

DART FINANCIAL CORPORATION

MASON • HOLT'S • LANSING • GRAND LEDGE



April 21, 2016

Dear Shareholder of Dart Financial Corporation:

We are very pleased to include a dividend of \$.20 for each share of Dart stock that you own. Included with this letter is a check, advice of credit or statement for the Dividend Reinvestment Plan showing the additional shares purchased with this dividend. This dividend represents an 11% increase from the previous quarter and is the second increase in the regular dividend in as many years.

The condensed income statement and balance sheet for the first quarter of 2016 with comparison to the prior year is also enclosed. Earnings for the first quarter were \$.28 per share. Our net interest margin declined 5% from the prior year as earning assets consisting of loans and long-term investments were essentially flat. Another factor in the squeeze in the net interest margin comes from an increase in interest costs. Interest bearing deposits increased and a wholesale funding advance was taken from the Federal Home Loan Bank. This long-term advance was taken in February as a hedge against predicted rising interest rates. While this advance impacts the bottom line somewhat negatively today, there will be future benefits for having taken the advance. There will be improvement in the net interest margin in the coming quarters as excess liquidity is being put to work in longer term securities and due to a 5% increase in loans since year-end. Applications for residential mortgage loans picked up this spring following a pattern seen over the past two years. Increased closings and the resulting fees from the gain on sale of mortgages to the secondary market will improve our revenues in the months ahead.

Non-interest costs increased in the first quarter as we have made needed investments in people, equipment and processes to make us better able to serve new markets and existing clients.

We are on track to open our fourth, full-service location in Lansing's Frandor area during the month of June. The location is 500 North Homer Street, the present site of our residential loan production office. Melanie Squires will be the Office Manager and will be assisted by Jim Young, Senior Personal Banker. This office will employ the latest innovations such as a teller pod, cash recyclers and an Integrated Teller Machine. This same advancement in banking technology will be utilized in our new Mason headquarters later this summer. An Integrated Teller Machine is now operational in the lobby of our Mason office. Please stop in for a demonstration.

The new valuation from CAMELS Consulting Group, LLC for each share of Dart stock has just been received. The per share value of your stock is \$31.90 as of March 31, 2016. This is up slightly from the year-end valuation. There has been increased trading activity in shares during the first quarter. We are pleased to have so many new shareholders. Please spread the word to your friends about the benefits of owning a piece of your community bank. Referrals may be made to Michelle Carpenter our Investor Relations Representative. She may be reached at (517) 699-3379.

Sincerely,

Peter Kubacki
President & CEO

John Grettenberger
Chairman of the Board

Rollie Dart
Chairman Emeritus