CITBA

2014 Annual Report

HERE'S TO PEOPLE
EST 1931

OUR MISSION

Building customer relationships to maximize shareholder value.

Annual disclosure statements, as required, but not reviewed by the FDIC for accuracy or relevance, are available upon request at any branch office or by writing Citizens Bank, 33 North Indiana Street, Mooresville, IN 46158 or calling 317-831-0110.

To our Shareholders:

We are honored to be writing our first Annual Shareholder Letter as President and Chairman of the Board of CITBA and Citizens Bank. While our time in the new positions has been short, we believe many positive steps have been taken to build upon an already strong company. Later in the letter we will review some of the changes in 2014 and thoughts for 2015. Enclosed is our Company's Annual Report listing comparable figures for 2014 and 2013. The statements presented contain consolidated results for CITBA Financial Corporation and its wholly owned subsidiary, Citizens Bank, Mooresville.

Net income was $977,700 for 2014, compared to $2,422,700 in 2013. The decrease in net income was due to the termination of the Citizens Bank Defined Benefit Pension Plan and the distribution of the plan assets to the plan beneficiaries in November of 2014, and the return to normal levels for the Provision for Loan Losses. The termination of the pension plan in the fourth quarter of 2014 was announced in a press release on July 18, 2014. As a result of the plan termination, a pension expense of $1,541,000 before tax, or $935,000 after income tax, was recorded in the fourth quarter. The Net Provision for Loan Losses was $201,000 and $(272,000) for 2014 and 2013 respectfully for a year-over-year change of $473,000.

Total assets increased 4.6%, ending the year at $395,725,000 and total deposits increased by 3.9%, ending the year at $343,492,000. Total loans, net of the allowance for loan loss, increased 13.4%, ending at $277,622,000.

The Board was pleased to be able to return an increasing amount of capital to our shareholders in the form of four quarterly dividends totaling $0.71 per share in 2014. This dividend amount represents an increase of 136.7% over the amount paid in 2013. As the capital-to-asset ratio increases and the financial performance continues to improve, the Board will continue to evaluate appropriate capital distributions for 2015 and beyond.

As announced in October 2014, Lynn Gordon retired and Keith Lindauer was named his successor. Keith has been with the Bank since May 2012 as the Senior Lending Officer. Additionally, Steve Mills stepped down as Chairman of the Board, but remains a Board Member, and was succeeded by Larry Heydon who has been on the Board of Directors since January 2012. Also in 2014, the head of Retail, Bob Kinder, retired and a search for his replacement is being conducted.

In late 2014 we began evaluating the structure of the retail/branch operations and initiated personnel changes in early 2015. As these changes are fully implemented, we anticipate improved efficiency and customer service. We are also in the process of implementing changes in our backroom support areas to improve efficiency. 2014 was also characterized by the implementation of additional regulatory initiatives, leading to a strong compliance environment for the Bank.

Looking ahead to 2015, the Board and Management will continue to work on improving the performance of Citizens Bank by concentrating on increasing revenue from loan and deposit growth. As has been the situation for the past several years, we will continue to review how we do business to look for ways to improve efficiency and reduce cost. This includes maximizing our branch placement and technology platforms strategies. 2015 will continue to have many of the same interest rate challenges that we have experience the past several years. Loan interest rates continue to move down while deposit rates have essentially bottomed out, compressing the Bank's Net Interest Margin. While there is hope the regulatory burden will slow its aggressive pace of the past few years, we cannot assume this is likely. This affects us in many ways, including the increased cost of compliance and the implied need to hold our capital levels above regulatory minimums. While the challenges are many, so are the opportunities. We, the Board of Directors, and the entire staff work every day to make Citizens Bank the best it can be and to fulfill our mission of building customer relationships to maximize shareholder value.

Respectfully submitted,

Keith Lindauer President	Larry Heydon Chairman of the Board

FINANCIAL HIGHLIGHTS

AT YEAR END	2014	2013	Increase (Decrease)
Total Deposits	$343,492,144	$330,481,389	3.94%
Total Assets	395,725,199	378,161,505	4.64%
Loans	281,360,160	248,414,455	13.26%
Total Stockholder's Equity	38,044,071	36,228,271	5.01%
Book Value Per Share	41.04	39.08	5.02%

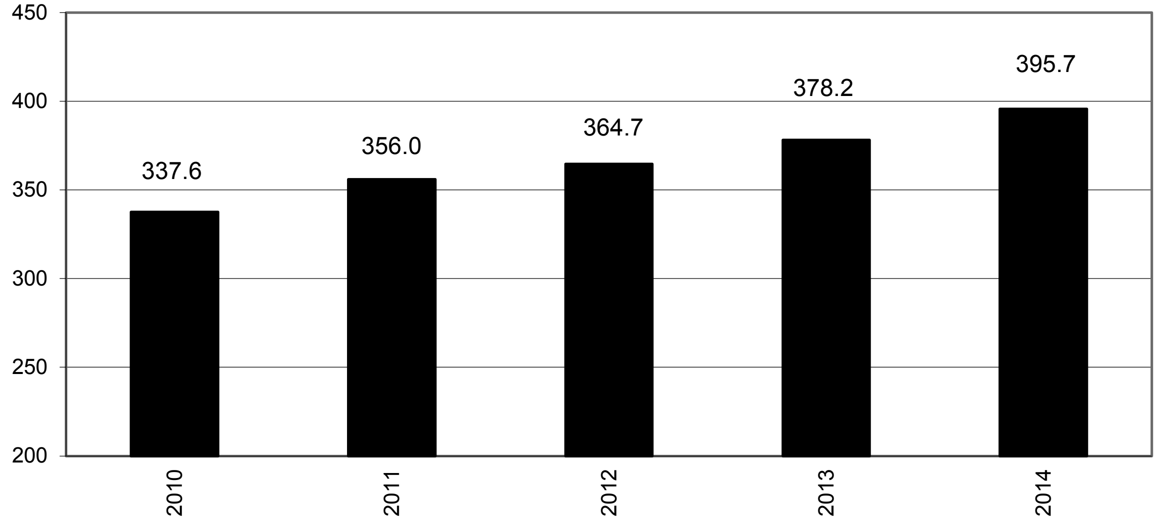
§§§§§§§§§§§§§§§§§§§§§§

FOR THE YEAR			
Net Income	$977,747	$2,422,686	(59.64%)
Net Income Per Share	1.05	2.61	(59.77%)
Cash Dividends Paid	658,154	278,081	136.68%
Dividends Paid Per Share	0.71	0.30	136.67%

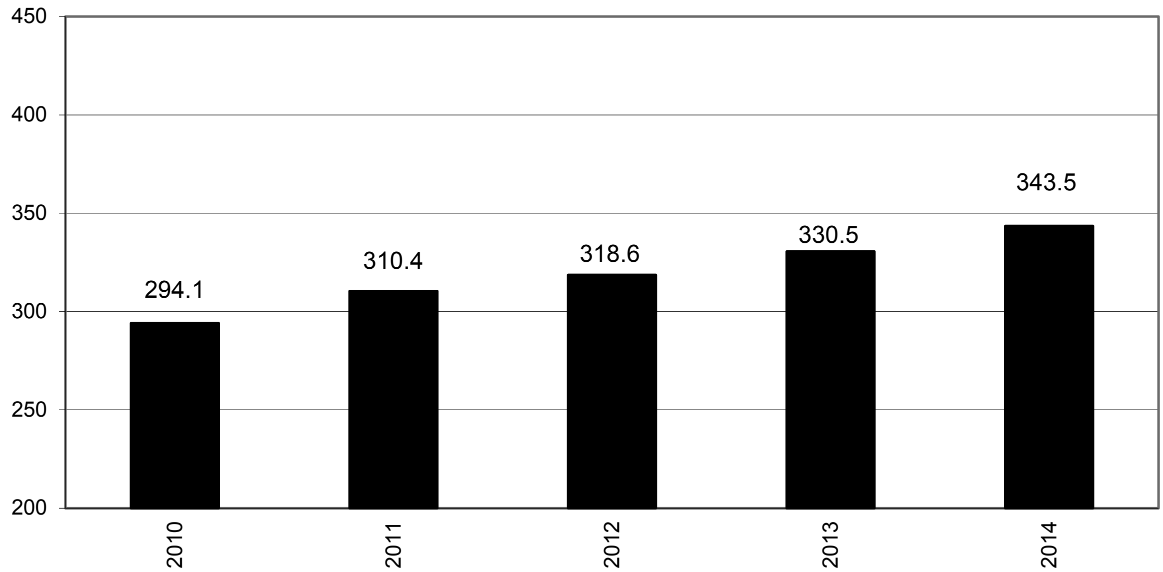
§§§§§§§§§§§§§§§§§§§§§§

FINANCIAL RATIOS			
Return on Average Assets	0.25%	0.64%	(60.94%)
Return on Average Stockholder's Equity	2.61%	6.77%	(61.45%)

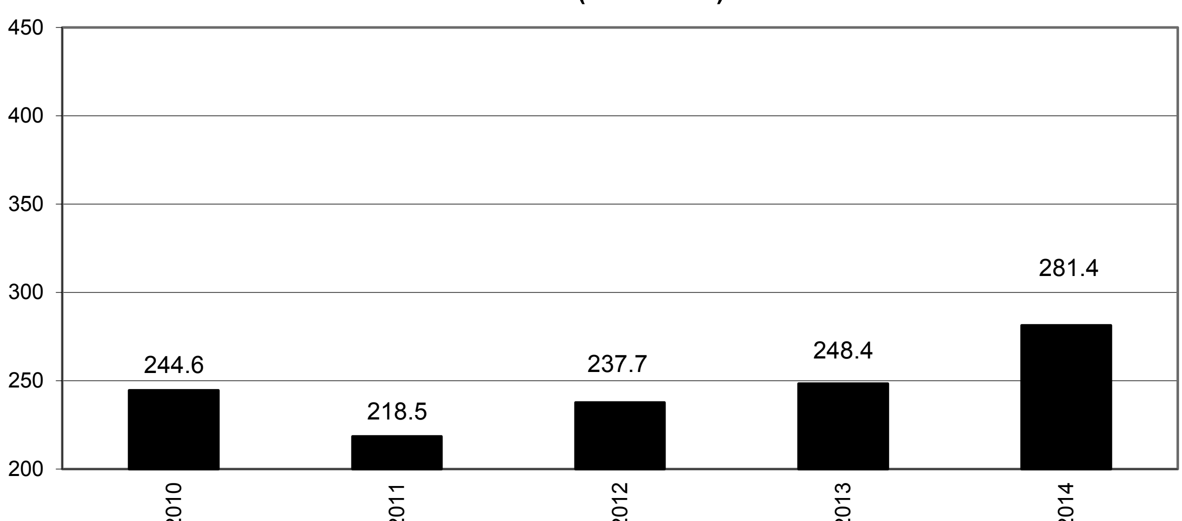
Assets (In Millions)



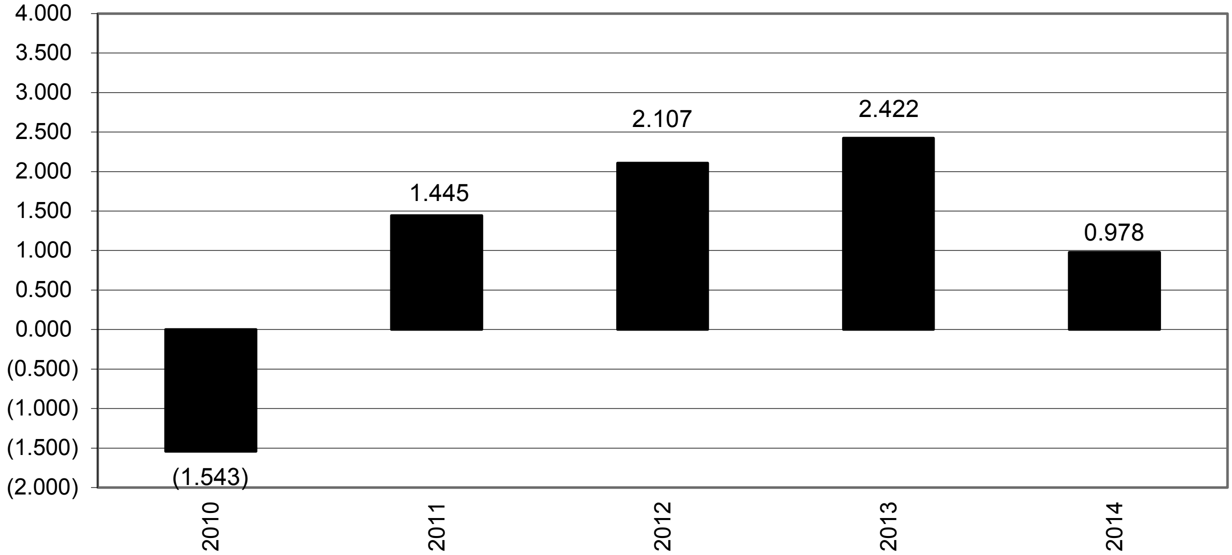
Deposits (In Millions)



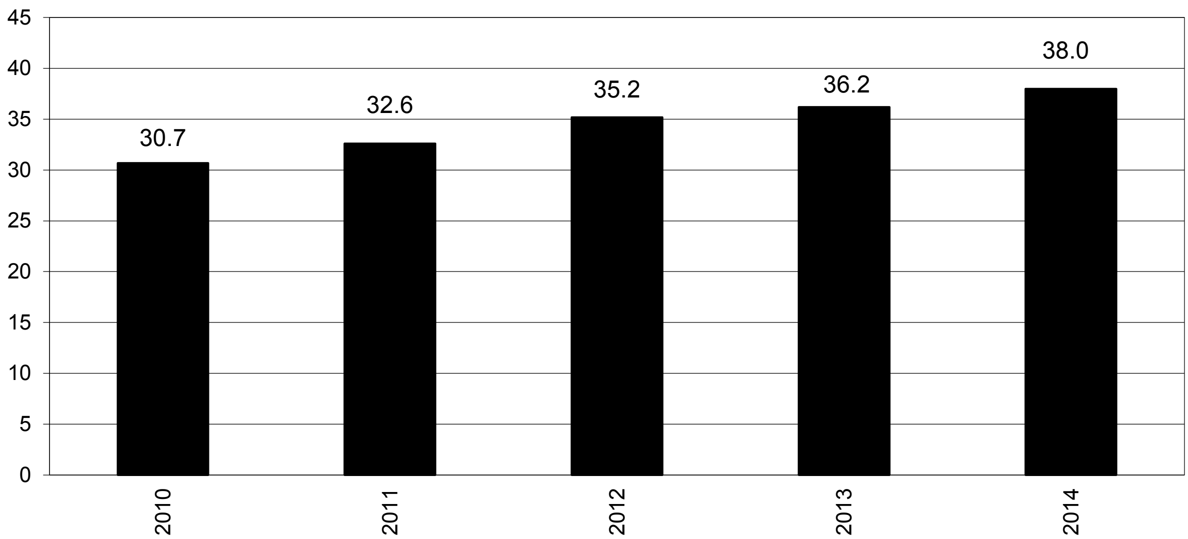
Loans (In Millions)



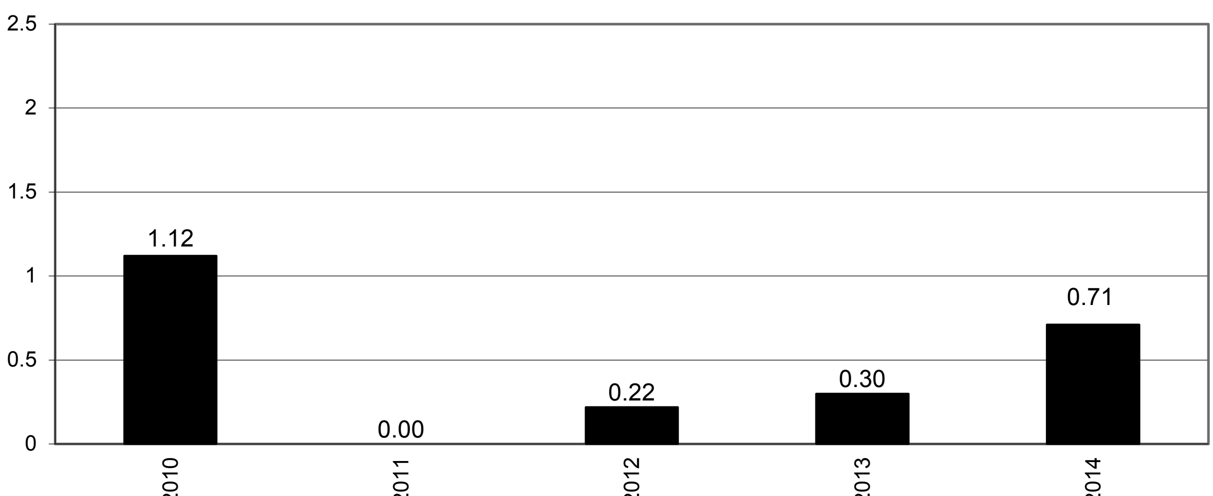
Net Income (Loss) (In Millions)



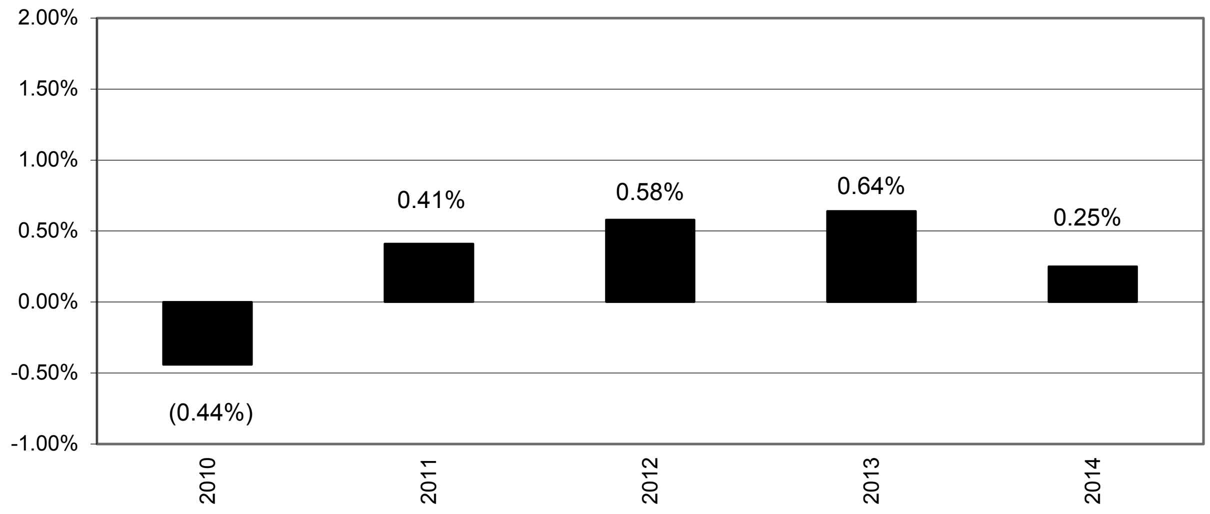
Total Stockholders' Equity (In Millions)



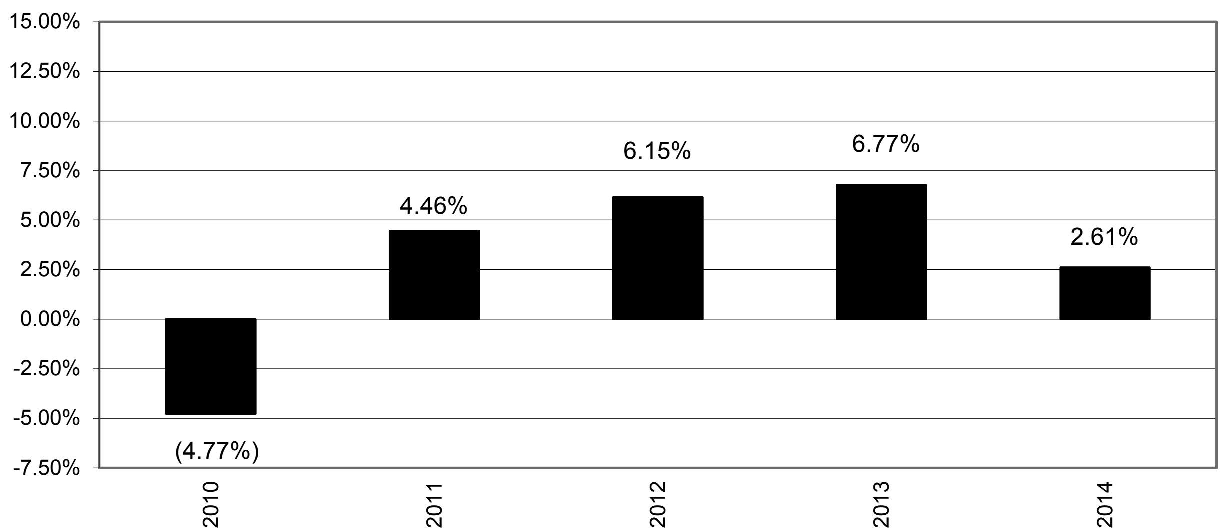
Dividends Paid Per Share (In Dollars)



Return (Loss) on Average Assets (Percentage)



Return (Loss) on Average Shareholders' Equity (Percentage)



BKD LLP
CPAs & Advisors
201 N. Illinois Street, Suite 700 // P.O. Box 44998 // Indianapolis, IN 46244-0998
317.383.4000 // fax 317.383.4200 // bkd.com

Independent Auditor's Report

Board of Directors
CITBA Financial Corporation
Mooresville, Indiana

We have audited the accompanying consolidated financial statements of CITBA Financial Corporation and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, 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 CITBA Financial Corporation and its subsidiary as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Indianapolis, Indiana
February 19, 2015

CITBA Financial Corporation
Consolidated Balance Sheets
December 31, 2014 and 2013

Assets

	2014	2013
Cash and due from banks	$ 3,088,005	$ 4,773,556
Interest-bearing demand deposits	3,120,389	31,647,234
Cash and cash equivalents	6,208,394	36,420,790
Investment securities		
Available for sale	94,909,408	70,519,839
Held to maturity (fair value of $6,822,915 and $13,598,467)	6,703,443	13,307,135
Total investment securities	101,612,851	83,826,974
Loans held for sale	-	449,957
Loans, net of allowance for loan losses of $3,737,722 and $3,631,102	277,622,438	244,783,353
Federal Home Loan Bank stock	1,834,000	2,750,000
Premises and equipment	4,890,362	5,077,231
Interest receivable	1,450,768	1,380,721
Foreclosed assets held for sale	206,313	670,589
Other assets	1,900,073	2,801,890
Total assets	$ 395,725,199	$ 378,161,505

Liabilities and Stockholders' Equity

	2014	2013
Liabilities		
Deposits		
Noninterest-bearing	$ 71,451,368	$ 69,067,205
Interest-bearing	272,040,776	261,414,184
Total deposits	343,492,144	330,481,389
Borrowings	13,024,000	10,086,000
Interest payable	31,101	47,596
Other liabilities	1,133,883	1,318,249
Total liabilities	357,681,128	341,933,234
Stockholders' Equity		
Preferred stock, nonvoting $10 par value		
Authorized and unissued - 35,000 shares		
Common stock, $1 stated value		
Authorized - 1,000,000 shares		
Issued and outstanding - 926,977 and 926,827 shares	926,977	926,977
Additional paid-in capital	4,452,750	4,452,750
Retained earnings	31,847,824	31,528,231
Accumulated other comprehensive income (loss)	816,520	(679,687)
Total stockholders' equity	38,044,071	36,228,271
Total liabilities and stockholders' equity	$ 395,725,199	$ 378,161,505

CITBA Financial Corporation

Consolidated Statements of Income

Years Ended December 31, 2014 and 2013

	2014	2013
Interest Income		
Loans receivable	$ 11,837,033	$ 11,801,368
Investment securities		
Taxable	1,878,543	1,553,469
Tax-exempt	342,934	568,838
Other	40,693	79,487
Dividends	125,632	106,938
Total interest income	14,224,835	14,110,100
Interest Expense		
Deposits	1,396,619	1,593,306
Short-term borrowings	5,190	2,734
Total interest expense	1,401,809	1,596,040
Net Interest Income	12,823,026	12,514,060
Provision (adjustment) for loan losses	201,000	(272,000)
Net Interest Income After Provision for Loan Losses	12,622,026	12,786,060
Other Income		
Service charges on deposit accounts	1,556,600	1,614,167
Card services income	1,122,348	1,049,967
Other customer fees	600,926	567,408
Gain on loans sold	101,657	495,883
Income from foreclosed assets	53,915	6,400
Gain (loss) on other assets	(48,850)	93,991
Other income	53,573	97,053
Total other income	3,440,169	3,924,869
Other Expense		
Salaries and employee benefits	7,348,131	7,166,750
Pension plan expense	1,540,542	8,783
Premises and equipment expenses	1,245,982	1,337,485
Data processing fees	1,082,464	1,015,196
Deposit insurance premium	252,852	276,231
Printing and office supplies	163,934	169,163
Postage and courier services	236,597	228,365
Card services expense	368,989	564,366
Marketing	248,528	207,548
Loan expense	212,477	238,460
Telephone expenses	201,138	170,767
Internet banking expense	441,464	377,821
Other expenses	1,455,061	1,447,861
Total other expense	14,798,159	13,208,796
Income Before Income Tax	1,264,036	3,502,133
Income tax expense	286,289	1,079,447
Net Income	$ 977,747	$ 2,422,686
Net Income Per Share	$ 1.05	$ 2.61
Weighted-Average Shares Outstanding	926,977	926,902

CITBA Financial Corporation

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2014 and 2013

	2014	2013
Net Income	$ 977,747	$ 2,422,686
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of tax (benefit) of $317,417 and $(777,748) for 2014 and 2013, respectively	616,163	(1,509,746)
Change in defined-benefit pension plan gains and losses, net of taxes of $577,244 and $274,999 for 2014 and 2013, respectively	880,044	419,268
	1,496,207	(1,090,478)
Comprehensive Income	$ 2,473,954	$ 1,332,208

CITBA Financial Corporation

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2014 and 2013

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive Income	
	Shares	Amount	Capital	Earnings	(Loss)	Total
Balance, January 1, 2013	926,827	$ 926,827	$ 4,447,650	$ 29,383,626	$ 410,791	$ 35,168,894
Net income				2,422,686		2,422,686
Other comprehensive loss					(1,090,478)	(1,090,478)
Dividends, $0.30 per share				(278,081)		(278,081)
Sale of stock	150	150	5,100			5,250
Balance, December 31, 2013	926,977	926,977	4,452,750	31,528,231	(679,687)	36,228,271
Net income				977,747		977,747
Other comprehensive income					1,496,207	1,496,207
Dividends, $0.71 per share				(658,154)		(658,154)
Balance, December 31, 2014	926,977	$ 926,977	$ 4,452,750	$ 31,847,824	$ 816,520	$ 38,044,071

CITBA Financial Corporation

Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Activities		
Net income	$ 977,747	$ 2,422,686
Items not requiring (providing) cash		
Provision (adjustment) for loan losses	201,000	(272,000)
Depreciation and amortization	368,311	406,863
Deferred income taxes	(256,363)	708,292
Investment securities amortization, net	486,117	458,158
(Gain) loss on other assets	48,850	(93,991)
Loss on curtailment and settlement of defined-benefit plan	1,533,875	-
Changes in		
Interest receivable	(70,047)	48,208
Interest payable	(16,495)	(9,284)
Loans held for sale	449,957	1,135,635
Other adjustments	(105,911)	259,039
Net cash provided by operating activities	3,617,041	5,063,606
Investing Activities		
Purchases of securities available for sale	(31,691,414)	(15,685,973)
Proceeds from maturities of securities available for sale	7,760,000	10,370,000
Purchases of held to maturity	(350,000)	-
Proceeds from maturities and paydowns of securities held to maturity	6,943,000	3,489,250
Proceeds from sale of Federal Home Loan Bank stock	916,000	-
Proceeds from sale of real estate owned	782,219	1,057,864
Net change in loans	(33,401,065)	(11,739,504)
Purchase of premises and equipment	(206,493)	(332,373)
Proceeds from sale of premises and equipment	16,478	74,581
Net cash used in investing activities	(49,231,275)	(12,766,155)
Financing Activities		
Net change in		
Noninterest-bearing, interest-bearing demand and savings deposits	20,833,296	18,062,404
Certificates and other time deposits	(7,822,541)	(6,350,861)
Short-term borrowings	(1,862,000)	1,439,000
Proceeds from Federal Home Loan Bank advances	64,100,000	-
Paydowns of Federal Home Loan Bank advances	(59,300,000)	-
Cash dividends	(546,917)	(278,081)
Sale of stock	-	5,250
Net cash provided by financing activities	15,401,838	12,877,712
Net Change in Cash and Cash Equivalents	(30,212,396)	5,175,163
Cash and Cash Equivalents, Beginning of Year	36,420,790	31,245,627
Cash and Cash Equivalents, End of Year	$ 6,208,394	$ 36,420,790
Additional Cash Flows Information		
Interest paid	$ 1,418,304	$ 1,605,324
Income taxes paid	346,000	503,395
Transfers to other real estate from loans	360,980	460,782

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The accounting and reporting policies of CITBA Financial Corporation (Company), its wholly owned subsidiary, Citizens Bank, Mooresville (Bank), and the Bank's wholly owned subsidiaries, CITBA Investments, Inc. and Citizens Insurance Services, Inc., conform to accounting principles generally accepted in the United States of America and reporting practices followed by the banking industry. The more significant of the policies are described below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, loan servicing rights and fair values of financial instruments.

The Company is a bank holding company whose principal activity is the ownership and management of the Bank. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to the regulation of the Department of Financial Institutions, the State of Indiana and the Federal Deposit Insurance Corporation.

The Bank generates commercial, mortgage and consumer loans and receives deposits from customers located primarily in Morgan County, Indiana and surrounding counties. The Bank's loans are generally secured by specific items of collateral including real property, consumer assets and business assets.

Consolidation - The consolidated financial statements include the accounts of the Company and Bank after elimination of all material intercompany transactions.

Cash and Cash Equivalents - The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2014, the Company's cash accounts exceeded federally insured limits by approximately $1,989,000, which included approximately $1,871,000 on deposit with the Federal Reserve Bank and the Federal Home Loan Bank of Indianapolis as of December 31, 2014, which are not federally insured.

Investment Securities - Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below amortized cost when the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income (loss). For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income (loss) for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Loans Held for Sale - Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except residential and consumer loans, the Company promptly charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges off residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to timeframes established by applicable regulatory guidance, which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value, less costs to sell when the loan is 120 days past due, charge-off of unsecured open-end loans when the loan is 180 days past due, and charge down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all loan classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

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

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

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical charge-off experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the prior five years. Management believes the five year historical loss experience methodology is appropriate in the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for nonhomogenous type loans such as commercial, nonowner residential and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of impairment and annually thereafter for commercial, commercial real estate and multi-family loans. If the most recent appraisal is over a year old and a new appraisal is not performed, due to lack of comparable values or other reasons, the existing appraisal is utilized and discounted 20% - 40% based on the age of the appraisal, condition of the subject property and overall economic conditions. After determining the collateral value as described, the fair value is calculated based on the determined collateral value, less selling expenses. The potential for outdated appraisal values is considered in the determination of the allowance for loan losses through analysis of various trends and conditions including the local economy, trends in charge-offs and delinquencies, etc. and the related qualitative adjustments assigned by the Company.

Segments of loans with similar risk characteristics are collectively evaluated for impairment based on the segment's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company generally does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

In the course of working with borrowers, the Company may choose to restructure the contractual terms of certain loans. In this scenario, the Company attempts to work-out an alternative payment schedule with the borrower in order to optimize collectability of the loan. Any loans that are modified are reviewed by the Company to identify if a troubled debt restructuring ("TDR") has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status, and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms or a combination of the two. If such efforts by the Company do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Company may terminate foreclosure proceedings if the borrower is able to work out a satisfactory payment plan.

It is the Company's policy to have any restructured loans, which are on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance, at which time management would consider its return to accrual status. If a loan is accruing at the time of restructuring, the Company reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

With regard to determination of the amount of the allowance for credit losses, troubled debt restructured loans are considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings is the same as detailed previously.

Federal Home Loan Bank Stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula carried at cost and evaluated for impairment.

Premises and Equipment are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line and declining-balance methods based principally on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Foreclosed Assets Held for Sale - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Income Tax - The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiaries.

Comprehensive Income - Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale securities and changes in the funded status of the defined-benefit pension plan.

Reclassifications - Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on net income.

Note 2: Restrictions on Cash and Due From Banks

The Bank is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2014 was $440,000.

(Table Dollar Amounts in Thousands)

Note 3: Investment Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities				
December 31, 2014				
U.S. Government-sponsored agencies	$ 57,344	$ 279	$ (145)	$ 57,478
State and political subdivisions	36,328	1,279	(176)	37,431
	$ 93,672	$ 1,558	$ (321)	$ 94,909
December 31, 2013				
U.S. Government-sponsored agencies	$ 36,156	$ 456	$ (173)	$ 36,439
State and political subdivisions	34,060	740	(719)	34,081
	$ 70,216	$ 1,196	$ (892)	$ 70,520

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities				
December 31, 2014				
State and political subdivisions	$ 6,703	$ 120	$ -	$ 6,823
December 31, 2013				
State and political subdivisions	$ 13,307	$ 298	$ (7)	$ 13,598

The amortized cost and fair value of securities held to maturity and available for sale at December 31, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 965	$ 967	$ 9,585	$ 9,662
One to five years	5,738	5,856	38,771	39,086
Five to ten years	-	-	34,212	34,698
Over ten years	-	-	11,104	11,463
Totals	$ 6,703	$ 6,823	$ 93,672	$ 94,909

(Table Dollar Amounts in Thousands)

Securities with a carrying value of $63,823,000 and $59,250,000 were pledged at December 31, 2014 and 2013, respectively, to secure certain deposits and for other purposes as permitted or required by law.

There were no sales of securities available for sale during 2014 or 2013.

Certain investments in debt securities have a fair value, less than their historical cost. Total fair value of these investments at December 31, 2014 and 2013 was $30,382,000 and $28,227,000 respectively, which is approximately 30% and 34% of the Bank's available-for-sale and held-to-maturity investment portfolios. These declines primarily resulted from increases in market interest rates and failure of certain investments to maintain consistent credit quality ratings.

Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in either net income or accumulated other comprehensive loss in the period the other-than-temporary impairment is identified.

The following tables show the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2014 and 2013:

	2014					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government-sponsored agencies	$ 14,017	$ (72)	$ 4,633	$ (73)	$ 18,650	$ (145)
State and political subdivisions	6,157	(43)	5,575	(133)	11,732	(176)
Total temporarily impaired	$ 20,174	$ (115)	$ 10,208	$ (206)	$ 30,382	$ (321)

	2013					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government-sponsored agencies	$ 9,917	$ (173)	$ -	$ -	$ 9,917	$ (173)
State and political subdivisions	15,650	(586)	2,660	(140)	18,310	(726)
Total temporarily impaired	$ 25,567	$ (759)	$ 2,660	$ (140)	$ 28,227	$ (899)

(Table Dollar Amounts in Thousands)

U.S. Government-Sponsored Agencies and State and Political Subdivisions

The unrealized losses on the Company's investments in direct obligations of U.S. Government-sponsored agencies and state and political subdivisions were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2014.

Note 4: Loans and Allowance

Classes of loans at December 31, include:

	2014	2013
Commercial	$ 11,842	$ 11,095
Commercial real estate	82,757	74,481
Residential	29,808	30,054
Home equity	20,922	20,564
Consumer	136,031	112,220
Subtotal	281,360	248,414
Less: allowance for loan losses	(3,738)	(3,631)
Loans, net	$ 277,622	$ 244,783

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Commercial, Including Agricultural

Commercial and agricultural loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Commercial Real Estate, Including Construction

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, construction loans are underwritten utilizing feasibility studies, independent appraisal reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Residential, Consumer and Home Equity

Residential and consumer loans consist of two segments - residential mortgage loans and consumer loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

(Table Dollar Amounts in Thousands)

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

2014	Commercial	Commercial Real Estate	Residential	Consumer	Total
Beginning Balance	$ 84	$ 1,627	$ 693	$ 1,227	$ 3,631
Provision (adjustment)	12	(248)	5	432	201
Loans charged off	-	-	(91)	(271)	(362)
Recoveries	-	172	8	88	268
Ending Balance	$ 96	$ 1,551	$ 615	$ 1,476	$ 3,738

2013	Commercial	Commercial Real Estate	Residential	Consumer	Total
Beginning Balance	$ 105	$ 2,616	$ 564	$ 1,214	$ 4,499
Provision (adjustment)	29	(809)	173	335	(272)
Loans charged off	(50)	(321)	(56)	(401)	(828)
Recoveries	-	141	12	79	232
Ending Balance	$ 84	$ 1,627	$ 693	$ 1,227	$ 3,631

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

2014	Commercial	Commercial Real Estate	Residential	Consumer	Total
Allowance Balances:					
Individually evaluated for impairment	$ -	$ 122	$ 259	$ -	$ 381
Collectively evaluated for impairment	96	1,429	356	1,476	3,357
Total allowance for loan losses	$ 96	$ 1,551	$ 615	$ 1,476	$ 3,738
Loan Balances:					
Individually evaluated for impairment	$ -	$ 3,406	$ 1,218	$ -	$ 4,624
Collectively evaluated for impairment	11,842	79,351	49,512	136,031	276,736
Total loan balances	$ 11,842	$ 82,757	$ 50,730	$ 136,031	$ 281,360

(Table Dollar Amounts in Thousands)

	2013				
	Commercial	Commercial Real Estate	Residential	Consumer	Total
Allowance Balances:					
Individually evaluated for impairment	$ -	$ 123	$ 349	$ -	$ 472
Collectively evaluated for impairment	84	1,504	344	1,227	3,159
Total allowance for loan losses	$ 84	$ 1,627	$ 693	$ 1,227	$ 3,631
Loan Balances:					
Individually evaluated for impairment	$ -	$ 4,453	$ 1,365	$ -	$ 5,818
Collectively evaluated for impairment	11,095	70,028	49,253	112,220	242,596
Total loan balances	$ 11,095	$ 74,481	$ 50,618	$ 112,220	$ 248,414

Internal Risk Categories

Loan grades are numbered 1 through 8. Grades 1 through 4 are considered satisfactory grades. The grade of 5, or Watch or Special Mention, represents loans of lower quality and is considered criticized. The grades of 6, or Substandard, and 7, or Doubtful, refer to assets that are classified. The use and application of these grades by the Company will be uniform and shall conform to the Company's policy.

Prime (1) Loans are of superior quality with excellent credit strength and repayment ability providing a nominal credit risk.

Good (2) Loans are of above average credit strength and repayment ability providing only a minimal credit risk.

Satisfactory (3) Loans are of reasonable credit strength and repayment ability providing an average credit risk due to one or more underlying weaknesses.

Acceptable (4) Loans are of the lowest acceptable credit strength and weakened repayment ability providing a cautionary credit risk due to one or more underlying weaknesses.

Special Mention (5) A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

(Table Dollar Amounts in Thousands)

Substandard (6) Loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful (7) Loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (8) Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

The following tables present the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of December 31, 2014 and 2013:

	2014					
	Commercial	Commercial Real Estate	Residential	Home Equity	Consumer	Total
Grade:						
Pass (1-4)	$ 11,658	$ 76,937	$ 27,726	$ 20,859	$ 135,906	$ 273,086
Special mention (5)	166	4,141	577	-	39	4,923
Substandard (6)	18	1,679	1,505	63	86	3,351
Doubtful (7)	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-
Total	$ 11,842	$ 82,757	$ 29,808	$ 20,922	$ 136,031	$ 281,360

	2013					
	Commercial	Commercial Real Estate	Residential	Home Equity	Consumer	Total
Grade:						
Pass (1-4)	$ 9,792	$ 68,217	$ 27,765	$ 20,209	$ 112,038	$ 238,021
Special mention (5)	183	1,393	558	-	59	2,193
Substandard (6)	1,120	4,871	1,731	355	123	8,200
Doubtful (7)	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-
Total	$ 11,095	$ 74,481	$ 30,054	$ 20,564	$ 112,220	$ 248,414

(Table Dollar Amounts in Thousands)

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2014 and 2013:

2014

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Loans > 90 Days and Accruing
Commercial	$ 54	$ 3	$ -	$ 57	$ 11,785	$ 11,842	$ -
Commercial real estate	269	284	-	553	82,204	82,757	-
Residential	558	-	45	603	29,205	29,808	-
Home equity	76	-	26	102	20,820	20,922	26
Consumer	870	31	26	927	135,104	136,031	13
Total	$ 1,827	$ 318	$ 97	$ 2,242	$ 279,118	$ 281,360	$ 39

2013

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Loans > 90 Days and Accruing
Commercial	$ 166	$ 16	$ 45	$ 227	$ 10,868	$ 11,095	$ -
Commercial real estate	98	-	271	369	74,112	74,481	-
Residential	636	12	922	1,570	28,484	30,054	-
Home equity	-	-	203	203	20,361	20,564	-
Consumer	390	70	13	473	111,747	112,220	-
Total	$ 1,290	$ 98	$ 1,454	$ 2,842	$ 245,572	$ 248,414	$ -

The following table presents the Company's nonaccrual loans at December 31, 2014 and 2013:

	2014	2013
Commercial	$ 3	$ 2
Commercial real estate	184	1,715
Residential	1,054	1,171
Home equity	63	377
Consumer	46	102
Total nonaccrual loans	$ 1,350	$ 3,367

(Table Dollar Amounts in Thousands)

The following tables present impaired loans for the years ended December 31, 2014 and 2013:

	2014				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Impaired loans without a specific valuation allowance:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	1,797	2,104	-	2,036	169
Residential	416	433	-	419	24
Home equity	23	23	-	4	-
Consumer	-	-	-	-	-
	$ 2,236	$ 2,560	$ -	$ 2,459	$ 193
Impaired loans with a specific valuation allowance:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	1,609	1,609	122	1,945	117
Residential	779	822	259	805	-
Home equity	-	-	-	53	2
Consumer	-	-	-	-	-
	$ 2,388	$ 2,431	$ 381	$ 2,803	$ 119
	$ 4,624	$ 4,991	$ 381	$ 5,262	$ 312

(Table Dollar Amounts in Thousands)

	2013				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Impaired loans without a specific valuation allowance:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	2,083	2,460	-	2,032	55
Residential	290	290	-	406	26
Home equity	-	-	-	-	-
Consumer	-	-	-	2	-
	$ 2,373	$ 2,750	$ -	$ 2,440	$ 81
Impaired loans with a specific valuation allowance:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	2,370	2,657	123	2,925	103
Residential	987	1,004	309	486	-
Home equity	88	88	40	88	4
Consumer	-	-	-	-	-
	$ 3,445	$ 3,749	$ 472	$ 3,499	$ 107
	$ 5,818	$ 6,499	$ 472	$ 5,939	$ 188

The Company had one residential loan during 2014 that was classified as a new troubled debt restructuring with a pre and post-modification balance of $13,525. The modification of this loan included an extension on the due date of the next payment and term of the loan. The Company had two commercial real estate loans that during 2014 were classified as new troubled debt restructurings with a pre and post-modification balance of $164,655 and $169,736, respectively. The modification of these loans included a change in the stated interest rate and consolidation of multiple loans. The Company had one home equity line of credit during 2014 that was classified as a new troubled debt restructuring with a pre and post-modification balance of $22,966. The modification of this loan included an extension on the due date of the next payment and term of the loan. The Company had two commercial real estate loans that during 2013 were classified as new troubled debt restructurings with a pre and post-modification balance of $191,000. The modifications of these loans included a reduction of the stated interest rate and modification of payment terms. The Company has one commercial real estate loan that during 2012 was classified as a new troubled debt restructuring with a pre and post-modification balance of $154,000. The modification of this loan included a reduction of the stated interest rate.

The Company has not had any troubled debt restructuring that subsequently defaulted during 2014 and 2013.

(Table Dollar Amounts in Thousands)

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2014	2013
Land	$ 1,905	$ 1,905
Buildings	6,425	6,729
Leasehold improvements	59	157
Equipment	4,028	4,188
Construction in progress	42	-
Total cost	12,459	12,979
Accumulated depreciation and amortization	(7,569)	(7,902)
Net	$ 4,890	$ 5,077

Note 6: Deposits

	2014	2013
Noninterest-bearing	$ 71,451	$ 69,067
Money market checking accounts	106,281	92,471
Money market savings accounts	48,127	48,336
Savings deposits	52,180	47,331
Certificates and other time deposits of $100,000 or more	26,123	29,169
Other certificates and time deposits	39,330	44,107
Total deposits	$ 343,492	$ 330,481

Certificates and other time deposits maturing in:

2015	$ 28,129
2016	14,773
2017	4,839
2018	7,107
2019	7,197
Thereafter	3,408
	$ 65,453

(Table Dollar Amounts in Thousands)

Note 7: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were $76,604,000 and $83,441,000 at December 31, 2014 and 2013, respectively.

The aggregate fair value of capitalized mortgage-servicing rights at December 31, 2014 and 2013 were immaterial to the consolidated financial statements taken as a whole.

Note 8: Borrowings

	2014	2013
Securities sold under repurchase agreements	$ 8,224	$ 10,086
Federal Home Loan Bank advances	4,800	-
Total borrowings	$ 13,024	$ 10,086

Securities sold under agreements to repurchase consist of obligations of the Bank to other parties. The obligations are secured by federal agency securities, and such collateral is held in safekeeping by another financial institution. The maximum amount of outstanding agreements at any month-end during 2014 and 2013 totaled $16,951,000 and $12,941,000, respectively, and the daily average of such agreements totaled $10,868,000 and $11,636,000, respectively. The agreements at December 31, 2014 and 2013, mature daily.

Federal Home Loan Bank advances outstanding at December 31, 2014 mature on June 29, 2015 and carry an interest rate of 0.43%. These advances are secured by loans totaling $24,724,000 and specific investment securities with a carrying value of $14,271,000. Advances are subject to restrictions or penalties in the event of prepayment.

Note 9: Income Tax

The Company files income tax returns in the U.S. federal jurisdiction and Indiana jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2011.

(Table Dollar Amounts in Thousands)

	2014	2013
Income tax expense (benefit)		
Currently payable		
Federal	$ 533	$ 390
State	9	(19)
Deferred		
Federal	(207)	555
State	(49)	153
Total income tax expense	$ 286	$ 1,079
Reconciliation of federal statutory to actual tax expense (benefit)		
Federal statutory income tax at 34%	$ 430	$ 1,191
Tax-exempt interest	(121)	(196)
Effect of state income taxes	(26)	88
Other	3	(4)
Actual tax expense	$ 286	$ 1,079

A cumulative net deferred tax asset is included in other assets. The components of the asset are as follows:

	2014	2013
Assets		
Allowance for loan losses	$ 891	$ 882
Depreciation and amortization	-	48
Employee benefits	148	174
Pension benefits	-	610
AMT credit carryover	602	858
Net operating loss	237	272
Other real estate owned	-	3
Other	138	118
Total assets	2,016	2,965
Liabilities		
Mortgage-servicing rights	(166)	(210)
Depreciation and amortization	(7)	-
State income tax	(176)	(211)
Accretion of investment discounts	(6)	(9)
Unrealized gain on securities available for sale	(420)	(103)
Pension benefits	-	(529)
Loan fees	(7)	(25)
FHLB stock dividend	(10)	(15)
Prepaid expense	(177)	(179)
Total liabilities	(969)	(1,281)
	$ 1,047	$ 1,684

(Table Dollar Amounts in Thousands)

The Company has a $602,000 alternative minimum tax credit carryover. This credit can be used in future years to offset regular tax if it exceeds alternative minimum tax. These credits have no expiration date. The Company also has a state net operating loss (NOL) carryforward of approximately $3,156,000, which will begin to expire in 2025.

Management believes that no valuation allowance was necessary during 2014 or 2013.

Note 10: Stock Transactions

There were no stock purchase transactions in 2014.

The Company sold 150 shares of its common stock in 2013 for a total sales price of $5,300. Sales in 2013 included 150 shares under the employee stock purchase plan.

Note 11: Employee Benefits

The Company had a noncontributory defined-benefit pension plan covering substantially all employees who meet the eligibility requirements. The plan was frozen effective December 31, 2010. The Company's funding policy was to make the minimum annual contribution that was required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. In 2014, the Company elected to terminate the plan with final settlement, including the distribution of all plan assets, which was completed in the fourth quarter of the 2014. The Company recorded a loss of $1,534,000 as a result of the termination and settlement of the plan.

The Company uses a December 31 measurement date for the plan. Significant balances, costs and assumptions are:

	2014	2013
Benefit obligation	$ -	$ (5,708)
Fair value of plan assets	-	5,519
Funded status	$ -	$ (189)
Accumulated benefit obligation	$ -	$ 5,708
Amounts recognized in the consolidated balance sheets:		
Accrued benefit liability	$ -	$ (189)

(Table Dollar Amounts in Thousands)

Amounts recognized in accumulated other comprehensive income (net of tax) not yet recognized as components of net periodic benefit costs consists of:

	2014	2013
Net loss	$ -	$ 880

	2014	2013
Other significant balances and costs are:		
Benefit cost	$ 1,541	$ 8
Employer contribution	272	400
Benefits paid	5,993	335

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):

	Pension Benefits	
	2014	2013
Amount arising during the period		
Net gain (loss)	$ (95)	$ 334
Amounts reclassified as components of net periodic benefit cost of the period		
Net loss	(975)	(84)

	2014	2013
Significant assumptions include:		
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.25%	4.25%
Rate of compensation increase	0.00%	0.00%
Weighted-average assumptions used to determine benefit costs:		
Discount rate	4.25%	3.75%
Expected return on plan assets	5.71%	7.50%
Rate of compensation increase	0.00%	0.00%

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

(Table Dollar Amounts in Thousands)

Plan assets were held by a bank-administered trust fund, which invested the plan assets in accordance with the provisions of the plan agreement. The plan agreement permitted investment in common stocks, corporate bonds and debentures, U.S. Government securities, certain insurance contracts, real estate and other specified investments, based on certain target allocation percentages. The plan could invest in certain derivative securities.

Asset allocation was primarily based on a strategy to provide stable earnings while still permitting the plan to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2013 were as follows:

	Target Allocations
Equity securities	35% - 65%
Debt securities	35% - 65%
Real estate	0% - 25%
Other	0% - 10%

Plan assets were re-balanced quarterly. At December 31, 2013, plan assets by category were as follows:

	Asset Allocations 2013
Equity securities	52%
Debt securities	33%
Real estate	10%
Other	5%

Equity securities primarily included investments in large-cap and mid-cap companies primarily located in the United States. Debt securities included mutual funds that invest in bonds. Other types of investments included money markets.

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include equity securities and debt securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include other securities. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3. There are no plan assets classified as Level 3.

(Table Dollar Amounts in Thousands)

The fair values of the Company's pension plan assets at December 31, 2013, by asset category, were as follows:

		2013 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 3,307	$ 3,307	$ -	$ -
Debt securities - mutual funds	2,212	1,930	282	-
	$ 5,519	$ 5,237	$ 282	$ -

The Bank has a retirement savings 401(k) plan in which substantially all employees may participate. For 2014 and 2013, the Bank matched employees' contributions at the rate of 100% for the first 3% of base salary contributed by participants, and matched at the rate of 50% for the next 2% of base salary contributed by participants, a total of 4%. The Bank's expense for the plan was $167,000 for 2014 and $153,000 for 2013.

The CITBA Financial Corporation Employee Stock Purchase Plan (Plan) enables eligible directors, officers and employees of the Company and Bank to purchase up to 40,000 shares of Company common stock. Pursuant to the Plan, the Company, at its discretion, may offer to sell shares annually on March 1 and September 1 at a price equal to the fair market value as determined by the Company's Board of Directors. Shares sold in any Plan year are generally limited to 500 shares per participant and 20,000 shares in the aggregate. The Plan also provides that the Company may, at its discretion, offer to repurchase such shares previously issued. This plan was terminated in October 2014.

Note 12: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), included in stockholders' equity, are as follows:

	2014	2013
Net unrealized gain on securities available for sale	$ 1,237	$ 304
Defined-benefit pension plan - net loss	-	(1,457)
	1,237	(1,153)
Tax effect	(420)	473
Net-of-tax amounts	$ 817	$ (680)

(Table Dollar Amounts in Thousands)

Note 13: Changes in Accumulated Other Comprehensive Income (AOCI) by Component

Amounts reclassified from AOCI and the affected line items in the consolidated statements of income during the years ended December 31, 2014 and 2013, were as follows:

	Amounts Reclassified From AOCI 2014	Amounts Reclassified From AOCI 2013	
Amortization of defined-benefit pension items			
Actuarial losses	$ (1,614)	$ (140)	Components are included in the computation of net periodic pension cost and presented in Note 11
	639	56	Tax benefit
	$ (975)	$ (84)	Net reclassified amount

Note 14: Commitments and Contingent Liabilities

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

Financial instruments whose contract amount represents credit risk as of December 31 were as follows:

	2014	2013
Commitments to extend credit	$ 51,396	$ 57,603
Standby letters of credit	179	156

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment and income-producing commercial properties. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party.

The Company and Bank are also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

Note 15: Dividends and Capital Restrictions

Without prior approval, current regulations allow the Bank to pay dividends to the Company not exceeding net profits (as defined) for the current year plus those for the previous two years. The Bank normally restricts dividends to a lesser amount because of the need to maintain an adequate capital structure.

Note 16: Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

(Table Dollar Amounts in Thousands)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2014 and 2013, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2014, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual and required capital amounts and ratios are as follows:

	2014					
	Actual		Minimum Required for Adequate Capital		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 40,885	13.0%	$ 25,214	8.0%	$ 31,518	10.0%
Tier I capital (to risk-weighted assets)	37,147	11.8	12,607	4.0	18,911	6.0
Tier I capital (to average assets)	37,147	9.5	15,670	4.0	19,588	5.0

	2013					
	Actual		Minimum Required for Adequate Capital		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 40,362	14.4%	$ 22,430	8.0%	$ 28,038	10.0%
Tier I capital (to risk-weighted assets)	36,856	13.1	11,215	4.0	16,823	6.0
Tier I capital (to average assets)	36,856	9.8	15,119	4.0	18,899	5.0

(Table Dollar Amounts in Thousands)

Note 17: Disclosures About Fair Values of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 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 for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014 and 2013:

		2014 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government-sponsored agencies	$ 57,478	$ -	$ 57,478	$ -
State and political subdivisions	37,431	-	37,431	-
	$ 94,909	$ -	$ 94,909	$ -

	2013			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government-sponsored agencies	$ 36,439	$ -	$ 36,439	$ -
State and political subdivisions	34,081	-	34,081	-
	$ 70,520	$ -	$ 70,520	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014.

Available-for-Sale Securities - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. Level 2 securities include U.S. Government agency securities and obligations of state and political subdivisions. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

(Table Dollar Amounts in Thousands)

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014 and 2013:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2014				
Impaired loans	$ 1,477	$ -	$ -	$ 1,477
December 31, 2013				
Impaired loans	$ 2,973	$ -	$ -	$ 2,973

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-Dependent Impaired Loans, Net of ALLL

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Controller's office. Appraisals are reviewed for accuracy and consistency by the Controller's office. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Controller's office by comparison to historical results.

(Table Dollar Amounts in Thousands)

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill.

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
December 31, 2014				
Collateral-dependent impaired loans	$ 1,477	Market comparable properties	Marketability discount and selling costs	10% - 15% (12%)
December 31, 2013				
Collateral-dependent impaired loans	$ 2,973	Market comparable properties	Marketability discount and selling costs	10% - 15% (12%)

Following is a description of the valuation methodologies used to estimate fair value for assets and liabilities of all other financial instruments in the accompany consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents - The fair value of cash and cash equivalents approximates carrying value.

Held-to-Maturity Securities - Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans Held for Sale - Carrying amount approximates fair value.

Loans - For both short-term loans and variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value for other fixed-rate loans is estimated using discounted cash flow analyses and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Federal Home Loan Bank Stock - The fair value of Federal Home Loan Bank stock is based on the price at which it may be resold to the Federal Home Loan Bank.

Interest Receivable/Payable - The fair values of interest receivable/payable approximate carrying values.

(Table Dollar Amounts in Thousands)

Deposits - The fair values of noninterest-bearing, interest-bearing demand and savings accounts are equal to the amount payable on demand at the balance sheet date. Fair values for fixed-rate certificates and time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on such time deposits.

Federal Home Loan Bank Advances - Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Short-Term Borrowings - The carrying amounts approximate fair value.

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

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$ 6,208	$ 6,208	$ 36,421	$ 36,421
Securities held to maturity	6,703	6,823	13,307	13,598
Loans held for sale	-	-	450	450
Loans, net	277,622	281,373	244,783	248,663
Federal Home Loan Bank stock	1,834	1,834	2,750	2,750
Interest receivable	1,451	1,451	1,381	1,381
Liabilities				
Deposits	343,492	344,000	330,481	331,906
Federal Home Loan Bank advances	4,800	4,800	-	-
Short-term borrowings	8,224	8,224	10,086	10,086
Interest payable	31	31	48	48

(Table Dollar Amounts in Thousands)

Note 18: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheets

	December 31, 2014	December 31, 2013
Assets		
Cash	$ 8	$ 22
Investment in common stock of subsidiary	37,964	36,176
Other	186	32
Total assets	$ 38,158	$ 36,230
Liabilities - accounts payable	$ 114	$ 2
Stockholders' Equity	38,044	36,228
Total liabilities and stockholders' equity	$ 38,158	$ 36,230

Condensed Statements of Income and Comprehensive Income

	Years Ended December 31, 2014	Years Ended December 31, 2013
Income		
Dividends from subsidiary	$ 690	$ 225
Other income	4	7
Total income	694	232
Expenses	8	6
Income before equity in undistributed income of subsidiary	686	226
Equity in undistributed income of subsidiary	292	2,197
Net Income	$ 978	$ 2,423
Comprehensive Income	$ 2,474	$ 1,332

(Table Dollar Amounts in Thousands)

Condensed Statements of Cash Flows

	Years Ended December 31, 2014	2013
Operating Activities		
Net income	$ 978	$ 2,423
Items not providing cash	(445)	(2,197)
Net cash provided by operating activities	533	226
Financing Activities		
Sale of stock	-	5
Cash dividends	(547)	(278)
Net cash used in financing activities	(547)	(273)
Net Change in Cash	(14)	(47)
Cash at Beginning of Year	22	69
Cash at End of Year	$ 8	$ 22

Note 19: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

CITBA FINANCIAL CORPORATION

Directors

Jeffrey A. Banning
Christopher J. Branson
Larry R. Heydon
Thomas A. Hubbard
William R. “Chip” Keller
Keith A. Lindauer
Stephen T. Mills
Calvin A. Persohn
Jon E. Williams

Officers

Larry R. Heydon, Chairman
Jon E. Williams, Vice Chairman
Keith A. Lindauer, President
William R. “Chip” Keller, Secretary
John Fleener, Treasurer

Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
www.amstock.com

JEFFREY A. BANNING

Director since 2010; Chair of the Compensation Committee; Member of the Asset/Liability Management Committee

Jeff Banning founded Banning Engineering 20 years ago and serves as its President. He is regularly involved in economic development, parks and recreation, municipal and private infrastructure and site design projects. He serves on the Boards of the Indiana Economic Development Association (IEDA), the Plainfield Chamber and the Parks Foundation of Hendricks County, and holds memberships with the Hendricks, Johnson, Knox, and Morgan County EDC's. Jeff is highly involved in running, promoting the Park2Park Relay and facilitating a training program for the Mini Marathon. Jeff graduated from the University of Evansville with a B.S. degree in Civil Engineering. He is married with four children and lives in Mooresville.

CHRISTOPHER J. BRANSON

Director since 2015; Member of the Audit and Corporate Governance Committees

Chris Branson began working in the funeral industry at Leppert Mortuary in Indianapolis when he was 17 and rose to the position of general manager. He resigned from Leppert Mortuary in 2005 and purchased Carlisle & Son Funeral Chapel in 2007, establishing the county's only onsite crematory. The company, rebranded as Carlisle-Branson Funeral Service & Crematory in 2010, celebrates its 120th anniversary this year. Chris is the Board President of the Community Foundation of Morgan County, Vice President of the Mooresville Chamber of Commerce and serves on the Board of the Mooresville Senior Center. He is a member of the Mooresville Kiwanis Club, the Mooresville Lions Club, Mooresville Masonic Lodge #78 and the St. Thomas More Knights of Columbus. He is also actively involved with Saints Francis and Clare School in Greenwood. Professionally, Chris is an active member of Selected Independent Funeral Homes and a member of the Indiana Funeral Directors Association and the National Funeral Directors Association. He earned a B.S.B.A. degree in Entrepreneurial Studies from Xavier University and graduated from Worsham College of Mortuary Science in Chicago. Chris is married with two children and lives in Mooresville.

LARRY R. HEYDON

Director since 2012; Chairman of the Board; Chair of the Executive Committee; Member of the Asset/Liability Management Committee

Larry Heydon serves as President/CEO of Johnson Memorial Health and previously served as Chief Financial Officer of the hospital. He also is the former Chief Executive of St. Francis Hospital, Mooresville. He began his career at Ernst and Young and developed a passion for the banking industry through his assignment on many bank consulting and audit engagements. He serves as Past Chairperson of the Johnson County Development Corporation, Co-Chairperson of Aspire Johnson County and Secretary/Treasurer of the JMH Foundation and previously served on the Morgan County Economic Development Corporation Executive Board. Larry holds a B.S. degree in Accounting from Butler University and an M.B.A. degree from Indiana Wesleyan. He also holds an inactive license as a certified public accountant (CPA). He is married with two children and lives in Greenwood.

THOMAS A. HUBBARD

Director since 1998; Chair of the Corporate Governance Committee; Member of the Loan & Investment Committee

Tom Hubbard raises both soybeans and corn on his family farm, where he serves as President of Windridge Farms, Inc. He also works as the Central Indiana Manager of Sunrise Energy Systems. He formerly worked with his father at the Hubbard Grain & Feed Mill for many years, and eventually took over as the fourth generation owner of the company. He attended Purdue University, completing the agriculture short course program in 1986. Tom is married with one son and lives in Monrovia.

WILLIAM R. "CHIP" KELLER

Director since 2010; Secretary of the Board; Chair of the Audit Committee; Member of the Executive Committee

Chip Keller is President of Keller Office Supply in Martinsville. He previously worked at Olive, LLP (now BKD, LLP) CPA firm in Indianapolis, where he specialized in financial institution audit and consulting work. He is very active in his local community, where he serves as President of the Martinsville Redevelopment Commission and the Morgan County Economic Development Corporation. Chip holds a B.S. degree in Accounting from Butler University and an inactive Indiana CPA license. He is married with two children and lives in Martinsville.

KEITH A. LINDAUER

Director since 2014; President; Chair of the Loan & Investment Committee; Member of the Asset/Liability Management and Executive Committees

Keith Lindauer was named President and CEO of Citizens Bank and CITBA Financial Corporation on October 22, 2014. With 28 years of banking experience in Central Indiana, he began his career with The National Bank of Greenwood, where he held a variety of positions in the consumer and commercial areas. He also worked for First Community Bank and Trust, where he was an Executive Vice President and Senior Loan Officer. In 2003, he transitioned to MainSource Bank as Senior Vice President and Director of Commercial Lending, eventually being promoted to Senior Commercial Banker. For the past two years, he served as Senior Vice President, Chief Lending Officer for Citizens Bank. He is a member of the Indiana Bankers Association Commercial Lending Committee, the Knights of Columbus and the Morgan County Economic Development Corporation. Keith graduated from Purdue University with a B.S. degree in Agriculture Finance and earned his MBA from the University of Indianapolis. Keith is married with two children and lives in Franklin.

STEPHEN T. MILLS

Director since 1996; Immediate Past Chairman of the Board; Member of the Asset/Liability Management, Corporate Governance and Loan & Investment Committees

Steve Mills is a managing partner of Mills Family Farms, LLC with crops and cattle in Morgan and Marion counties. Steve taught and coached at Mooresville High School. He has also served as Board President of Midland Farmers Co-op, Board Vice President and Chairman of the Corporate Governance Committee of Co-Alliance LLP Farmers Co-op, and was a member and Chairman of Western Yearly Meeting Financial Trustees. He is currently Trustee and Assistant Treasurer of West Newton Friends Meeting and serves on the Earlham College Board of Trustees. Steve graduated from Indiana University and Earlham College. He is married with two children and three grandchildren and lives in West Newton.

CALVIN A. PERSOHN

Director since 2004; Member of the Audit and Compensation Committees

Cal Persohn is a retired partner of BKD, LLP (through merger and previously Olive, LLP and Geo. S. Olive & Co.), a Midwest regional certified public accounting firm. The majority of his 34 year career with BKD was spent serving the financial services industry and gaining an understanding of operating and reporting issues facing the industry. He is currently registered as a CPA on inactive status and a retired member of the American Institute of Certified Public Accountants. Cal holds a B.S. degree in Accounting from Indiana State University. He is married with two children and six grandchildren and lives in Greenwood.

JON E. WILLIAMS

Director since 2006; Vice Chairman of the Board; Member of the Compensation and Executive Committees

Jon Williams is a lawyer and partner with Williams Barrett & Wilkowski, practicing for 39 years in Johnson and the surrounding counties. Although the firm specializes in representing banks, real estate, purchasing and selling businesses and assisting corporations in formation and growth, Jon’s personal practice is centered on estate planning, probate administration, and elder law. Jon holds a B.A. degree from Southern College (Tennessee), an M.A. in US History from the University of Missouri and a J.D. degree from Indiana University School of Law (Magna Cum Laude). Jon is married with three grown children and lives in Bargersville.

CITIZENS BANK

Directors

Larry R. Heydon, Chairman
Jon E. Williams, Vice Chairman
William R. "Chip" Keller, Secretary

Jeffrey A. Banning	Thomas A. Hubbard	Stephen T. Mills
Christopher J. Branson	Keith A. Lindauer	Calvin A. Persohn

Officers & Staff

Keith Lindauer, President & CEO
John Fleener, Sr. Vice President, Chief Financial Officer
Richard Morris, Sr. Vice President, Chief Credit Officer & Sr. Lending Officer
Pennie Stancombe, Sr. Vice President, Human Resources Director
Sondra Cooper, Vice President & Collection Manager
James Ellis, Vice President, Sr. Consumer Lender
Shelley Ferrand, Vice President, Compliance
Donald Goeb, Vice President, Commercial Loan Officer
Michael Hein, Vice President, Consumer Loan Officer
Stephen Kaiser, Vice President, Commercial Loan Officer
Beth Mulbarger, Vice President, Controller & Cashier
Cory Palmer, Vice President, Technology Officer
Michael Polley, Vice President, Operations
John Purdie, Vice President, Commercial Loan Officer
Tim Sichting, Vice President, Sr. Consumer Loan Officer
Randy Stephens, Vice President, Mortgage Lending
Sara Crone, Assistant Vice President, Branch Operations & Security Officer
Thomas Eineman, Assistant Vice President, Assistant Controller & Assistant Cashier
Kimberly Harmon, Assistant Vice President, Branch and Retail Operations Manager
Jacqueline Hoff, Assistant Vice President, Loan Officer
Cheryl Samuels, Assistant Vice President, Human Resources
Vanessa Scott, Assistant Vice President & Consumer Loan Officer
Sharon Saucerman, Assistant Cashier & Branch Manager
Rachel Barnhart, Branch Manager
Tonya Dagostino, Branch Manager
Lauren Harmon, Branch Manager
PJ Neace, Branch Manager
Patricia Wilson, Branch Manager

Bank Family

Bonnie Almon
Angela Amos
Sharon Barnes
Alexandrea Barry
Dawn Best
Millie Bowen
Phyllis Brightwell
Robin Brinkley
Taylor Brooks
Tammy Cash
Judy Cummings
Pam Davis
Ramona Davis
Vickie Davis
Debbie Defur
Tina Dunbar
Cathy Earles
Holly Erickson
Tiffani Farmer
Pamela Ferguson
Barbara Fines
Jim Fitch
Jennifer Franklin
Diana Gaskin
Becky Gibbs
Teresa Goss
Liana Greene
Debra Hacker
Mari Hackett
Erica Haines
Lacey Halterman
Dan Hames
Emily Hammer
Diana Harris
Shelley Himes
Floyd Hubbard
Kristin Irvine
Carla Keen
Tina Kinnett
Christy Kirk
Lori Kreamer
Tiffiny Lawrence
Alicia Mason
Kayce Mattingly
Autumn McWhirter
Sandra Miracle
Brooke Morris
Megan Mursener
Nina Mynatt
Terri Newman
Patti Okerson
Mariah Page
Norita Palmore
Christina Pemberton
Priscilla Pheifer
Carolyn Polson
Brian Popenfoose
Jacclyn Pridemore
Terri Priest
Ashley Rhea
Kellie Rhodes
Amanda Riddle
Jill Ruberson
Lana Rushing
Pam Salmeron
Johnna Saucerman
Jeannie Schaffer
Fred Schoon
Jessica Scott
Vicki Seidel
Kia Short
Diane Sims
Shawn Smalling
Kim Squires
Mary Stahl
Brent Stanley
Kyle Stierwalt
Brenda Tapp
Amanda Thompson
Carl Vendeventer
Vicki Vanzant
Mary Weber
Alyssa Whaley
Julie Wolfe
Andrea Woods
Chris Zike

CITBA FINANCIAL CORPORATION AND CITIZENS BANK CORPORATE GOVERNANCE POLICY

The Board of Directors has established the following guidelines that it follows in corporate governance:

I. Role of the Board

The Directors are elected by the shareholders to oversee the actions and results of the Company's management. Each Director owes a duty of loyalty to the Company and is expected to act in the best interest of the shareholders as a whole. The responsibilities of the Directors include:

- providing general oversight of the business;
- approving corporate strategy and major management initiatives;
- providing oversight of legal and ethical conduct;
- selecting and compensating the Chief Executive Officer and compensating other senior officers;
- nominating, compensating, and evaluating Directors;
- evaluating Board processes and performance;
- appointing, compensating and providing oversight of the Company's independent auditors.

II. Independence of Directors

To increase the effectiveness of the Board of Directors in carrying out their responsibilities, a majority of the Board Members will be independent Directors.

Criteria to Qualify as an Independent Director

A Director is considered independent if he or she is not an employee or has not been an employee for at least five years, has no material relationship with the Company as a substantial supplier of or customer for goods or services, and does not obtain compensation from the Company other than Director's compensation and dividends.

Conflicts of Interest

Occasionally a Director's business or personal relationships may give rise to a material interest that conflicts, or appears to conflict, with the interests of the Company. The Board will take appropriate steps to ensure that all Directors voting on an issue do not possess conflicts of interest. In appropriate cases, the affected Director will be excused from discussions on the issue.

To avoid any appearance of a conflict, Board decisions on certain matters of corporate governance are made solely by the independent Directors. These include Director nominations and the selection, evaluation, compensation and removal of the Chief Executive Officer.

III. Director Tenure

The corporate governance guidelines establish the requirement that Directors will resign from the Board following their 70th birthday at the end of their elected three-year term.

IV. Responsibilities and Functioning of the Board

A. Evaluation of Chief Executive Officer

The Chairperson of the Executive Committee leads the independent Directors annually in assessing the performance of the Chief Executive Officer. The results of this review are discussed with the Chief Executive Officer and considered by the Executive Committee in establishing the CEO's compensation for the next year.

B. Management Succession

The Company has plans in place that include succession planning for the position of Chief Executive Officer and the Board of Directors. These plans are reviewed annually by the Board.

C. Executive Sessions of Directors

At least twice a year, and at other times as they see fit, the non-employee Directors will meet in Executive Session.

D. Board Committees

The Chairperson of the Board of Directors annually appoints members to the six committees of the Board and names the committee chairpersons, subject to Board approval. Committee membership selection is based upon the talents, interests and availability of the members. The Board establishes committees under the corporate governance guidelines listed above. The current committees are shown below:

- Asset/Liability Management Committee
- Audit Committee
- Compensation Committee
- Corporate Governance Committee
- Loan and Investment Committee
- Executive Committee

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE
INTENTIONALLY
LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

Avon
100 N SR 267
Avon, IN 46123
317-272-6175

Eminence
6497 State Rd. 42
Eminence, IN 46125
765-528-2205

Monrovia
35 W. Washington St.
Monrovia, IN 46157
317-996-2250

Main Office
33 N. Indiana St.
Mooresville, IN 46158
317-831-0110

County Line Road
2334 E. County Line Rd.
Indianapolis, IN 46227
317-881-8045

Heartland Crossing
10503 Heartland Blvd.
Camby, In 46113
317-856-9800

Plainfield
2402 E. Main St.
Plainfield, IN 46168
317-839-9899

East Morgan
1360 E. Morgan St.
Martinsville, IN 46151
765-342-3303

Morton Avenue
1098 SR 39 Bypass
Martinsville, IN 46151
765-342-6600

White Lick
445 S. Indiana St.
Mooresville, IN 46158
317-831-1792

CitizensBankWeb.com