, respectively. At December 31, 2014, the Corporation expected $142 of the unrealized loss to be reclassified as an increase of interest expense during 2015.

(Continued)

NOTE 14 - DERIVATIVES AND HEDGING ACTIVITIES (Continued)

On June 18, 2014 the Corporation executed a forward starting interest rate swap (Table Reference S-4) designated as a cash flow hedge. The interest rate swap was put in place to hedge against exposure to variability in cash flows related to changes in projected interest payments caused by changes in the underlying index. The interest rate swap with a notional amount of $5,000, an effective date of December 15, 2015 and a maturity date of December 16, 2019 was designated as a cash flow hedge against a future floating rate advance from the Federal Home Loan Bank indexed to 3 month LIBOR to be dated December 15, 2015. As of December 31, 2014, the fair value of the swap was $(99) with $(57) reflected as the effective portion of other comprehensive loss. Interest expense recorded on the $5,000 swap transaction executed on June 18, 2014 was $0 during 2014 as the effective date on the swap is December 15, 2015. At December 31, 2014, the Corporation expected $4 of the unrealized loss to be reclassified as an increase of interest expense during 2015.

On August 15, 2014 the Corporation executed a forward starting interest rate swap (Table Reference S-5) designated as a cash flow hedge. The interest rate swap was initiated to hedge against future exposure to variability in cash flows related to changes in projected interest payments caused by changes in the underlying index. The interest rate swap with a notional amount of $5,000, an effective date of February 16, 2016 and a maturity date of February 16, 2021 was designated as a cash flow hedge against a future floating rate advance from the Federal Home Loan Bank indexed to 1 month LIBOR to be dated February 16, 2016. As of December 31, 2014 the fair value of the swap was $(84) with $(48) reflected as the effective portion of other comprehensive loss.

On October 9, 2014 the Corporation executed a forward starting interest rate swap (Table Reference S-6) designated as a cash flow hedge. The interest rate swap was initiated to hedge against future exposure to variability in cash flows related to changes in projected interest payments caused by changes in the underlying index. The interest rate swap with a notional amount of $5,000, an effective date of April 15, 2016 and a maturity date of April 15, 2021 was designated as a cash flow against a future floating rate advance from the Federal Home Loan Bank indexed to 1 month LIBOR to be dated April 15, 2016. As of December 31, 2014 the fair value of the swap was $(68) with $(39) reflected as the effective portion of other comprehensive loss.

On February 27, 2013 the Corporation executed a cash flow hedge utilizing an interest rate swap (Table Reference S-7) to hedge against exposure to variability in cash flows related to changes in projected interest payments caused by changes in the underlying index. The interest rate swap with a notional amount of $5,000 and an effective date of June 3, 2013 was designated as a cash flow hedge against the Bank's floating rate advance from the Federal Home Loan Bank. As of December 31, 2014 and 2013, the fair value of the swap was $25 and $68 with ($25) and $41 reflected as other comprehensive income/(loss). Interest expense recorded on the $5,000 swap transaction executed on February 27, 2013 was $50 and $26 during 2014 and 2013, respectively and is reported as a component of interest expense on FHLB debt. At December 31, 2014, the Corporation expected $42 of the unrealized loss to be reclassified as an increase of interest expense during 2015.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 15 - COMMITMENTS

	2014	2013
Unused lines of credit	$ 199,626	$ 194,984
Commercial letters of credit	2,174	2,017
Commitment to sell loans	3,889	3,173

At December 31, 2014 and 2013, the Bank was required to maintain $2,196 and $1,859, respectively, on deposit with the Federal Reserve or as cash on hand. These reserves earned interest at a rate of 0.25%.

During 2012 and 2010, the Corporation committed to invest $2,500 and $3,517, respectively, in funds that will invest the proceeds in various qualifying low-income housing projects. Subsequent to the initial investment the Corporation committed to an additional $13 in various low-income housing projects. In accordance with current accounting guidance, the entire investment was recorded at the time the commitment was made and is reflected on the Corporation's Consolidated Balance Sheet. During 2014 and 2013, $970 and $1,965 of the commitments were funded. The remaining commitments of $1,036 and $2,006 were recorded with other liabilities on the Consolidated Balance Sheet at December 31, 2014 and 2013, respectively.

During 2011, the Corporation committed to invest $3,203 in a limited liability company constructing a qualifying low-income housing development. In accordance with current accounting guidance, equity contributions toward this commitment will be recorded upon the attainment of pre-determined construction and operational benchmarks. The final $234 of the commitment was fulfilled during the year ended December 31, 2013.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 16 - REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet various capital requirements can initiate regulatory action. Management believes as of December 31, 2014, the Corporation and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

At year-end 2014 and 2013, the most recent regulatory notifications categorized the Bank as well capitalized under the framework for prompt corrective action. There are no conditions or events since the notifications that management believes changed the institution's category. Actual consolidated and Bank capital levels and minimum required levels were as follows.

	Actual		Required For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2014						
Total capital to risk weighted assets						
Consolidated	$ 130,212	12.6%	$ 82,917	8.0%	N/A	
Bank	136,554	13.2	82,891	8.0	$103,614	10.0%
Tier 1 capital to risk weighted assets						
Consolidated	$ 117,885	11.4%	$ 41,459	4.0%	N/A	
Bank	124,227	12.0	41,446	4.0	$ 62,168	6.0%
Tier 1 capital to average assets						
Consolidated	$ 117,885	9.0%	$ 52,370	4.0%	N/A	
Bank	124,227	9.5	52,290	4.0	$ 65,363	5.0%
2013						
Total capital to risk weighted assets						
Consolidated	$ 118,158	11.9%	$ 79,333	8.0%	N/A	
Bank	124,895	12.6	79,292	8.0	$ 99,115	10.0%
Tier 1 capital to risk weighted assets						
Consolidated	$ 105,874	10.7%	$ 39,667	4.0%	N/A	
Bank	112,611	11.4	39,646	4.0	$ 59,469	6.0%
Tier 1 capital to average assets						
Consolidated	$ 105,874	8.6%	$ 49,136	4.0%	N/A	
Bank	112,611	9.2	49,051	4.0	$ 61,313	5.0%

(Continued)

NOTE 17 - FAIR VALUES

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

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

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

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

The Corporation used the following methods and significant assumptions to estimate the fair value of each type of asset or liability carried at fair value:

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Derivative instruments consist of interest rate swaps and interest rate caps. The Corporation obtains fair values from financial institutions that use internal models with observable market inputs to estimate the values of these instruments (Level 2 inputs).

The fair value of mortgage servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Corporation is able to compare the valuation model inputs and results to widely available published industry data for reasonableness (Level 2 inputs).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned (OREO) are measured at fair value, less costs to sell. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 17 - FAIR VALUES (Continued)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis, including financial assets and liabilities for which the Corporation has elected the fair value option, are summarized below:

	Fair Value Measurements at December 31, 2014 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Investment securities available-for-sale:			
U.S. treasury and government agency securities	$ -	$ 79,760	$ -
Obligations of states and political subdivisions	-	66,392	-
Corporate obligations	-	2,277	-
Mortgage-backed securities, residential	-	67,934	-
Marketable equity securities	23	-	-
Total investment securities available-for-sale	$ 23	$ 216,363	$ -
Derivatives	$	$ 1,504	$
Financial Liabilities:			
Derivatives	$	$ 1,571	$

	Fair Value Measurements at December 31, 2013 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			
Investment securities available-for-sale:			
U.S. treasury and government agency securities	$ -	$ 73,631	$ -
Obligations of states and political subdivisions	-	54,457	-
Corporate obligations	-	2,307	-
Mortgage-backed securities, residential	-	48,668	-
Marketable equity securities	9	-	-
Total investment securities available-for-sale	$ 9	$ 179,063	$ -
Derivatives	$	$ 2,054	$
Financial Liabilities:			
Derivatives	$	$ 1,650	$

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 17 - FAIR VALUES (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	Fair Value Measurements at December 31, 2014 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Servicing rights	$ -	$ 2,384	$ -
Impaired loans			
Commercial	-	-	3,071
Agriculture	-	-	15,234
Residential Mortgage	-	-	1,330
Other real estate owned			
Residential	-	-	126

	Fair Value Measurements at December 31, 2013 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Servicing rights	$ -	$ 2,839	$ -
Impaired loans			
Commercial	-	-	2,225
Agriculture	-	-	10,813
Residential Mortgage	-	-	1,070
Other real estate owned			
Commercial	-	-	118
Residential	-	-	126

Appraisals or brokers-price-opinions for both collateral-dependent impaired loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Corporation. Once received, a member of the Loan Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. After the review of the appraisal, the Corporation typically applies a discount for liquidation and other considerations. For collateral dependent impaired loans this discount ranges from 0-20% for Agriculture and 10%-35% for Commercial and Residential Mortgage. For other real estate owned this discount ranges from 0-25%.

The following represent impairment charges recognized during the period:

Mortgage servicing rights, which are carried at lower of cost or fair value, included a portion carried at their fair value of $2,384 which is made up of the outstanding balance of $3,750 net of a valuation allowance of $1,366 at December 31, 2014, resulting in a $167 impairment charge for the year ending December 31, 2014. At December, 31, 2013 mortgage servicing rights included a portion carried at their fair value of $2,839, which is made up of the outstanding balance of $4,432 net of a valuation allowance of $1,593, resulting in a $37 impairment recovery for the year ending December 31, 2013.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 17 - FAIR VALUES (Continued)

Collateral dependent impaired loans include loans which are measured for impairment using the fair value of the collateral and loans that have been charged down to the fair value of the collateral. These loans had a carrying amount of $20,191, with a valuation allowance of $573 at December 31, 2014, resulting in an additional provision for loan losses of $42 for the year ending December 31, 2014. At December 31, 2013, impaired loans had a carrying amount of $15,218, with a valuation allowance of $1,169, resulting in an additional provision for loan losses of $499 for the year ending December 31, 2013.

Other real estate owned measured at fair value less costs to sell, had a net carrying amount of $126, which is made up of the outstanding balance of $200, net of a valuation allowance of $74 at December 31, 2014, resulting in a write-down of $0 for the year ended December 31, 2014. At December 31, 2013, other real estate owned measured at fair value less costs to sell, had a net carrying amount of $244, made up of the outstanding balance of $385, net of a valuation allowance of $141, resulting in a write-down of $69 for the year ended December 31, 2013.

The carrying amounts and estimated fair values of financial instruments, at December 31, 2014 and 2013 are as follows:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 79,535	$ 79,535	$ 51,733	$ 51,733
Securities available-for-sale	216,386	216,386	179,072	179,072
Securities held-to-maturity	14,259	14,784	19,873	20,632
Restricted stock	7,477	N/A	7,790	N/A
Loans held-for-sale	3,978	4,143	3,173	3,258
Loans, net	959,049	966,817	911,357	912,289
Accrued interest receivable	7,017	7,017	6,414	6,414
Derivatives	1,504	1,504	2,054	2,054
Financial liabilities				
Deposits	(1,101,396)	(1,103,040)	(1,011,768)	(1,014,830)
FHLB advances	(85,250)	(85,367)	(79,625)	(80,203)
Notes payable	(10,883)	(10,883)	(9,751)	(9,751)
Subordinated debentures	(18,000)	(10,817)	(18,000)	(10,436)
Accrued interest payable	(241)	(241)	(237)	(237)
Derivatives	(1,571)	(1,571)	(1,650)	(1,650)

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

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. The methods for determining the fair values for securities held to maturity is consistent with the methods for securities available for sale, which was described previously. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair value of loans held for sale is based on market quotes. Fair value of debt is based on current rates for similar financing. It was not practicable to determine the fair value of restricted stock due to restrictions placed on its transferability. The carrying value (zero) of off-balance-sheet items is considered to be a reasonable estimate of fair value of these instruments.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 18 - BUSINESS COMBINATION

On November 14, 2014 the Corporation acquired 7 branches of BMO Harris Bank, N.A located in the communities of Brazil, Clay City, Farmersburg, Logansport, Marion, Sullivan, and Terre Haute, Indiana through a purchase and assumption agreement. Acquisition-related costs of $256 are included in other operating expenses in the Corporation's income statement for the year ended December 31, 2014.

Under the acquisition method of accounting, the total estimated purchase price is allocated to the net tangible and intangible assets based on their current estimated fair values on the date of the acquisition. Based on management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on assumptions that are subject to change, the purchase price for the Bank of Indiana, N.A. branch acquisition is allocated as follows:

Cash	$ 117,929
Loans	119
Premises and equipment	1,616
Accrued interest receivable and other assets	317
Total assets acquired	119,981
Deposits	120,871
Accrued expenses and other liabilities	142
Total liabilities assumed	121,013
Total identifiable net liabilities assumed	(1,032)
Definite-lived intangible assets acquired	1,297
Bargain purchase gain	265

Definite-lived intangible assets acquired consist of core deposit intangibles.

Prior to the end of the one year measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 18 – BUSINESS COMBINATION (Continued)

On October 26, 2013 the Corporation acquired 4 branches of Bank of Indiana, N.A located in the communities of Bargersville, Dana, Hamlet and North Judson, Indiana through a purchase and assumption agreement. Acquisition-related costs of $50 and $123 are included in other in the Corporation's income statement for the year ended December 31, 2014 and 2013.

Under the acquisition method of accounting, the total purchase price is allocated to the net tangible and intangible assets based on their fair values on the date of the acquisition. Goodwill arising from the acquisition was adjusted by $247 during the measurement period and is now final as the measurement period has passed. The following table summarizes the assets acquired and liabilities assumed that were recognized at the acquisition date:

Cash and cash equivalents	$ 50,367
Securities	1,525
Loans	21,811
Restricted stock	1,375
Premises and equipment	931
Accrued interest receivable	139
Other assets	292
Total assets acquired	76,440
Deposits	77,242
Accrued expenses and other liabilities	69
Total liabilities assumed	77,311
Total identifiable net liabilities assumed	(871)
Definite-lived intangible assets acquired	592
Goodwill	279

Definite-lived intangible assets acquired consist of core deposit intangibles.

(Dollar amounts in thousands except share and per share data)

NOTE 19 - PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
Assets		
Cash	$ 2,787	$ 1,380
Investment in subsidiaries	139,115	124,288
Dividend receivable	1	-
Other assets	1,893	1,771
	$ 143,796	$ 127,439
Liabilities		
Notes payable	$ 10,883	$ 9,751
Dividend payable and other liabilities	2,769	1,444
Subordinate debentures payable to:		
First Farmers Statutory Trust II	5,000	5,000
First Farmers Statutory Trust III	13,000	13,000
	31,652	29,195
Shareholders' equity	112,144	98,244
	$ 143,796	$ 127,439

CONDENSED STATEMENTS OF INCOME
Years ended December 31, 2014 and 2013

	2014	2013
Dividends from subsidiaries	$ 6,100	$ 4,600
Other income	29	50
Interest expense	(869)	(724)
Other operating expenses	(732)	(626)
Income tax benefit	678	549
Equity in undistributed income (excess distributions) of subsidiaries	11,020	11,968
Net Income	$ 16,226	$ 15,817

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 19 - PARENT COMPANY CONDENSED FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Net income	$ 16,226	$ 15,817
Adjustments to reconcile net income to net cash from operating activities		
Equity in (undistributed income) excess distributions of subsidiaries	(11,020)	(11,968)
Stock-based compensation	163	145
Change in other assets and liabilities	801	(811)
Net cash from operating activities	6,170	3,183
Cash flows from investing activities		
Investments in subsidiaries	(2,499)	(6,250)
Net cash used in investing activities	(2,499)	(6,250)
Cash flows from financing activities		
Advances from notes payable	2,500	10,000
Payments on notes payable	(1,367)	(4,749)
Dividends paid	(3,494)	(2,029)
Purchase of treasury stock	(10)	(18)
Sale of treasury stock	107	111
Net cash from (used in) financing activities	(2,264)	3,315
Net change in cash	1,407	248
Beginning cash	1,380	1,132
Ending cash	$ 2,787	$ 1,380

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 20 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The tables below present changes in accumulated other comprehensive income (loss) by component, net of tax, for the year ending December 31, 2014 and 2013:

December 31, 2014	Gains and Losses on Derivatives	Unrealized Gains and Losses On Available-for-Sale Securities	Total
Beginning balance	$ 109	$ (998)	$ (889)
Other comprehensive income before reclassification	(416)	1,468	1,052
Amounts reclassified from accumulated other comprehensive income	-	8	8
Net current period other comprehensive income	(416)	1,476	1,060
Ending balance	$ (307)	$ 478	$ 171

December 31, 2013	Gains and Losses on Derivatives	Unrealized Gains and Losses On Available-for-Sale Securities	Total
Beginning balance	$ (144)	$ 2,000	$ 1,856
Other comprehensive income before reclassification	253	(3,006)	(2,753)
Amounts reclassified from accumulated other comprehensive income	-	(8)	(8)
Net current period other comprehensive income	253	(2,998)	(2,745)
Ending balance	$ 109	$ (998)	$ (889)

(Continued)

(Dollar amounts in thousands except share and per share data)

NOTE 20 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The tables below present significant amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ending December 31, 2014 and 2013:

December 31, 2014

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains and losses on available-for-sale securities	$ (13)	Net loss on sale and redemption of securities
	(13)	Total before tax
	5	Tax (expense) or benefit
	$ (8)	Net of tax

December 31, 2013

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains and losses on available-for-sale securities	$ 13	Net gain on sale and redemption of securities
	13	Total before tax
	(5)	Tax (expense) or benefit
	$ 8	Net of tax

NOTE 21 – SUBSEQUENT EVENT

On September 26, 2014, the Corporation entered into Agreements and Plans of Merger to acquire three community banks in Illinois, excluding certain loans receivable and other real estate. The banks that will be acquired are Community Bank in Hoopeston, Illinois; United Community Bank in Oakwood, Illinois and First National Bank of Chrisman in Chrisman, Illinois. The combined assets of the banks at the time of the announcement were $165,000 (unaudited). Regulatory approvals were received between February 3, 2015 and March 13, 2015 and the Corporation expects the transactions to close in the second quarter of 2015.