

January 15, 2014

Dear Shareholder,

I am pleased to report that the Board of Directors declared the enclosed dividend of \$0.22 per share on December 17, 2013 for holders of record as of December 31, 2013. This quarterly dividend reflects an increase of 22.2% from the December 2012 payment on a split-adjusted basis.

Based on preliminary figures, the Company's December 2013 quarterly earnings were \$3.8 million, or \$1.07 per share. For the year, net income was a record at \$15.8 million, or \$4.44 per share, an increase of \$0.67 per share from the 2012 period. Operating revenues increased 9.4% to \$54.4 million in 2013 while operating expenses increased 4.1% and the provision for credit losses fell 8.4%. Return on average assets and return on average equity were 1.4% and 16.8% respectively.

Average assets increased to \$1.24 billion during the quarter ended December 31, 2013, an increase of \$83.4 million, or 7.2% from the same quarter in 2012. Loans, net of the allowance for loan and lease losses increased to \$915.2 million as of December 31, 2013, an increase of \$42.7 million for the quarter and \$61.9 million over the prior twelve months. Deposits increased \$85.6 million during the quarter to \$1.01 billion as of December 31, 2013 while they have increased \$65.3 million over the course of the past year. The book value of shareholder equity increased 12.0% to \$98.4 million, or \$27.58 per share.

On October 25, 2013 we completed the purchase and assumption of certain assets and liabilities of Bank of Indiana, N.A. Deposits of \$77.3 million were assumed while loans of \$22.8 million were purchased. The Company's branch network also expanded with the addition of facilities in Bargersville, Dana, and Hamlet and a second location in North Judson, Indiana. On November 14, 2013 we completed the purchase of the historic Armstrong-Landon building in downtown Kokomo. During the first quarter of 2014 branch operations will commence at that location and we will centralize our Howard County wealth management unit and several operational departments into that facility.

As always, we appreciate your business and support.

A handwritten signature in cursive script, appearing to read "Gene Miles".

Gene Miles
President & CEO