Highfields
Changing Lives, Strengthening Communities

Tri-County Office on Aging

GIVING BACK

Serving the Community in Financial & Non-Financial Ways

DART BANK
MASON • HOLT/S. LANSING • GRAND LEDGE

In Remembrance

Loretta Farnsworth! How much we do miss her! This lady spent, in total, fifty-one (51) years of her life in service to The Dart National Bank and The Dart Bank. Can you imagine? Loretta gave of herself continually. She has been a loving and caring person, and most capable. Further, we who serve the bank have never known a harder worker! We all hope to be worthy of the unbelievable example that Loretta has given us.

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Letter to Shareholders

February 1, 2013

Dear Friends–Shareholders in Dart Financial Corporation:

Our financial results for 2012 are reflective of the continuing economic challenges. Net income was $1,686,207 or $2.81 per share. This compares to last year's net income of $2,293,326 and per share return of $3.82. The return on average equity for 2012 was 5.95%.

In comparing this year's results to the strong profits of last year the story line comes down to the net interest margin. The very low interest rate environment and weak loan demand in mid-Michigan has caused a 6.4% decline in the net margin. Net loans declined by over $13 million or 8.5% from last year. Dollars not invested in loans were placed in longer term investment securities but at rates much lower than the typical loan. We are observing an increase in conversations our loan officers are having with customers and prospective clients about loans. We are being asked to consider granting credit to businesses and individuals more frequently than in the past two years and this is good.

Offsetting much of the decline in the net interest margin was the strong performance in non-interest income. This source of revenue was just a few thousand dollars short of the all-time record. Mortgage banking fee income was particularly strong this year as homeowners took advantage of low rates to refinance mortgages. Fee income from originating and servicing mortgages increased by 35% over last year. For a number of years the success of our mortgage area has been due to the able management of Sharon Thompson who retires from Dart Bank on March 1, 2013 after nearly 34 years of service. We will miss Sharon's leadership.

Many categories of non-interest expenses were well controlled this past year, increasing by less than 1%. However, expenses listed in the "Other" category rose more rapidly. Costs to dispose of Other Real Estate and to resolve non-performing loans are included in this category. Additionally, we recorded one-time costs with the purchase of real estate adjacent to our existing Mason location.

John Grettenberger, Rollin Dart, and Peter Kubacki

Two dividend payments of $ .25 per share were paid to you representing a distribution of nearly 18% of the year's profits. Dividends, however, are not the only element of shareholder return. Book value is an important component in the value of your shares. At year- end the book value per share was $48.48, an increase of 5.5% during the year. In last year's annual report we spoke to you of the need to maintain greater levels of capital against our assets. These requirements are starting to come into greater focus with the publication by our regulators of proposed capital requirements referred to as Basel III. If implemented these rules would require all banks to carry greater capital against our earning assets. Our voice is being added to those of our industry seeking favorable treatment, especially for community banks. At year-end our Tier 1 Leverage Ratio, a key capital ratio utilized by our regulators, was 10.0%. This is a strong level and is the highest ratio we have had since year-end 2006. This level is necessary to support still elevated levels of problem loans and as a hedge against possible regulator mandated changes.

For several years the management of Dart Bank and your board of directors have discussed the need to replace the existing headquarters and banking office in Mason. Our main office building was constructed in 1969 at a time when the bank's total assets were $16.7 million. As we grew a neighboring building was purchased that became the Loan Store and later the Administration Building. The current configuration and space no longer meet our needs nor of our customers. In December we had the opportunity to purchase adjoining land and buildings as a site for a new banking facility. The property was purchased at an advantageous price from a lender who had foreclosed on a business that was the victim of the recent recession. As we wish to remain within the central business district of Mason this was too good an opportunity to pass up. The purchase is a reflection of our confidence in the long-term future as a community bank. Mason will soon see increased competition in the form of new offices of a commercial bank and a credit union. It is necessary to have the products, people, and facilities to meet existing competition and new challengers.

Trading in shares of Dart stock increased during the year. Thirty transactions took place and there was a wide dispersion of share prices. Trades occurred below $40.00 and above $50.00 with a weighted average in the $42.00 to $43.00 range. The last valuation report prepared by CAMELS Consulting places a per share value of $50.00 for each share of Dart Financial Corporation as of September 30, 2012. A key initiative for the senior management team and directors in the coming year will be the identification and cultivation of prospective shareholders. Creating greater demand for Dart shares is vital for a stronger price per share and in providing liquidity for those shareholders who wish to sell.

The Dart Bank mission statement speaks not only of protecting and increasing the value of stockholders' investment, but also of serving the community in financial and non-financial ways. For years in our annual report we have listed the organizations that have received financial support. On this year's cover and within the report we have chosen to highlight and give special recognition to three organizations: Highfields, Eaton Community Palliative Care and Tri-County Office on Aging. Our support goes beyond providing an annual contribution. Dart Bank employees serve on boards of directors or volunteer time in fund-raising or in supporting these organizations' missions. We are proud to be associated with them as their central theme matches that of our own, caring.

The Annual Meeting of Shareholders will begin at 6:30 p.m. on Tuesday, March 26, 2013 at our Delhi-South Lansing bank. We hope you will attend and renew acquaintances with fellow shareholders, directors and management. We will have our usual food and refreshments.

With warm wishes we are,

Peter Kubacki, President and CEO

John Greffenberger, Chairman of the Board

Rollin Dart, C.E., Community Relations Officer

Giving Back

This year's cover of the Dart Financial Corporation Annual Report focuses on three of the many non-profit organizations that Dart Bank supports. Clearly written in our Mission Statement, Dart Bank believes in "serving the community in financial and non-financial ways." From financial gifts, to fund-raising events, to volunteer participation by our employees, Dart Bank strives to make a difference in our communities.

Following are brief introductions of the community organizations featured on the cover of this year's annual report.

Highfields was founded in 1962 on the premise that people can change if they have the right opportunities, combined with high expectations and positive adult interaction.

Since then Highfields has grown from a small residential program offering a second chance to troubled boys from Ingham County, to a multi-purpose, human services organization that touches more than 5,000 people each year.

Today Highfields provides a wide array of counseling, intervention, training and support services to children, youth, parents, families, and other individuals and organizations throughout Michigan.

Highfields is dedicated to its founding concepts and maintains an unfailing commitment to the vision of creating brighter futures for children, their families and communities.

Since 1974 the Tri-County Office on Aging (TCOA) has been the region's one-stop-shop for information and services that older adults, persons with disabilities and their families need to live independently and remain active in their communities.

TCOA is part of the community, serving their neighbors, friends and family members every day. TCOA's mission is to promote and preserve the independence and dignity of the aging population. To accomplish this mission, TCOA connects people who need help to service providers, volunteers, donors, businesses and governments throughout Eaton, Clinton and Ingham Counties and the Cities of Lansing and East Lansing, Although TCOA's Meals On Wheels is their best-known program, their reach goes well beyond providing nourishing meals. Many of their services are provided at no or low-cost or have fees based on a sliding scale.

"Eaton Community Palliative Care is a volunteer organization providing, at no cost, physical, emotional and spiritual care for the terminally ill, their families and/or significant others, enabling the terminally ill to die with dignity in their home or with 24-hour care at the Eaton Community Palliative Care Residence."

With ever changing insurance policies and Medicaid, it is more important than ever to make sure our community continues to preserve an organization that supports individuals in the most personal and transitional time of life. Continued funding is based on contributions from community businesses and individuals.

On September 8, 2003 the Palliative Care Residence was opened. This too, is a service offered at no cost to the individual, and is funded by contributions from the community.

Donations 2012 (partial list)

Alzheimer's Association

American Cancer Society

American Red Cross

Angel House (Child and Family Services)

Boy Scouts of America

Camp Highfields

Capital Area Community Services, Inc.

Capital Area Humane Society

CARE

CareFree Medical and Dental

Chosen Vision

Church World Service

City Rescue Mission of Lansing

Doctors Without Borders

Eaton Community Hospice

Grand Ledge Emergency Assistance

Grand Ledge Food Bank

Grand Ledge Music Boosters

Greater Lansing Housing Coalition

Habitat for Humanity

Haven House

Holt Community Food Bank

Holt Education Foundation

Junior Achievement

Lansing Area Safety Council

Lansing Community College Foundation

Lansing Symphony Orchestra

Loaves & Fishes Ministry

Mason Area Historical Society

Mason Public Schools Educational Foundation

Meals On Wheels

Michigan Harvest Gathering

Mother Teresa House

Muscular Dystrophy Association

Oak Park YMCA

Old Newsboys Association

Prison Fellowship Ministries

Salvation Army

Siren/Eaton Shelter

South Side Community Kitchen

The Hundred Club

United Way

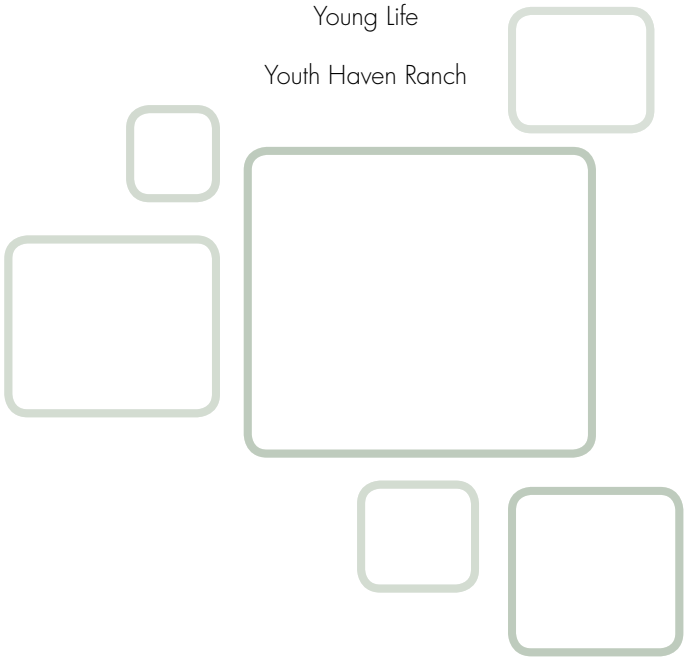
Volunteers of America

WKAR Public Radio

World Vision

Young Life

Youth Haven Ranch



Dart Bank Giving Back

Serving the Community in Financial and Non-Financial Ways

Dart Bank Honors Returning Veteran with Quilt

Dart Bank Supports Mason Volunteer Fire Department

Dart Bank Supporting and Working with the Grand Ledge Food Bank's "Stuff the Bus for Hunger Event"

Highfields Breakthrough Group Activity

Christmas Celebration with Young People

Volunteering for Meals on Wheels

Highfields Professional Staff Serve 11 Counties

Christmas Tree Decorating in Holt

Dart Relay for Life Team

Highfields has served youth and families for more than 50 years.

Eaton Community Palliative Care Home

Grand Ledge Relay for Life

Boy Scouts Visit Dart Bank

Girl Scouts Scrubbing Ladder 911

Melanie Dart Receives Community Award

Tri-County Office on Aging

Mason Library Bake Sale Fundraiser at Dart Bank

Graduation Day

Dart Bank Bake Sale for Holt Library

Five-Year Comparative Balance Sheets

	As of December 31,				
Assets	2012	2011	2010	2009	2008
Cash and due from banks	$ 19,599,228	$ 12,714,501	$ 8,141,379	$ 6,543,470	$ 4,909,218
Federal funds sold	8,902,407	8,569,024	2,785,631	8,028,980	7,166,099
Cash and cash equivalents	28,501,635	21,283,525	10,927,010	14,572,450	12,075,317
Interest-bearing deposits	3,937,053	1,531,535	2,428,033	5,010,232	3,859,549
Investment securities	85,663,782	75,556,414	62,543,028	58,724,963	49,998,254
Federal Home Loan Bank stock	1,355,000	1,355,000	1,432,400	1,505,000	1,305,000
Net loans	144,056,999	157,478,236	164,596,340	183,099,902	186,624,645
Premises and equipment, net	4,239,776	4,463,946	4,608,357	4,862,431	4,886,299
Accrued interest receivable	1,085,850	1,233,982	1,129,565	1,200,681	1,204,076
Foreclosed and repossessed assets	775,304	968,638	2,370,012	1,035,543	89,700
Bank-owned life insurance	6,317,804	5,885,609	5,681,184	5,473,497	5,270,881
Prepaid FDIC insurance premium	348,490	693,095	1,138,450	1,533,967	42,118
Other assets	2,606,092	2,788,495	3,158,774	2,943,770	1,349,959
	$ 278,887,785	$ 273,238,475	$ 260,013,153	$ 279,962,436	$ 266,705,798
Liabilities and Shareholders' Equity					
Deposits					
Interest bearing	$ 168,369,764	$ 173,508,754	$ 173,215,288	$ 193,571,945	$ 186,377,318
Noninterest bearing	54,934,016	46,322,657	39,938,498	34,418,926	29,196,922
	223,303,780	219,831,411	213,153,786	227,990,871	215,574,240
FHLB advances	25,100,000	24,100,000	22,100,000	27,100,000	26,100,000
Accrued interest payable	198,251	265,908	339,900	496,050	566,422
Deferred compensation	175,820	197,268	244,216	296,893	341,910
Other liabilities	1,022,714	1,270,251	387,401	389,686	322,313
	249,800,565	245,664,838	236,225,303	256,273,500	242,904,885
Shareholders' equity					
Common stock	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000
Retained earnings	10,287,682	8,901,475	6,608,149	6,127,221	6,423,506
Accumulated other comprehensive income (loss)	1,799,538	1,672,162	179,701	561,715	377,407
	29,087,220	27,573,637	23,787,850	23,688,936	23,800,913
Total liabilities and shareholders' equity	$ 278,887,785	$ 273,238,475	$ 260,013,153	$ 279,962,436	$ 266,705,798

Five-Year Comparative Statements of Income

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Interest and dividend income					
Loans, including fees	$ 9,199,273	$ 10,260,476	$ 11,014,466	$ 11,876,458	$ 12,121,214
Investment securities	2,411,318	2,609,253	2,550,397	2,267,753	2,191,921
Federal funds sold and other	46,753	57,436	121,751	178,503	241,406
	11,657,344	12,927,165	13,686,614	14,322,714	14,554,541
Interest expense					
Deposits	1,768,698	2,287,692	3,591,912	4,769,938	5,858,200
FHLB advances and other	600,580	719,190	907,366	1,041,602	746,300
	2,369,278	3,006,882	4,499,278	5,811,540	6,604,500
Net interest income	9,288,066	9,920,283	9,187,336	8,511,174	7,950,041
Provision for loan losses	1,116,138	1,019,314	3,577,200	4,000,840	1,457,685
Net interest income after provision for loan losses	8,171,928	8,900,969	5,610,136	4,510,334	6,492,356
Noninterest income	2,124,858	1,760,403	2,070,434	2,129,539	1,694,516
Noninterest expenses					
Compensation and benefits	4,233,348	4,240,379	3,709,545	3,617,933	3,634,680
Occupancy and equipment	1,214,261	1,168,936	1,157,702	1,043,703	891,180
Office supplies	117,542	110,353	123,399	130,990	164,230
Charitable contributions	94,353	71,953	65,477	71,108	95,371
Other	2,756,075	2,299,425	2,453,519	2,283,424	1,791,482
	8,415,579	7,891,046	7,509,642	7,147,158	6,576,943
Income (loss) before federal income taxes	1,881,207	2,770,326	170,928	(507,285)	1,609,929
Federal income tax expense (benefit)	195,000	477,000	(310,000)	(511,000)	305,000
Net income	$ 1,686,207	$ 2,293,326	$ 480,928	$ 3,715	$ 1,304,929

Dart Bankers

	Years of Service
Noreen Akom	44
Joy Allaire	15
Shannon Arnett	4
Trina Austin	12
Lauren Boehlke	2
Danielle Boyle	1
Barbara Brevick	2
Colleen Briggs	33
Pennie Brownlee	10
Elfriede Cairns	11
Jennifer Campbell	7
Michelle Carpenter	20
Miranda Cloud	6
Scott Cornell	7
Douglas Crips	5
Lori Crooks	1
Cindy Crowner	
Melanie Dart	7
Rollin Dart	50
Monica Delgado	2
Jena Dieter	
John Dodge	4
Ellen Dral	2
Diana Ebare	27
Lindsey Edmiston	4
Mark Emmert	8
Ed Evert	10
Emily Groll	1
Cindy Hamilton	7
Kimberly Harless	7
Larry Howe	14
Mark Howe	27
Autumn Hubbard	
Connie Ireland	19
Janice Jacobs	6
Tammy Jenks	8
Natasha Kirchmeier	10
Cami Kocsis	
Julie Konen	3
Taylor Kozumplik	
Peter Kubacki	5
Jamie Lafavor	2
Andrea Lake	4
Stephanie LaPratt	12
Devin Lavengood	6
Nanette Listing	7
Andrea Mack	1
Debra Mack	3
Sally Mangles	14
Anne Marion	
Jennifer Marsh	1
Brittany Martinson	1
Vicie McClung	15
Angela McPhail	8
Debra Miles	25
Becky Moore	9
John Morris	7
Heather Newman	6
Aubrey Orr	
Bethany Orr	
Isaac Orr	1
Tara Owens	14
Charles Parker II	3
Sheila Pawlowski	6
Sandi Petherbridge	4
Lori Pfost	
Jill Raab	14
Sally Rae	35
Larry Reid	
Kylie Rogers-Strahan	
Christina Rosales	
Lori Sallek	8
Melissa Samson	
Karla Spoor	32
Melanie Squires	1
Sharon Thompson	33
Debra Town	12
Mary Tressel	15
Katie Trudell	
Kendra Waldie	6
Kevin Waldie	4
Heather Walters	12
Jacob Walters	6
Jack Watson	2
Susan Webster	4
Shelly Zimmerman	1

Dart Bank has a written Affirmative Action Compliance Plan on equal employment opportunity. It is designed to provide guidance to management with respect to the bank's commitment to full implementation of its Equal Opportunity/Affirmative Action policy.

Management Team

Trina Austin	Assistant Manager/Holt
Colleen Briggs	Consumer Loan Officer/CRA
Michelle Carpenter	Business Services Relationship Banker
Scott Cornell	Assistant Vice President/IT Officer
Cindy Crowner	Assistant Vice President/Grand Ledge Office Manager
Melanie Dart	Business Development Associate
Rollin Dart	Chairman Emertitus/Community Relations Officer
Mark Emmert	Vice President/Special Assets Officer
Cindy Hamilton	Vice President/Loan Dept. Administrator
Kimberly Harless	Assistant Vice President/Holt Office Manager
Mark Howe	Vice President/Commercial Lender
Tammy Jenks	Assistant Manager/Grand Ledge Office
Natasha Kirchmeier	Accounting Supervisor
Peter Kubacki	President & CEO
Devin Lavengood	Assistant Vice President/Commercial-Ag Lender
Nanette Listing	Assistant Vice President/Operations Officer
Debra Mack	Vice President/Compliance, Audit, BSA
Jennifer Marsh	Vice President/Commercial Lender
Debra Miles	Vice President/Chief Financial Officer
John Morris	Assistant Vice President/Commercial Lender
Tara Owens	Mortgage Management Trainee
Charles Parker II	Assistant Vice President/Special Assets Workout Officer
Lori Pfost	Mason Office Manager
Sally Rae	Executive Vice President
Karla Spoor	Vice President/Human Resources
Sharon Thompson	Vice President/Mortgage Loan Officer
Mary Tressel	Special Assets Officer
Jacob Walters	Sr. Credit Analyst/Lender
John Watson	Sr. Credit Analyst
Susan Webster	Assistant Vice President/Loan Operations Officer
Shelly Zimmerman	Assistant Manager/Mason Office

Board of Directors

JOHN O. GRETTENBERGER
Chairman

MELANIE S. DART
Vice Chairman

PETER A. KUBACKI
President and CEO

KIRA CARTER-ROBERTSON

MARK S. HENNE

BLAKE D. MULDER

JOHN L. NOUD

DARWIN L. SHAVER

Dart Bank Values

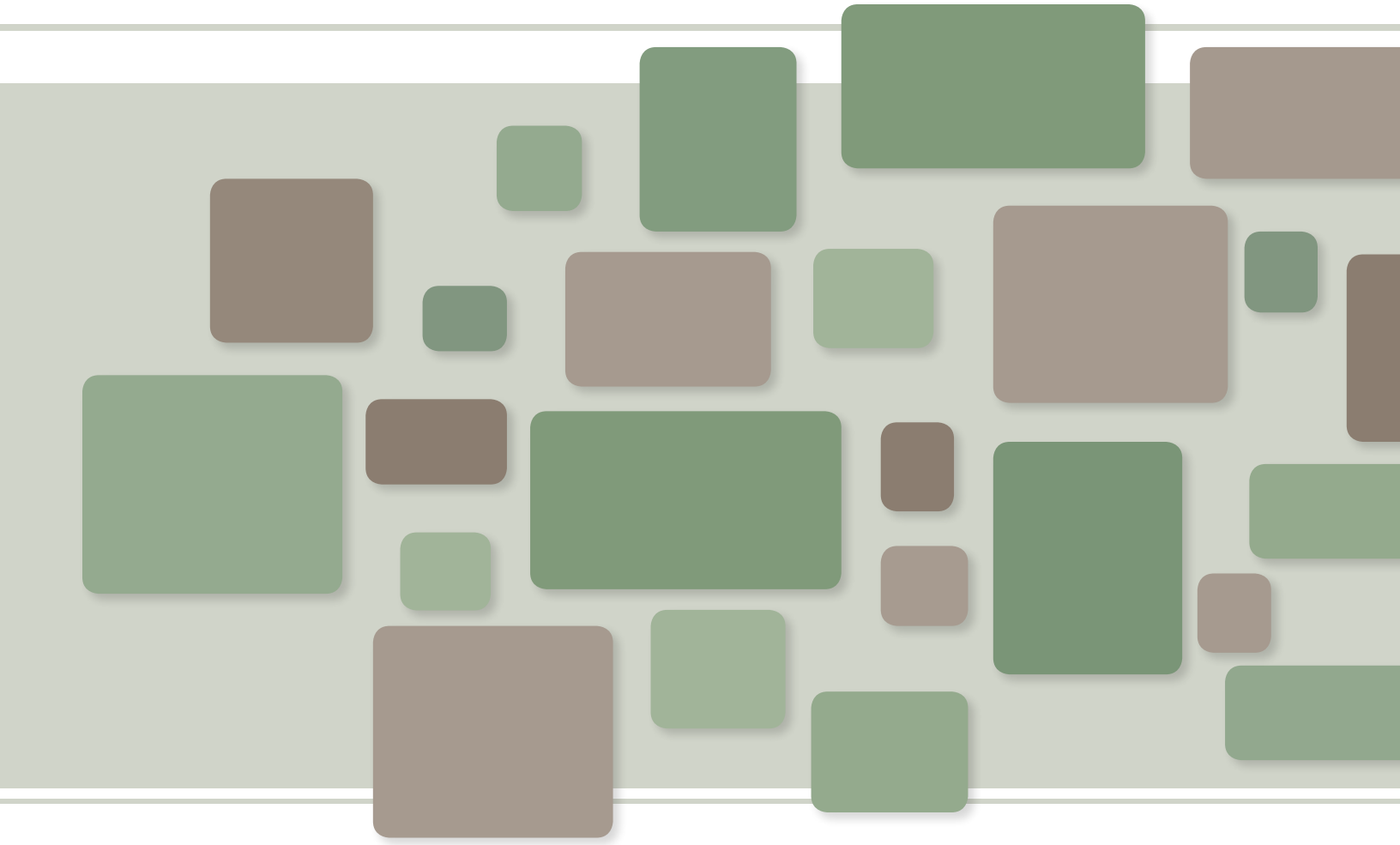
Community • Hard Work • Honesty • Integrity • Loyalty
Relationships • Respect • Stability • Teamwork

Our Mission

Our primary purposes are to meet the financial needs
of our banking communities, protect and increase the value
of stockholders' investments and serve the community
in financial and non-financial ways.

Our bank acknowledges the interdependence of all mankind
in the world and reaches out beyond local areas in times of need.

We are committed to creating a workplace that nurtures
the well-being and growth of our employees.



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