2014
Annual Report
Comunibanc Corp.

ANNUAL REPORT
COMUNIBANC CORP.
December 31, 2014 and 2013

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Dear Shareholders & Friends:

The economy has been on a rollercoaster ride over the past several years and 2014 was much the same. The news daily provides the current status of the economy and eventual vibrations to the somewhat unprecedented swings to the stock market along with the local economy being fragile and ultimately the final effect for the year at Comunibanc Corp. and its wholly owned subsidiary, The Henry County Bank.

This was not the typical year for the Bank as the loan portfolio balance decreased 3.2% from 2013. Additionally, we experienced significant loan losses in our commercial and commercial real estate loan categories. With our loan grading systems and loan monitoring, we provided a $3,750,000 provision for loan losses during 2014 compared to an $850,000 provision for loan losses in 2013, resulting in an allowance for losses of $1,984,345, or 1.72% of total loans, at December 31, 2014.

There is always risk associated with lending and ultimately banks experience some credit loss, which is part of the cost of doing business. The rise in the current year provision was the result of charge-offs taken for several problem commercial credits, including a substantial commercial credit which the Bank's credit department has actively monitored the past few years. The Bank's role in monitoring this credit has included engaging an outside consulting firm with experience in the borrower's industry. Management of the Bank continues to actively pursue various means of collection to maximize the Bank's ultimate recovery, including possible orderly liquidation of business assets if operations do not improve.

On a positive note, we previously announced in December 2014 our intentions to establish a full service branch banking office in Bowling Green, Ohio. The new branch will be located at 124 Court Street in the downtown area and the renovations to the building are now under way. We anticipate opening the branch mid-2015. We believe this branch has the potential to provide significant future growth opportunities for The Henry County Bank, which could further enhance shareholder value. As we begin our 79th year of business, our Bank remains in sound financial condition. We maintain key initiatives toward business development, sales and personal service to all our customers, as we have done since 1936.

Thank you for your interest in The Henry County Bank. Together we expect to further develop the Bank's service to all of its market areas and value to you our shareholders. We are thankful for the continued efforts of our directors for their insight and at the same time our dedicated officers and associates who rise to the challenges of new technology and increased responsibilities.

As always, we thank our customers and our shareholders for your trust, your loyal patronage and confidence in Comunibanc Corp. and its wholly owned subsidiary, The Henry County Bank.

Sincerely,

COMUNIBANC CORP.

William L. Wendt
President/C.E.O.

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Shareholders and Board of Directors
Comunibanc Corp.
Napoleon, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Comunibanc Corp. and its subsidiary, which comprise the consolidated balance sheets, as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Comunibanc Corp. 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 conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Toledo, Ohio
April 10, 2015

COMUNIBANC CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013

ASSETS	2014	2013
CASH AND CASH EQUIVALENTS		
Cash and due from banks	$ 1,713,665	$ 1,440,129
Interest-bearing deposits in other banks	7,059,242	8,073,630
Total cash and cash equivalents	8,772,907	9,513,759
Securities, available-for-sale	126,569,249	112,638,644
Restricted stock, at cost	1,553,375	1,553,375
Loans, net of allowance for loan losses of $1,984,345 in 2014 and $2,297,119 in 2013	113,162,300	116,636,806
Premises and equipment, net	5,626,217	5,718,919
OTHER ASSETS		
Cash value of life insurance	5,600,753	5,464,601
Accrued interest receivable	799,024	832,068
Other real estate owned, net of valuation allowance of $14,200 in 2014 and $62,100 in 2013	394,146	788,246
Other	1,774,782	2,472,609
Total other assets	8,568,705	9,557,524
TOTAL ASSETS	$ 264,252,753	$ 255,619,027
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Demand accounts	$ 62,841,343	$ 59,338,785
Savings accounts	43,378,378	41,642,843
Certificates of deposit and other time accounts	107,829,455	108,834,190
Total deposits	214,049,176	209,815,818
Federal Home Loan Bank borrowings	20,382,420	18,946,201
Other liabilities	2,953,879	2,790,111
Total liabilities	237,385,475	231,552,130
SHAREHOLDERS' EQUITY		
Common stock, no par value. Authorized 2,000,000 shares; issued and outstanding 828,504 shares, at stated value	2,071,260	2,071,260
Surplus	1,288,478	1,288,478
Undivided profits	22,200,812	22,783,792
Accumulated other comprehensive income (loss)	1,306,728	(2,076,633)
Total shareholders' equity	26,867,278	24,066,897
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 264,252,753	$ 255,619,027

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

COMUNIBANC CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2014 and 2013

	2014	2013
INTEREST INCOME		
Interest and fees on loans	$ 5,744,956	$ 6,347,328
Securities:		
Obligations of U.S. Government agencies and corporations	741,236	492,113
Obligations of states and political subdivisions	1,525,945	1,320,383
Mortgage-backed	1,344,887	1,114,297
Dividends on restricted stock	62,178	64,987
Other	55,240	56,915
Total interest income	9,474,442	9,396,023
INTEREST EXPENSE		
Deposits	804,694	937,967
Other borrowings	499,600	608,240
Total interest expense	1,304,294	1,546,207
Net interest income	8,170,148	7,849,816
PROVISION FOR LOAN LOSSES	3,750,000	850,000
Net interest income after provision for loan losses	4,420,148	6,999,816
NON-INTEREST INCOME		
Service charges on deposit accounts	264,273	270,958
Net securities gains	381,517	92,206
Net gains on sale of loans	96,192	140,958
Other operating income	683,560	683,928
Total non-interest income	1,425,542	1,188,050
NON-INTEREST EXPENSES		
Salaries and wages	2,822,955	2,803,773
Employee benefits	838,951	787,080
Occupancy expense	528,226	487,017
Data services	440,121	424,726
Professional fees, including collection and examinations	373,147	646,765
Committee and director fees	148,550	165,675
Advertising	134,316	141,538
FDIC premium assessments	218,498	180,845
State franchise and financial institution taxes	164,367	322,188
Other operating expenses	911,606	780,461
Total non-interest expenses	6,580,737	6,740,068
Earnings (loss) before federal income taxes	(735,047)	1,447,798
PROVISION (CREDIT) FOR FEDERAL INCOME TAXES	(798,300)	7,900
NET EARNINGS	$ 63,253	$ 1,439,898
NET EARNINGS PER SHARE, based on 828,504 shares	$ .08	$ 1.74

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

COMUNIBANC CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2014 and 2013

	2014	2013
NET EARNINGS	$ 63,253	$ 1,439,898
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in unrealized gains (losses) on available-for-sale securities	5,507,822	(6,140,092)
Reclassification adjustment for net securities gains included in earnings	(381,517)	(92,206)
Net unrealized gains (losses)	5,126,305	(6,232,298)
Income tax effect	1,742,944	(2,118,982)
Other comprehensive income (loss)	3,383,361	(4,113,316)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 3,446,614	$(2,673,418)

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

COMUNIBANC CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2014 and 2013

	Common stock	Surplus	Undivided profits	Accumulated other comprehensive income (loss)	Total shareholders' equity
BALANCE AT DECEMBER 31, 2012	$ 2,071,260	$ 1,288,478	$ 21,990,127	$ 2,036,683	$ 27,386,548
Net earnings	-	-	1,439,898	-	1,439,898
Other comprehensive loss	-	-	-	(4,113,316)	(4,113,316)
Cash dividends paid, $.78 per share	-	-	(646,233)	-	(646,233)
BALANCE AT DECEMBER 31, 2013	2,071,260	1,288,478	22,783,792	(2,076,633)	24,066,897
Net earnings	-	-	63,253	-	63,253
Other comprehensive income	-	-	-	3,383,361	3,383,361
Cash dividends paid, $.78 per share	-	-	(646,233)	-	(646,233)
BALANCE AT DECEMBER 31, 2014	$ 2,071,260	$ 1,288,478	$ 22,200,812	$ 1,306,728	$ 26,867,278

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

COMUNIBANC CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 63,253	$ 1,439,898
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	290,559	317,463
Provision for loan losses	3,750,000	850,000
Deferred federal income taxes	(837,844)	(250,818)
Net amortization of securities	710,331	1,079,986
Increase in cash value of life insurance	(136,152)	(141,384)
Net securities gains	(381,517)	(92,206)
Net gains on sale of loans	(96,192)	(140,958)
Net loss (gain) from sale or write-down of other real estate owned	62,264	(2,672)
Effects of changes in operating assets and liabilities:		
Accrued interest receivable	33,044	14,881
Other assets	(218,683)	216,320
Other liabilities	163,768	151,577
Proceeds from sales of loans held-for-sale	3,522,374	6,586,803
Originations of loans held-for-sale	(3,451,725)	(6,493,900)
Net cash provided by operating activities	3,473,480	3,534,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of securities	24,663,521	27,953,851
Proceeds from sales of other real estate owned	507,836	427,276
Purchases of securities	(33,796,635)	(45,584,348)
Net decrease (increase) in loans	(451,494)	4,720,567
Capital expenditures	(160,904)	(81,996)
Net cash used in investing activities	(9,237,676)	(12,564,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	4,233,358	12,007,111
Federal Home Loan Bank borrowings:		
Proceeds	31,500,000	27,950,000
Repayments	(30,063,781)	(27,188,428)
Cash dividends paid	(646,233)	(646,233)
Net cash provided by financing activities	5,023,344	12,122,450
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(740,852)	3,092,790
CASH AND CASH EQUIVALENTS		
At beginning of year	9,513,759	6,420,969
At end of year	$ 8,772,907	$ 9,513,759

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

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comunibanc Corp. (the Company) was incorporated on August 27, 1996 in the state of Ohio. The Company is a bank holding company and has one wholly-owned subsidiary, The Henry County Bank (the Bank). The Bank, an Ohio chartered bank organized in 1936, operates in the commercial banking industry and has its main office and two branch offices in Napoleon, Ohio and branches in Holgate, Liberty Center, and Malinta, Ohio. The Bank also has a loan production office in Bowling Green, Ohio. The Bank's primary source of revenue is providing loans to customers located principally in the Henry and Wood County areas. Such customers are predominantly small and middle-market businesses, farmers and individuals.

Significant accounting policies followed by the Company are presented below.

Use of Estimates in Preparing Financial Statements

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates susceptible to change in the near term relate to the valuation of the allowance for loan losses and fair value of available-for-sale securities.

Principles of Consolidation

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

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, due from banks, and federal funds sold which mature overnight or within four days.

Securities

Securities are classified as available-for-sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported as accumulated other comprehensive income or loss.

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

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Stock

Restricted stock is carried at cost and evaluated for impairment. Restricted stock at December 31, 2014 and 2013 principally consists of Federal Home Loan Bank of Cincinnati (FHLB) stock of $1,547,700.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to earnings. The Bank had no loans held for sale at December 31, 2014 and 2013.

Loans

The Bank makes real estate, commercial and consumer loans to customers. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest is accrued on the unpaid principal balance. Loan origination fees and direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan using the interest method.

The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer loans are typically charged-off no later than when they become 150 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. Interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in estimates will occur in the near term and that such changes could be material to the amounts reported in the Company's consolidated financial statements.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses, Continued

The allowance consists of specific, general and unallocated components. The specific component relates to impaired loans when the discounted cash flows, collateral value, or observable market price of the impaired loan is lower than the carrying value. The general component covers classified loans (substandard or special mention) without specific reserves, as well as non-classified loans, and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

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

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

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer loans for impairment disclosures.

Other Real Estate Owned

Assets acquired through or in lieu of foreclosure are initially recorded at fair value, less estimated costs to sell, and any loan balance in excess of such value is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed and any further write-downs are included in other operating expenses, as are gains or losses upon sale and expenses related to maintenance of the properties.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is determined based on the estimated useful lives of the individual assets, which generally range from 15 to 40 years for buildings and improvements and 5 to 10 years for other depreciable assets, and is computed primarily using the straight-line method.

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

Servicing

Mortgage loans sold are generally sold with the mortgage servicing rights retained by the Bank. The carrying value of mortgage loans sold is reduced by the cost allocated to the associated mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgages sold.

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

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

Supplemental Retirement Benefits

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

Rate Lock Commitments

Loan commitments related to the origination or acquisition of mortgage loans that will be held for sale are accounted for as derivative instruments. The Bank enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are to be recorded at fair value as derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considers the difference between current levels of interest rates and the committed rates. At December 31, 2014 and 2013, derivative assets and liabilities relating to rate lock commitments were not material to the consolidated financial statements.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income (Loss)

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

Transfers of Financial Assets

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

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

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank enters into commitments to extend credit, including commitments under loan arrangements, commercial letters of credit, and standby letters of credit. The face amount for these items represents the exposure to loss, before considering customer collateral on ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes

The Company and Bank are currently subject only to federal income taxes. Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases.

Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Management does not believe it has any significant uncertain tax positions at December 31, 2014. Tax years that remain open and subject to examination at December 31, 2014 are years 2011 - 2014.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes, Continued

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years.

Advertising

Expenditures for advertising and promotions are expensed as incurred.

Per Share Data

Net earnings per share is computed based on the weighted average number of shares of common stock outstanding during each year, after restatement for any stock dividends.

Dividends per share is based on the number of shares outstanding on the declaration date.

Subsequent Events

Management evaluated subsequent events through April 10, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to April 10, 2015 that provided additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2014.

NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS

In July 2013, the FASB issued ASU 2013-11 Topic 740, Income Taxes, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The FASB issued ASU 2013-11 to eliminate the diversity in the presentation of unrecognized tax benefits in those instances. The amendments in this update are effective for annual and interim reporting periods beginning after December 15, 2013. There was no impact on the Company's 2014 consolidated financial statements as a result of the adoption of ASU 2013-11.

In January 2014, the FASB issued ASU 2014-04, *Receivables-Troubled Debt Restructurings by Creditors,* to clarify when an in substance repossession or foreclosure occurs. That is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the receivable should be derecognized and the real estate property recognized. The amendments in ASU 2014-04 apply to all creditors who obtain physical possession of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable and are effective for annual and interim periods beginning after December 15, 2014. While the Company has not yet determined the financial statement impact of the requirements of ASU 2014-04, it does not expect to have a material future impact.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - SECURITIES

The amortized cost and fair value of securities as of December 31, 2014 and 2013, are as follows:

	2014		2013	
	Amortized cost	Fair value	Amortized cost	Fair value
Obligations of U.S. Government agencies and corporations	$ 25,641,161	$ 25,381,025	$ 27,170,244	$ 24,593,784
Obligations of states and political subdivisions	43,981,093	45,695,824	41,683,671	41,281,821
Mortgage-backed securities	54,967,104	55,492,400	46,931,143	46,763,039
Total securities	$124,589,358	$126,569,249	$115,785,058	$112,638,644

A summary of gross unrealized gains and losses on securities at December 31, 2014 and 2013 follows:

	2014		2013	
	Gross unrealized gains	Gross unrealized losses	Gross unrealized gains	Gross unrealized losses
Obligations of U.S. Government agencies and corporations	$ 187,225	$ 447,361	$ -	$ 2,576,460
Obligations of states and political subdivisions	1,793,652	78,921	802,050	1,203,900
Mortgage-backed securities	664,428	139,132	650,606	818,710
Total	$ 2,645,305	$ 665,414	$ 1,452,656	$ 4,599,070

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

	Amortized cost	Fair value
Due in one year or less	$ 3,253,445	$ 3,351,374
Due after one year through five years	32,979,740	33,494,588
Due after five years through ten years	37,072,571	37,767,869
Due after ten years	51,283,602	51,955,418
Total	$ 124,589,358	$ 126,569,249

Securities with a carrying value of approximately $81,558,000 and $78,595,000 at December 31, 2014 and 2013, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - SECURITIES (CONTINUED)

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

	Securities in a continuous unrealized loss position					
	Less than 12 months		12 months or more		Total	
2014	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
Obligations of U.S. Government agencies and corporations	$ 29,568	$ 1,972,769	$ 417,793	$16,677,755	$ 447,361	$ 18,650,524
Obligations of states and political subdivisions	20,182	3,140,748	58,739	3,216,773	78,921	6,357,521
Mortgage-backed securities	11,040	6,578,828	128,092	10,314,101	139,132	16,892,929
Total temporarily impaired securities	$ 60,790	$ 11,692,345	$ 604,624	$30,208,629	$ 665,414	$ 41,900,974
2013						
Obligations of U.S. Government agencies and corporations	$ 1,755,915	$ 19,424,577	$ 820,545	$ 5,169,207	$ 2,576,460	$ 24,593,784
Obligations of states and political subdivisions	976,143	17,465,735	227,757	2,517,825	1,203,900	19,983,560
Mortgage-backed securities	758,066	25,663,997	60,644	1,582,129	818,710	27,246,126
Total temporarily impaired securities	$ 3,490,124	$ 62,554,309	$ 1,108,946	$ 9,269,161	$ 4,599,070	$ 71,823,470

At December 31, 2014, there were 59 securities in an unrealized loss position, 41 of which were in a continuous unrealized loss position for 12 months or more. At December 31, 2013, there were 128 securities in an unrealized loss position, 17 of which were in a continuous loss position for 12 months or more. Management has considered industry analyst reports, whether downgrades by bond rating agencies have occurred, sector credit reports, issuer's financial condition, and volatility in the bond market in concluding that the unrealized losses as of December 31, 2014 and 2013 were primarily the result of customary and expected fluctuations in the bond market related to changes in interest rates. As a result, all security impairments as of December 31, 2014 and 2013 are considered temporary.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - SECURITIES (CONTINUED)

Sales and maturities (including calls) of available-for-sale securities resulted in gross realized gains of $381,716 in 2014 and $92,206 in 2013, with the income tax provision applicable to such gains amounting to $129,783 in 2014 and $31,350 in 2013, and gross realized losses of $199 in 2014 with applicable income taxes of $68.

NOTE 4 - LOANS

Net loans at December 31, 2014 and 2013 consists of the following:

	2014	2013
Real estate	$ 94,210,137	$ 94,960,902
Consumer	8,878,193	10,477,916
Commercial	12,117,521	13,560,834
	115,205,851	118,999,652
Less:		
Allowance for loan losses	(1,984,345)	(2,297,119)
Deferred loan fees	(59,206)	(65,727)
Loans, net	$ 113,162,300	$ 116,636,806

Fixed rate loans approximated $32,251,000 and $34,063,000 at December 31, 2014 and 2013, respectively.

Most of the Bank's business activity is with customers located in the Henry County area. A substantial portion of the loan portfolio is represented by mortgage loans throughout the Henry County area. The ability of the debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan customers of the Bank. Such loans are made in the ordinary course of business in accordance with the Bank's normal lending policies, including the interest rate charged and collateralization, and do not represent more than a normal collection risk. Such loans amounted to $1,826,709 and $1,824,692 at December 31, 2014 and 2013, respectively.

In evaluating the allowance for loan losses, loans are generally analyzed based on how loans are categorized for financial reporting purposes.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - LOANS (CONTINUED)

The following is a summary of activity in the allowance for loan losses, as well as the Bank's recorded investment in loans, by portfolio segment and based on impairment method, as of and for the years ended December 31, 2014 and 2013:

	2014					
			Real estate mortgage			
	Commercial	Commercial real estate	1st Lien	Junior Lien	Consumer	Total
Allowance for Loan Losses:						
Balance at January 1	$ 457,408	$ 1,405,515	$ 301,061	$ 65,640	$ 67,495	$ 2,297,119
Provision (credit) for loan losses	1,410,988	2,431,927	(42,776)	(33,030)	(17,109)	3,750,000
Loans charged-off	(1,294,018)	(2,751,767)	(10,407)	-	(38,319)	(4,094,511)
Recoveries	11,777	348	-	-	19,612	31,737
Balance at December 31	586,155	1,086,023	247,878	32,610	31,679	1,984,345
Ending balance individually evaluated for impairment	250,000	473,397	32,392	4,053	-	759,842
Ending balance collectively evaluated for impairment	$ 336,155	$ 612,626	$ 215,486	$ 28,557	$ 31,679	$ 1,224,503
Loans:						
Total loans: Ending balance	$ 12,117,521	$ 43,821,072	$ 42,386,540	$ 8,002,525	$ 8,878,193	$ 115,205,851
Ending balance individually evaluated for impairment	255,632	2,893,380	515,154	71,447	15,497	3,751,110
Ending balance collectively evaluated for impairment	$ 11,861,889	$ 40,927,692	$ 41,871,386	$ 7,931,078	$ 8,862,696	$ 111,454,741

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - LOANS (CONTINUED)

	2013					
			Real estate mortgage			
	Commercial	Commercial real estate	1st Lien	Junior Lien	Consumer	Total
Allowance for Loan Losses:						
Balance at January 1	$ 276,016	$ 909,571	$ 521,063	$ 61,058	$ 101,987	$ 1,869,695
Provision (credit) for loan losses	227,212	755,106	(144,543)	24,796	(12,571)	850,000
Loans charged-off	(50,915)	(268,556)	(84,810)	(20,214)	(58,443)	(482,938)
Recoveries	5,095	9,394	9,351	-	36,522	60,362
Balance at December 31	457,408	1,405,515	301,061	65,640	67,495	2,297,119
Ending balance individually evaluated for impairment	349,336	1,136,409	33,728	4,496	-	1,523,969
Ending balance collectively evaluated for impairment	$ 108,072	$ 269,106	$ 267,333	$ 61,144	$ 67,495	$ 773,150
Loans:						
Total loans:						
Ending balance	$ 13,560,834	$ 44,917,257	$ 42,443,891	$ 7,599,754	$ 10,477,916	$ 118,999,652
Ending balance individually evaluated for impairment	1,141,756	4,323,752	529,209	20,224	-	6,014,941
Ending balance collectively evaluated for impairment	$ 12,419,078	$ 40,593,505	$ 41,914,682	$ 7,579,530	$ 10,477,916	$ 112,984,711

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - LOANS (CONTINUED)

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

The Bank originates 1 - 4 family real estate and consumer loans utilizing credit reports to supplement the underwriting process. The Bank's manual underwriting standards for 1 - 4 family loans are generally in accordance with FHLMC manual underwriting guidelines. Properties securing 1 - 4 four family real estate loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and have been approved by the Board of Directors. The loan-to-value ratios normally do not exceed 80% without credit enhancements such as mortgage insurance. The Bank will lend up to 100% of the lesser of the appraised value or purchase price for conventional 1 - 4 family real estate loans, provided private mortgage insurance is obtained.

The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of their ability to meet existing obligations and payments on the proposed loan. To monitor and manage loan risk, policies and procedures are developed and modified, as needed by management. This activity, coupled with smaller loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, market conditions are reviewed by management on a regular basis. The Bank's 1 - 4 family real estate loans are secured primarily by properties located in its primary market area.

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

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - LOANS (CONTINUED)

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

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

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2014 and 2013:

	2014		2013	
	Unpaid principal balance	Allowance for loan losses allocated	Unpaid principal balance	Allowance for loan losses allocated
With no related allowance recorded:				
Commercial	$ 5,632	$ -	$ 505,559	$ -
Commercial real estate	1,530,705	-	-	-
Real estate (first lien)	212,408	-	31,587	-
Real estate (junior lien)	67,394	-	15,728	-
Consumer	15,497	-	-	-
With an allowance recorded:				
Commercial real estate	250,000	250,000	636,197	349,336
Commercial	1,362,675	473,397	4,323,752	1,136,409
Real estate (first lien)	302,746	32,392	497,622	33,728
Real estate (junior lien)	4,053	4,053	4,496	4,496
Total	$ 3,751,110	$ 759,842	$ 6,014,941	$ 1,523,969

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2014 and 2013.

The average balance of impaired loans for the years ended December 31, 2014 and 2013 was approximately $6,130,000 and $4,704,000, respectively. Interest income recognized on impaired loans for the years ended December 31, 2014 and 2013 approximated $47,000 and $171,000, respectively, on a cash basis, and $51,000 and $182,000, respectively, on an accrual basis.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - LOANS (CONTINUED)

The following represents the recorded investment and number of troubled debt restructurings by class of loan as of December 31, 2014 and 2013:

	2014		2013	
	Number	Amount	Number	Amount
Commercial	-	$ -	2	$ 947,336
Real estate:				
Commercial	5	2,353,723	4	3,391,449
Mortgage - first lien	3	239,902	3	420,804
Total	8	$ 2,593,625	9	$ 4,759,589

The Company has allocated specific reserves to customers with loan terms that have been modified in troubled debt restructurings, amounting to $489,815 and $1,425,184 at December 31, 2014 and 2013, respectively. The Company intends to lend no additional amounts to these customers, except for the customer described below.

During the year ended December 31, 2014, two commercial real estate loans were modified in troubled debt restructurings with the Bank agreeing to extend the maturity date of both loans. The post-modification balance of the loans aggregated $1,580,236 with a specific reserve of $45,197.

During the year ended December 31, 2013, one commercial loan with a post-modification balance of $311,139 and a specific reserve of $112,000, and one real estate - first lien loan with a post-modification balance of $215,290, were modified in troubled debt restructurings.

The post-modification balances approximate the pre-modification balances.

During 2012, the Bank entered into forbearance agreements with a loan customer experiencing financial difficulties which, among other things, extended the maturity of various loans to the customer. Outstanding commercial and commercial real estate loans to the customer approximated $3,219,000 at December 31, 2013. During 2014, the Bank lent approximately $141,000 to the customer. During 2014, the Bank also charged off the remaining balances of the commercial loans, as well as a significant portion of the commercial real estate loan, resulting in total charge-offs of loans to the customer of $2,941,990. The outstanding balance of the remaining commercial real estate loan approximated $418,000 at December 31, 2014 and was fully reserved. Subsequent to December 31, 2014, the Bank has lent approximately $77,000 to the customer.

There were no other charge-offs as a result of restructurings and no subsequent defaults on troubled debt restructurings occurring during the year ended December 31, 2014.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - LOANS (CONTINUED)

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

	Loans past due accruing interest					Loans	
2014	30 - 59 days	60 - 89 days	Over 90 days	Total	Loans on non-accrual	Loans not past due or on non-accrual	Total
Commercial	$ 110,628	$ 2,218	$ 4,390	$ 117,236	$ -	$ 12,000,285	$ 12,117,521
Commercial real estate	622,212	197,759	-	819,971	593,455	42,407,646	43,821,072
Real estate:							
First lien	507,753	399,133	-	906,886	374,069	41,105,585	42,386,540
Junior lien	103,816	-	-	103,816	21,815	7,876,894	8,002,525
Consumer	29,889	-	-	29,889	-	8,848,304	8,878,193
Total	$ 1,374,298	$ 599,110	$ 4,390	$ 1,977,798	$ 989,339	$ 112,238,714	$ 115,205,851
2013							
Commercial	$ 60,097	$ 53,310	$ 491,307	$ 604,714	$ 473,904	$ 12,482,216	$ 13,560,834
Commercial real estate	274,508	-	318,744	593,252	3,082,682	41,241,323	44,917,257
Real estate:							
First lien	879,889	292,197	15,728	1,187,814	327,271	40,928,806	42,443,891
Junior lien	189,114	6,281	137,395	332,790	45,060	7,221,904	7,599,754
Consumer	65,231	11,323	-	76,554	-	10,401,362	10,477,916
Total	$ 1,468,839	$ 363,111	$ 963,174	$ 2,795,124	$ 3,928,917	$ 112,275,611	$ 118,999,652

Credit Quality Indicators:

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

Pass: Loans classified as pass have no existing or known potential weakness deserving of management's close attention.

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

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 - LOANS (CONTINUED)

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

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

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

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

2014	**Pass**	**Special mention**	**Substandard**	**Doubtful**	**Not rated**	**Total**
Commercial	$ 10,837,878	$ 517,911	$ 506,100	$ 255,632	$ -	$ 12,117,521
Commercial real estate	38,457,154	1,895,192	2,875,271	593,455	-	43,821,072
Real estate:						
First lien	40,179,264	152,012	1,569,107	486,157	-	42,386,540
Junior lien	7,751,856	111,346	67,876	71,447	-	8,002,525
Consumer	-	1,396	-	15,497	8,861,300	8,878,193
Total	$ 97,226,152	$ 2,677,857	$ 5,018,354	$ 1,422,188	$ 8,861,300	$ 115,205,851
2013						
Commercial	$ 11,526,719	$ 487,002	$ 575,089	$ 972,024	$ -	$ 13,560,834
Commercial real estate	36,747,140	2,229,895	2,737,401	3,202,821	-	44,917,257
Real estate:						
First lien	39,776,801	702,288	1,641,107	323,695	-	42,443,891
Junior lien	7,554,694	-	24,836	20,224	-	7,599,754
Consumer	-	-	-	-	10,477,916	10,477,916
Total	$ 95,605,354	$ 3,419,185	$ 4,978,433	$ 4,518,764	$ 10,477,916	$ 118,999,652

NOTE 5 - 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 approximated $42,418,000 and $43,960,000 at December 31, 2014 and 2013, respectively. Servicing fee income amounted to $113,356 in 2014 and to $115,537 in 2013 and is included in other operating income.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 - LOAN SERVICING (CONTINUED)

The Bank sells substantially all qualified fixed rate residential real estate loans which it originates. During 2014 and 2013, the Bank sold $3,451,725 and $6,493,900, respectively, of loans resulting in net gains of $96,192 in 2014 and $140,958 in 2013, including $25,543 in 2014 and $48,055 in 2013 resulting from capitalizing mortgage servicing rights.

Amortization of mortgage servicing rights amounted to $36,953 in 2014 and $67,644 in 2013 and is reported as a reduction of other operating income. Mortgage servicing rights are included in other assets in the consolidated balance sheets and amounted to $313,896 and $325,306 at December 31, 2014 and 2013, respectively.

NOTE 6 - PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2014 and 2013:

	2014	2013
Land	$ 337,175	$ 337,175
Buildings and improvements	7,758,438	7,758,438
Furniture and equipment	1,681,135	1,520,231
Transportation equipment	175,922	137,540
	9,952,670	9,753,384
Less accumulated depreciation	4,326,453	4,034,465
Premises and equipment, net	$ 5,626,217	$ 5,718,919

Depreciation of premises and equipment amounted to $253,606 in 2014 and $249,819 in 2013.

In October 2014, the Bank entered into a 10-year facility lease for a branch in Bowling Green, Ohio. Rent expense for the lease amounted to $6,720 in 2014. Future minimum lease payments as of December 31, 2014 under the lease, which expires in November 2024, aggregate $799,680, with $80,640 due in years 2015 through 2019, and $396,480 due thereafter.

NOTE 7 - TIME DEPOSITS

Time deposits include individual deposits of $250,000 and over approximating $64,791,000 as of December 31, 2014 and $100,000 and over approximating $77,651,000 as of December 31, 2013. Interest expense on these time deposits approximated $260,000 in 2014 and $455,000 in 2013. Time deposits also include brokered deposits of $13,287,000 at December 31, 2014 and $10,948,000 at December 31, 2013. Of the brokered deposits at December 31, 2014, $6,138,000 mature in 2015, $3,400,000 mature in 2016, $2,339,000 mature in 2017, and $1,410,000 mature in 2018.

Future scheduled maturities of certificates of deposit and other time accounts at December 31, 2014 are as follows: 2015, $72,838,748; 2016, $16,964,913; 2017, $11,309,942; 2018, $3,873,940; 2019, $2,582,627; and thereafter, $259,285.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 - FEDERAL HOME LOAN BANK BORROWINGS

At December 31, 2014 and 2013, secured Federal Home Loan Bank (FHLB) borrowings consist of the following:

	2014	2013
Note with interest at 4.26%, due March 2014	$ -	$ 4,000,000
Note with interest at 3.95%, with monthly principal and interest payments of $2,034, final payment due July 2014	-	14,049
Note with interest at 0.33%, due August 2014	-	2,000,000
Note with interest at 3.48%, with monthly principal and interest payments of $2,652, final payment due September 2014	-	23,525
Note with interest at 3.44%, with monthly principal and interest payments of $2,647, final payment due October 2014	-	26,057
Note with interest at .34%, due August 2015	3,000,000	-
Note with interest at .76%, due June 2016	2,000,000	-
Note with interest at 3.99%, due October 2014	-	1,500,000
Note with interest at 4.25%, due January 2017	2,000,000	2,000,000
Note with interest at 4.15%, due April 2017	3,000,000	3,000,000
Note with interest at 4.33%, due May 2017	1,500,000	1,500,000
Note with interest at 4.04%, due August 2017	1,000,000	1,000,000
Note with interest at 3.08%, due December 2017	1,000,000	1,000,000
Note with interest at 1.25%, with monthly principal and interest payments of $44,347, final payment due July 2018	4,803,900	-
Note with interest at 1.29%, with monthly principal and interest payments of $26,661, plus an annual prepayment equal to 20% of the then outstanding principal balance, final payment due July 2023	2,078,520	2,882,570
Total	$ 20,382,420	$ 18,946,201

Future scheduled maturities of FHLB borrowings at December 31, 2014 are as follows: 2015, $4,940,736; 2016, $ 3,445,473; 2017, $9,569,597; 2018, $785,371; 2019, $571,337; and thereafter, $1,069,907.

Average borrowings from the FHLB approximated $18,882,000 in 2014 and $18,783,000 in 2013, with an average weighted interest rate of 2.65% and 3.23% in 2014 and 2013, respectively. Eligible mortgage loans approximating $67,272,000 at December 31, 2014 and stock in the FHLB are pledged as collateral on the borrowings.

NOTE 9 - SUPPLEMENTAL RETIREMENT BENEFITS

The Bank has entered into various agreements with certain officers and directors to provide for supplemental retirement benefits. Such benefits include amounts accumulated under salary and board of director fees deferrals, as specified by the individuals. The agreements provide for monthly retirement benefits based on the value of the individual's deferred compensation account with interest credited monthly. As of December 31, 2014 and 2013, the Bank's liability for such deferred compensation payments amounted to $1,989,012 and $1,868,740, respectively, and such amounts are included in other liabilities in the consolidated balance sheets. The Bank has purchased life insurance policies on such individuals to assist in funding future deferred compensation payments.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 9 - SUPPLEMENTAL RETIREMENT BENEFITS (CONTINUED)

The Bank has also entered into supplemental retirement and split-dollar life insurance arrangements with certain officers and directors of the Bank to provide for supplemental retirement and death benefits. The Bank's liability for estimated accumulated supplemental retirement benefits amounted to $830,212 and $783,910 at December 31, 2014 and 2013, respectively, and such amounts are included in other liabilities in the consolidated balance sheets. The Bank's provision related to these arrangements was $58,366 in 2014 and $49,898 in 2013.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Henry County Bank Employee Stock Ownership Plan (ESOP) is a noncontributory benefit plan established to acquire stock of the Company for the benefit of all eligible employees. Contributions to the ESOP, which may be made in either cash or Company stock, are discretionary and limited to the maximum allowable deduction under the Internal Revenue Code. The Board of Directors of the Bank authorized a cash contribution to the ESOP of $20,000 in 2014 and 2013. As of December 31, 2014 and 2013, the ESOP held 32,564 shares of the Company's common stock.

The Bank also has a 401(k) retirement plan which covers all employees who meet certain eligibility requirements. The Bank's matching contributions to the plan amounted to $41,572 for 2014 and $41,852 for 2013.

NOTE 11 - FEDERAL INCOME TAXES

The provision (credit) for federal income taxes consists of the following for 2014 and 2013:

	2014	**2013**
Current provision	$ 39,544	$ 258,718
Deferred credit	(837,844)	(250,818)
Total provision (credit) for federal income taxes	$(798,300)	$ 7,900

The deferred credit of $837,844 in 2014 and $250,818 in 2013 resulted from the tax effects of temporary differences. There was no impact for changes in tax laws and rates.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 - FEDERAL INCOME TAXES (CONTINUED)

The provision (credit) for federal income taxes differed from the amounts computed by applying the U.S. federal income tax rate of 34% to earnings (loss) before federal income taxes as a result of the following:

	2014	2013
Computed "expected" tax provision (credit)	$(249,900)	$ 492,300
Increase (decrease) in income taxes resulting from:		
Tax-exempt income from municipal securities and loans	(521,200)	(457,500)
Interest expense associated with carrying certain tax-exempt municipal securities and loans	15,200	16,000
Increase in cash value of life insurance policies, net of premiums paid	(44,300)	(48,100)
Other, net	1,900	5,200
Total provision (credit) for federal income taxes	$(798,300)	$ 7,900

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities at December 31, 2014 and 2013 are presented below:

	2014	2013
Deferred tax assets:		
Unrealized losses on available-for-sale securities	$ -	$ 1,069,781
Net operating loss carryforward	1,103,700	-
Alternative minimum tax credit carryforward	96,700	96,700
Municipal bond tax credit carryforward	43,100	-
Allowance for loan losses	326,300	630,500
Deferred compensation	958,500	901,900
Other	4,800	21,119
Total deferred tax assets	2,533,100	2,720,000
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	673,163	-
Federal Home Loan Bank stock dividends	210,200	210,200
Mortgage servicing rights	106,700	110,600
Premises and equipment	388,200	361,400
Discount accretion on investment securities and other	60,437	38,300
Total deferred tax liabilities	1,438,700	720,500
Net deferred tax assets	$ 1,094,400	$ 1,999,500

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

The net operating loss carryforward at December 31, 2014 approximated $3,246,000 and is available to reduce future taxable income through 2034. The alternative minimum tax credit carryforward of $96,700 at December 31, 2014 may be utilized in the future to the extent computed regular tax exceeds the alternative minimum tax.

Management believes it is more likely than not that the benefit of deferred tax assets will be realized. Therefore, no valuation allowance for deferred tax assets is deemed necessary as of December 31, 2014 and 2013.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities under financial instruments with off-balance sheet risk that are not presented in the accompanying financial statements. These financial instruments primarily represent commitments to extend credit and letters of credit and approximated the following amounts at December 31, 2014 and 2013:

	Contract amount	
	2014	**2013**
Commitments to extend credit	$ 13,978,000	$ 10,087,000
Letters of credit	144,000	103,000
Total	$ 14,122,000	$ 10,190,000

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 generally 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 and the amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral varies but generally includes real property, equipment, and income-producing commercial properties.

Stand-by letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same that is involved in extending loans to customers. Collateral to support the commitment may be required if deemed necessary by management.

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

NOTE 13 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by federal and state 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 Company's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 13 - REGULATORY MATTERS (CONTINUED)

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 met all capital adequacy requirements to which they are subject.

As of December 31, 2014, the most recent notification from federal and state banking agencies categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", an institution must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since the notification that management believes have changed the Bank's category.

The actual capital amounts and ratios of the Bank as of December 31, 2014 and 2013 are presented in the following table (thousands of dollars):

	Actual		Minimum capital requirement		Minimum to be "well capitalized" under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2014						
Total Capital (to Risk-Weighted Assets):						
Bank	$ 27,277	18.8%	$ 11,605	≥ 8.0%	$ 14,506	≥ 10.0%
Tier I Capital (to Risk-Weighted Assets):						
Bank	$ 25,443	17.5%	$ 5,802	≥ 4.0%	$ 8,704	≥ 6.0%
Tier I Capital (to Average Assets):						
Bank	$ 25,443	9.7%	$ 10,539	≥ 4.0%	$ 13,173	≥ 5.0%
As of December 31, 2013						
Total Capital (to Risk-Weighted Assets):						
Bank	$ 27,849	19.2%	$ 11,607	≥ 8.0%	$ 14,509	≥ 10.0%
Tier I Capital (to Risk-Weighted Assets):						
Bank	$ 26,029	17.9%	$ 5,804	≥ 4.0%	$ 8,705	≥ 6.0%
Tier I Capital (to Average Assets):						
Bank	$ 26,029	10.2%	$ 10,189	≥ 4.0%	$ 12,736	≥ 5.0%

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 13 - REGULATORY MATTERS (CONTINUED)

On a parent company only basis, the Company's primary source of funds are dividends paid by the Bank. The ability of the Bank to pay dividends is subject to limitations under various laws and regulations, and to prudent and sound banking principles. Generally, subject to certain minimum capital requirements, the Bank may declare a dividend without the approval of the State of Ohio, unless the total dividends in a calendar year exceed the total of its net profits for the year combined with its retained profits of the two preceding years. Approximately $194,000 was available for dividends on January 1, 2015, without the need to obtain approval from the State of Ohio Division of Financial Institutions.

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

NOTE 14 - SUPPLEMENTAL CASH FLOW DISCLOSURES

The following supplemental cash flow disclosures are made for the years ended December 31, 2014 and 2013:

	2014	2013
Cash paid during the year for:		
Interest	$ 1,309,032	$ 1,564,152
Federal income taxes	$ 230,000	$ 336,877
Non-cash operating activities:		
Deferred income taxes on net unrealized losses on available-for-sale securities	$(1,742,944)	$ 2,118,982
Non-cash investing activities:		
Net unrealized losses on available-for-sale securities	$ 5,126,305	$(6,232,298)
Transfer of loans to other real estate owned	$ 176,000	$ 970,000

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, “Fair Value Measurements” (ASC 820-10) requires the use of valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820-10 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

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

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

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments at December 31, 2014 and 2013.

Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes financial and nonfinancial assets (there were no financial liabilities) measured at fair value as of December 31, 2014 and 2013, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

2014	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total fair value
Recurring - available-for-sale securities:				
Obligations of U.S. government agencies and corporations	$ -	$ 25,381,025	$ -	$ 25,381,025
Obligations of states and political subdivisions	-	45,134,062	561,762	45,695,824
Mortgage-backed securities	-	55,492,400	-	55,492,400
Total recurring	$ -	$ 126,007,487	$ 561,762	$ 126,569,249
Nonrecurring:				
Impaired loans	$ -	$ -	$ 2,991,268	$ 2,991,268
Other real estate owned	-	-	394,146	394,146
Total nonrecurring	$ -	$ -	$ 3,385,414	$ 3,385,414
2013				
Recurring - available-for-sale securities:				
Obligations of U.S. government agencies and corporations	$ -	$ 24,593,784	$ -	$ 24,593,784
Obligations of states and political subdivisions	-	40,657,641	624,180	41,281,821
Mortgage-backed securities	-	46,763,039	-	46,763,039
Total recurring	$ -	$ 112,014,464	$ 624,180	$ 112,638,644
Nonrecurring:				
Impaired loans	$ -	$ -	$ 4,490,972	$ 4,490,972
Other real estate owned	-	-	788,246	788,246
Total nonrecurring	$ -	$ -	$ 5,279,218	$ 5,279,218

Impaired loans are reported net of an allowance for loan losses amounting to $759,842 in 2014 and $1,523,969 in 2013.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)

The only available-for-sale security classified as Level 3 on a recurring basis is a local school district tax credit bond. The fair value of the bond has been determined to be its par value. The following table presents the changes in the fair value of the bond for the years ended December 31, 2014 and 2013:

	2014	2013
Balance at beginning of year	$ 624,180	$ 686,598
Principal payments received	(62,418)	(62,418)
Balance at end of year	$ 561,762	$ 624,180

The following is a description of the valuation methodologies used for significant instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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

Available-for-Sale Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would typically include government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include corporate and municipal bonds, mortgage-backed securities, and asset-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. The Company does not have any securities classified as Level 1. The only security classified as Level 3 as of December 31, 2014 and 2013 was the municipal tax credit bond for which fair value is deemed to be purchase price less principal payments.

There were no gains or losses relating to securities available-for-sale included in earnings before income taxes that were attributable to changes in fair values.

Impaired Loans

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

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 - FAIR VALUE MEASUREMENTS (CONTINUED)

Other Real Estate Owned

The Company values other real estate owned at the estimated fair value of the underlying collateral less expected selling costs. Such values are estimated primarily using appraisals and reflect a market value approach.

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2014		2013	
	Carrying amount	Estimated value	Carrying amount	Estimated value
Financial assets:				
Cash and cash equivalents	$ 8,772,907	$ 8,772,907	$ 9,513,759	$ 9,513,759
Securities and restricted stock	128,122,624	128,122,624	114,192,019	114,192,019
Loans, net	113,162,300	112,442,420	116,636,806	115,886,199
Financial liabilities:				
Deposits	214,049,176	214,328,368	209,815,818	210,083,282
Federal Home Loan Bank borrowings	20,382,420	20,756,629	18,946,201	19,337,143

The above summary does not include accrued interest receivable and payable, cash value of life insurance, mortgage servicing rights and other liabilities. There are no significant differences between the carrying value and fair value of these financial instruments because of the short-term nature of the instruments.

The Bank also has unrecognized financial instruments at December 31, 2014 and 2013. These financial instruments relate to commitments to extend credit and letters of credit. The contract amount of such financial instruments total approximately $14,122,000 at December 31, 2014 and $10,190,000 at December 31, 2013. Commitment amounts are considered to be the estimated fair value since the interest rates on such amounts are at current rates or are considered to be reasonably close to current rates.

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

Cash and Cash Equivalents

Fair value is determined to be the carrying amount for these items.

Securities and FHLB Stock

Fair value of securities, excluding Federal Home Loan Bank of Cincinnati stock, is determined based on quoted market prices of the individual securities where available. If quoted market prices are not available, fair values are obtained by comparison to other known securities with similar risk and maturity characteristics. Fair value does not consider possible tax ramifications or estimated transaction costs. The carrying value of Federal Home Loan Bank stock approximates fair value based on the redemption provisions of the Federal Home Loan Bank.

COMUNIBANC CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Loans

Fair value for loans is estimated for portfolios of loans with similar financial characteristics. For adjustable rate loans, which re-price at least annually and generally possess low risk characteristics, the carrying amount is a reasonable estimate of fair value. For fixed rate and other loans, the fair value is estimated based on estimated discounted cash flows using current interest rates. Such computations consider weighted average rates and terms of the portfolio, and are adjusted for credit and interest rate risk inherent in the loans. Fair value for nonperforming loans is based on recent appraisals or estimated discounted cash flows.

Deposit Liabilities

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

Other Borrowings

The fair value of federal funds purchased is determined to be the carrying value due to their short-term nature. The fair value of Federal Home Loan Bank borrowings is determined based on a discounted cash flow analysis using current interest rates.

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

COMUNIBANC CORP.
FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	Year Ended December 31				
	2014	2013	2012	2011	2010
	(Dollars in thousands, except per share data)				
Statements of Operations					
Total interest income	$ 9,474	$ 9,396	$ 9,887	$ 10,448	$ 10,848
Total interest expense	1,304	1,546	1,826	2,402	2,791
Net interest income	8,170	7,850	8,061	8,046	8,057
Provision for loan losses	3,750	850	450	200	651
Net interest income after provision for loan losses	4,420	7,000	7,611	7,846	7,406
Total non-interest income	1,426	1,188	1,753	1,333	1,587
Total non-interest expenses	6,581	6,740	6,879	6,518	6,226
Earnings (loss) before income taxes	(735)	1,448	2,485	2,661	2,767
Provision (credit) for federal income taxes	(798)	8	411	493	613
Net earnings	$ 63	$ 1,440	$ 2,074	$ 2,168	$ 2,154
Per share of common stock					
Net earnings	$ 0.08	$ 1.74	$ 2.50	$ 2.62	$ 2.60
Dividends	0.78	0.78	0.74	0.71	0.68
Book value	32.43	29.05	33.06	31.54	28.28
Year-end balances					
Loans, net	$ 113,162	$ 116,637	$ 123,177	$ 128,920	$ 127,183
Securities and restricted stock	128,123	114,192	103,782	94,513	82,349
Total assets	264,253	255,619	246,389	241,307	228,591
Deposits	214,049	209,816	197,809	186,747	176,913
Shareholders' equity	26,867	24,067	27,387	26,135	23,427
Average balances					
Loans, net	$ 115,169	$ 119,268	$ 125,108	$ 126,423	$ 128,389
Securities and restricted stock	126,299	112,936	101,631	90,884	82,001
Total assets	262,787	253,076	247,719	237,525	231,042
Deposits	216,115	205,431	195,271	183,955	177,761
Shareholders' equity	26,115	26,313	27,064	24,903	23,406
Selected ratios					
Net yield on average interest-earning assets	3.21%	3.27%	3.45%	3.59%	3.70%
Return on average assets	0.02%	0.57%	0.84%	0.91%	0.93%
Return on average shareholders' equity	0.24%	5.47%	7.66%	8.71%	9.20%
Allowance for loan losses as a percentage of year-end loans	1.72%	1.93%	1.50%	1.15%	1.54%
Shareholders' equity as a percentage of total year-end assets	10.17%	9.42%	11.12%	10.83%	10.25%

COMUNIBANC CORP.
BOARD OF DIRECTORS

Paul K. Chamberlin, Owner, George's Furniture and Bedding

Fred T. Freppel, Secretary
Certified Public Accountant

Rick L. Fruth, President, Fruth, Inc.

Anthony E. Grieser, Treasurer/Comunibanc Corp.

Edmund G. Peper, Chairman
Attorney, Peper Law Office

Victor W. Sonnenberg, Retired Farmer

Jeffrey L. Stober, Vice President, Holgate Implement Sales

William L. Wendt, President/Comunibanc Corp.

THE HENRY COUNTY BANK
BOARD OF DIRECTORS

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Anthony E. Grieser, Executive Vice President/Chief Financial Officer, The Henry County Bank

Edmund G. Peper, Chairman
Attorney, Peper Law Office

Victor W. Sonnenberg, Retired Farmer

Jeffrey L. Stober, Vice President, Holgate Implement Sales

William L. Wendt, President/Chief Executive Officer, The Henry County Bank

YOUR MANAGEMENT TEAM

William L. Wendt, President/Chief Executive Officer

Anthony E. Grieser, Executive Vice President/Chief Financial Officer

Sharon S. Mack, Senior Vice President/Operations/Human Resources

J. Kevin Yarnell, Vice President/Senior Loan Officer

David L. Wills, Vice President/Consumer Lending

Karen R. Houts, Asst. Vice President/Commercial Loan Officer

Leslee A. Thompson, Asst. Vice President/Lending

Timothy P. Okuley, Real Estate Loan Officer

William J. Morey, Loan Officer

Bradley E. Van De Bussche, Credit Analyst

Sandra K. Burgel, Manager/Main Office

Karen S. Johnston, Branch Manager/N. Scott St.

Cindy L. Overmier, Branch Manager/Liberty Center

Jane A. McGill, Branch Manager/Holgate

Lesa S. Bischoff, Branch Manager/S. Perry St.

Darlene R. Rohrbaugh, Branch Manager/Malinta

Daniel E. Ruby, Collection/Consumer Loan Officer

Brian A. Yarnell, Consumer Loan Officer

Nancy K. Helmke, Asst. Cashier/Bookkeeping

Cindy C. Celani, Asst. Cashier/Loans

Deborah L. Phillips, Asst. Cashier/Bookkeeping

Linda J. Comadoll, Internal Auditor

Monica J. Nye, Administrative Assistant

The Comunibanc Corp. annual disclosure statements can be received, without charge, by writing to:

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