MESSAGE FROM THE CHAIRMAN AND CEO

I am pleased to report that we had solid earnings for 2015 of $3,288,325, equating to earnings per share of $1.33. Our return on average assets was 0.90% and our return on average equity was 8.15%. Due to our acquisition, assets increased to $400,520,207 or 15.65% over year end 2014.

We were able to accomplish this, in spite of some concerning trends and challenges facing us and other community banks such as the lack of economic growth, especially in rural areas such as Ashtabula County, prolonged low interest rates putting pressure on the net interest margin, rapidly evolving technological demands, increased regulatory compliance costs, and inequitable marketplace conditions, from taxpayer subsidies of credit unions to the very politically powerful, multi-trillion dollar financial institutions. As a result, we continue to see the consolidation of our industry. Consequently, we realized that in order to grow our balance sheet, revenue and the value of your investment, it would be nearly impossible to accomplish this organically. Several years ago, we made the strategic decision to diligently explore acquisition opportunities that would be the right “fit.” At our shareholders’ meeting last year, we announced our intent to acquire Community National Bank of Northwestern Pennsylvania. We completed the acquisition in October of 2015. Much of our efforts, in 2015, were spent on the acquisition and the transition of their organization into ours. In addition to our efforts, we calculated that about $718,000 of one-time expenses, in 2015, were related to the acquisition. As this was our first acquisition, there was a lot to learn and prepare for. I am very proud of our management team, along with our board, as they worked diligently and tirelessly, to ensure a very successful acquisition and transition.

We are excited to join with our friends and neighbors to our east. We believe there is tremendous opportunity. We have acquired several excellent branches located in Albion, Edinboro, Erie, Crainesville, and West Springfield, Pennsylvania. Our new locations are contiguous and simply extend our existing community. Probably, more important, than the acquisition of “brick and mortar” and their customers, was the acquisition and inclusion of their terrific and dedicated staff. We are very pleased to have them join Andover Bank’s team and become a part of the family.

In 2015, attorney Stuart Cordell was added to Andover Bank and Andover Bancorp, Inc. board of directors. Stu is a partner in the law firm of Warren & Young, PLL in Ashtabula, Ohio. Stu has a long history of involvement and leadership in Ashtabula County. He is well respected among his peers and possesses a clear vision of community.

Because of our strong capital position and earnings, we were pleased to continue our strong dividend performance with a total dividend declared for 2015 of $.695 per share for an increase of 1.46% over 2014. Since the formation of the holding company in 1983, this is the 33rd consecutive year of paying and increasing the dividend from the prior year. The $.695 per share would calculate to be a dividend yield of 2.96%, using a market value of $23.51 per share established by an independent appraiser as of June 30, 2015.

It is an honor and a privilege to serve as Chairman and CEO of Andover Bank. Success comes as a result of vision, preparation and hard work. By working together as a team, directors, management and employees have made our success possible. Looking to the future, we will continue to strive to meet the high standards that we have set and to exceed your expectations. We will continue to look for ways to improve our products and services along with opportunities to grow.

Some things never change... we will continue to serve you, our stockholders and customers with enthusiasm and professionalism.

Your continued confidence and support are appreciated.

Martin Cole
Chairman and Chief Executive Officer