WeiserMazars LLP

Berkshire Bancorp Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013

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Berkshire Bancorp Inc. and Subsidiaries
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Independent Auditors' Report

To the Board of Directors
Berkshire Bancorp Inc.

We have audited the accompanying consolidated financial statements of Berkshire Bancorp Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 the 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 audit. We conducted our audit in accordance with auditing standards 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Berkshire Bancorp Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weiser Mazars LLP

April 17, 2015

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	December 31, 2014	December 31, 2013
ASSETS		
Cash and due from banks	$ 3,055	$ 3,892
Interest bearing deposits (including restricted cash of $5,682 and $5,900, respectively)	67,148	88,891
Total cash and cash equivalents	70,203	92,783
Investments Securities:		
Available-for-sale, at fair value	367,293	333,211
Federal Home Loan Bank of New York stock	570	722
Held-to-maturity at amortized cost, fair value of $234 in 2014 and $259 in 2013	231	253
Total investment securities	368,094	334,186
Loans, net of deferred fees	303,574	316,970
Less: allowance for loan losses	(7,560)	(7,786)
Net loans	296,014	309,184
Accrued interest receivable	2,706	2,989
Premises and equipment, net	7,660	6,838
Deferred tax assets, net	19,800	24,016
Other assets	2,685	3,048
Total assets	$ 767,162	$ 773,044
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 94,818	$ 88,002
Interest bearing	495,404	525,778
Total deposits	590,222	613,780
Securities sold under agreements to repurchase	30,000	30,000
Accrued interest payable	1,453	1,118
Other liabilities	5,467	3,688
Total liabilities	627,142	648,586
Stockholders' equity		
Preferred stock - $ .01 Par value:		
2,000,000 shares authorized - none issued		
Common stock - $.10 Par value	1,442	1,442
Authorized - 25,000,000 Shares		
Issued 14,416,198 shares		
Outstanding 14,416,198 shares		
Additional paid-in capital	143,903	143,903
Accumulated Deficit	(4,712)	(11,533)
Accumulated other comprehensive loss, net	(613)	(9,354)
Total stockholders' equity	140,020	124,458
Total liabilities and stockholders' equity	$ 767,162	$ 773,044

The accompanying notes are an integral part of these consolidated financial statements

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands)

	For The Years Ended December 31, 2014	2013
INTEREST INCOME		
Loans, including related fees	$ 16,137	$ 17,044
Investment securities	7,932	8,571
Interest bearing deposits	261	316
Total interest income	24,330	25,931
INTEREST EXPENSE		
Deposits	3,423	3,615
Securities sold under agreements to repurchase	297	1,190
Interest expense on borrowings	-	10
Total interest expense	3,720	4,815
Net interest income	20,610	21,116
REDUCTION IN LOAN LOSSES	(226)	(3,196)
Net interest income after provision for loan losses	20,836	24,312
NON-INTEREST INCOME		
Service charges on deposit accounts	279	382
Realized investment securities gains (losses)	501	(11,867)
Other income	1,009	671
Total non-interest income	1,789	(10,814)
NON-INTEREST EXPENSE		
Salaries and employee benefits	9,884	10,597
Net occupancy expense	2,370	2,515
Equipment expense	448	377
FDIC assessment	937	774
Data processing expense	497	448
Other	2,378	2,535
Total non-interest expense	16,514	17,246
Income (loss) before income tax benefit	6,111	(3,748)
Income tax benefit	(710)	(1,231)
Net income (loss)	$ 6,821	$ (2,517)

The accompanying notes are an integral part of these consolidated financial statements

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands)

	For the Years Ended December 31, 2014	For the Years Ended December 31, 2013
Net income (loss)	$ 6,821	$ (2,517)
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on available-for-sale securities, net of taxes (benefits) of $7,235 and ($5,100), respectively	8,842	(6,233)
Pension liability adjustment	(101)	(144)
Other comprehensive income (loss), net	$ 8,741	$ (6,377)
Comprehensive income (loss)	$ 15,562	$ (8,894)

The accompanying notes are an integral part of these consolidated financial statements

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For The Years Ended December 31, 2014 and 2013
(Dollars and Shares in Thousands)

	Common Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss, net	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2013	14,416	$ 1,441	$ 143,903	$ (2,977)	$ (8,061)	$ 134,306
Net Loss	-	-	-	-	(2,517)	(2,517)
Other comprehensive loss net of taxes	-	-	-	(6,377)	-	(6,377)
Cash-Dividends-Common Stock	-	-	-	-	(1,153)	-
Adjustments	-	1	-	-	198	199
Balance at December 31, 2013	14,416	$ 1,442	$ 143,903	$ (9,354)	$ (11,533)	$ 124,458
Net Income	-	-	-	-	6,821	6,821
Other comprehensive income net of taxes	-	-	-	8,741	-	8,741
Balance at December 31, 2014	14,416	$ 1,442	$ 143,903	$ (613)	$ (4,712)	$ 140,020

The accompanying notes are an integral part of these consolidated financial statements

BERKSHIRE BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For The Year Ended December 31,	
	2014	**2013**
Cash flows from operating activities:		
Net income (loss)	$ 6,821	$ (2,517)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Changes in deferred tax assets, net	(3,019)	(7,624)
Realized (gains) loss on investment securities	(501)	11,867
Net amortization of premiums of investment securities	1,209	1,564
Depreciation and amortization	608	536
Recovery of loan losses	(226)	(3,196)
Decrease in accrued interest receivable	283	110
Decrease in other real estate owned	-	225
Decrease in other assets	363	8,582
Increase (decrease) in accrued interest payable and other liabilities	2,013	76
Net cash provided by operating activities	7,551	9,623
Cash flows from investing activities:		
Investment securities available-for-sale		
Purchases	(230,299)	(373,336)
Sales, maturities and calls	211,586	375,629
Investment securities held-to-maturity		
Payments	22	22
Decrease in FHLBNY stock	152	165
Net decrease (increase) in loans	13,396	(21,831)
Purchases of premises and equipment	(1,430)	(261)
Net cash used in investing activities	(6,573)	(19,612)
Cash flows from financing activities:		
Net increase in non interest bearing deposits	6,816	3,839
Net decrease in interest bearing deposits	(30,374)	(32,529)
Repayment of borrowings	-	(1,539)
Repayment of securities sold under repurchase agreements	-	(15,000)
Dividends paid on common stock	-	(1,153)
Net cash used in financing activities	(23,558)	(46,382)
Net decrease increase in cash and cash equivalents	(22,580)	(56,371)
Cash and cash equivalents at beginning of period	92,783	149,154
Cash and cash equivalents at end of period	$ 70,203	$ 92,783
Supplemental disclosure of cash flow information:		
Cash used to pay interest	$ 3,384	$ 5,396
Net taxes paid (refund)	$ 875	$ (6,610)

The accompanying notes are an integral part of these consolidated financial statements

Note 1 - ORGANIZATION AND CAPITALIZATION

Organization

Berkshire Bancorp Inc., a Delaware corporation, is a bank holding company registered under the Bank Holding Company Act of 1956. References herein to "Berkshire", the "Company" or "we" and similar pronouns shall be deemed to refer to Berkshire Bancorp Inc. and its consolidated subsidiaries unless the context otherwise requires. Berkshire's principal activity is the ownership and management of its indirect wholly-owned subsidiary, The Berkshire Bank (the "Bank"), a New York State chartered commercial bank. The Bank was owned through Berkshire's wholly-owned subsidiary, Greater American Finance Group, Inc. ("GAFG"). On December 31, 2014, GAFG was dissolved and the Bank is owned by Berkshire Bancorp Inc.

The Bank was established in 1989 to provide highly personalized services to high net worth individuals and to small and mid-sized commercial businesses primarily from the New York City metropolitan area. The Bank's main office and branch is in mid-town Manhattan. The Bank has two other branches in Manhattan, four branches in Brooklyn, New York, four branches in Orange and Sullivan Counties in New York State, and a branch in Teaneck, New Jersey.

The Bank competes with other banking and financial institutions in its markets. Commercial banks, savings banks, savings and loan associations, mortgage bankers and brokers, and credit unions actively compete for deposits and loans. Such institutions, as well as consumer finance, mutual funds, insurance companies, and brokerage and investment banking firms may be considered to be competitors of the Bank with respect to one or more of the services provided by the Bank.

The Company and the Bank are subject to the regulations of certain state and federal agencies and, accordingly, are periodically examined by those authorities. The results of such examinations may identify certain items which require management attention and remediation. Further, the banking industry is highly regulated and as a result, the Bank's business may be affected by state and federal legislation.

In November 2013, the Company notified the NASDAQ Stock Market LLC that it voluntarily filed Form 25 with the Securities and Exchange Commission to delist the Company's common stock from The NASDAQ Global Market and deregister the Company's common stock. The delisting from NASDAQ was effective as of November 29, 2013, and the Company's duty to file annual reports on Form 10K and current reports on Form 8-K is suspended. The Company common stock is quoted by market makers on the over-the-counter market ("OTCQB").

Note 2 - SUMMARY OF ACCOUNTING POLICIES

1. Basis of Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and predominant practice within the banking industry, and include the accounts of Berkshire Bancorp Inc. and its wholly-owned subsidiaries, GAFG (for December 31, 2013), the Bank, and East 39, LLC (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated.

In preparing the financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the balance sheets, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The principal estimates that are susceptible to significant change in the near term relate to the allowance for loan losses, carrying value of investments designated as available-for-sale, fair value of financial instruments, other-than-temporary impairment analysis and deferred tax assets and liabilities. The evaluation of the adequacy of the allowance for loan losses includes an analysis of the individual loans and overall risk characteristics and size of the different loan portfolios, and takes into consideration current economic and market conditions, the capability of specific borrowers to pay specific loan obligations, as well as current loan collateral values. However, actual losses on specific loans, which also are encompassed in the analysis, may vary from estimated losses.

The fair value of investments designated as available-for-sale are based upon quoted market prices or prices for similar assets. If no quoted market prices or prices for similar assets exist, unobservable inputs are required.

2. Investment Securities

The Company accounts for its investment securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, "Investments-Debt and Equity Securities" ("FASB ASC 320"). As required by FASB ASC 320, investment securities are classified into three categories: trading, held-to-maturity and available-for-sale. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value with all unrealized gains and losses included in trading account activities in the statement of income. Securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for the amortization of premiums and accretion of discounts computed by the interest method. Investments, which management believes may be sold prior to maturity due to changes in interest rates, prepayment risk and equity, liquidity requirements or other factors, are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity and excluded from the determination of net income. Gains or losses on disposition are based on the net proceeds and cost of the securities sold, adjusted for amortization of premiums and accretion of discounts, using the specific identification method.

In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the current interest rate environment, (3) the financial condition and near-term prospects of the issuer, if applicable, and (4) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Other-than-temporary impairment losses for debt securities are measured using a discounted cash flow model. Other-than-temporary impairment losses for equity securities are measured using quoted market prices, when available, or when market quotes are not available due to an illiquid market, the Company uses an impairment model from a third party or quotes from investment brokers.

The Company did not have a trading securities portfolio as of December 31, 2014 and 2013. The Company generally classifies all newly purchased debt securities as available-for-sale in order to maintain the flexibility to sell those securities if the need arises. The Company has a limited portfolio of securities classified as held-to-maturity, represented principally by securities purchased prior to 2002.

3. Loans and Allowance for Loan Losses

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the amount of unpaid principal and are net of unearned discount, unearned loan fees, loan origination costs and an allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged to expense. Loan principal considered to be uncollectible by management is charged against the allowance for credit losses. The allowance is an amount that management believes will be adequate to absorb probable and estimable losses and losses on existing loans that may become uncollectible based upon an evaluation of known and inherent risks in the loan portfolio. The evaluation takes into consideration such factors as changes in the nature and size of the loan portfolio, overall portfolio quality, specific problem or impaired loans, and current economic conditions, which may affect the borrowers' ability to pay. The evaluation details historical losses by loan category and the resulting loss rates for which are projected at current loan total amounts.

Interest income is accrued as earned on a simple interest basis. Generally, accrual of interest is discontinued on loans when principal and interest are 90 days or more past due and/or when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of contractual principal and interest is doubtful. When a loan is placed on such non-accrual status, all accumulated accrued interest receivable applicable to periods prior to the current year is charged off to the allowance for loan losses. Interest, which had accrued in the current year, is reversed out of current period income. The interest on these loans is accounted for on a cash basis, until qualifying for return to accrual.

The allowance for loan losses is the estimated amount considered necessary to cover credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses that is charged against income. In determining the allowance for loan losses, management makes significant estimates and therefore has identified the allowance as a critical accounting policy. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions utilized, and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

The allowance for loan losses has been determined in accordance with U.S. GAAP, principally FASB ASC 450, "Contingencies", ("ASC 450") and FASB ASC 310, "Receivables", ("ASC 310"). Under the above accounting principles, we are required to maintain an allowance for probable losses at the balance sheet date. We are responsible for the timely and periodic determination of the amount of the allowance required. Management believes that the allowance for loan losses is adequate to cover specifically identifiable losses, as well as estimated losses inherent in our portfolio for which certain losses are probable but not specifically identifiable.

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. The analysis of the allowance for loan losses has two components: specific reserves and general reserves. Specific reserves are made for loans determined to be impaired.

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. All amounts due according to the contractual terms means that both the contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement.

The Company accounts for its impaired loans in accordance with FASB ASC 310. These standards require that a creditor measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral-dependent. Regardless of the measurement method, a creditor must measure impairment based on the fair value of the collateral when the creditor determines that foreclosure is probable. Management considers its investment in one-to-four family real estate loans and consumer loans to be homogeneous groups of loans. As such, these loans are not individually evaluated for impairment but rather are collectively evaluated under ASC 450.

The general reserve is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. Management also analyzes historical loss experience, delinquency trends, general economic conditions, geographic concentrations, and industry and peer comparisons. This analysis establishes factors that are applied to the loan segments to determine the amount of the general reserve. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions. Actual loan losses may be significantly more than the allowance for loan losses management has established which could have a material adverse effect on the Company's financial results.

On a quarterly basis, the Bank's management committee reviews the current status of various loans as part of our evaluation of the adequacy of the allowance for loan losses. In this evaluation process, specific loans are analyzed to determine their potential risk of loss. This process includes all loans, concentrating on non-accrual and classified loans (as defined in Note 4) . Each non-accrual or classified loan is evaluated for potential loss exposure. Any shortfall results in a recommendation of a specific allowance if the likelihood of loss is evaluated as probable. To determine the adequacy of collateral on a particular loan, an estimate of the fair market value of the collateral is based on the most current appraised value available. This appraised value is then reduced to reflect estimated liquidation expenses.

As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisal valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans. Based on the composition of our loan portfolio, management believes the primary risks are increases in interest rates, a decline in the economy, generally, and a decline in real estate market values in the New York metropolitan area.

Any one or combination of these events may adversely affect our loan portfolio resulting in increased delinquencies, loan losses and future levels of loan loss provisions.

Management believes the allowance for loan losses reflects the inherent credit risk in our portfolio, the level of our non-performing loans and our charge-off experience.

Although management believes that we have established and maintained the allowance for loan losses at adequate levels, additions may be necessary if future economic and other conditions differ substantially from the current operating environment. Although management uses what it believes is the best information available, the level of the allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. In addition, the Federal Deposit Insurance Corporation, New York State Department of Financial Services, and other regulatory bodies, as an integral part of their examination process, will periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

4. **Bank Premises and Equipment**

Bank premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation. Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the terms of the related leases. An accelerated depreciation method is used for tax purposes.

5. **Real Estate Owned**

Other real estate owned, representing property acquired through foreclosure, is recorded at estimated fair market value, less costs of disposal. When property is acquired, the excess, if any, of the loan balance over fair market value is charged to the allowance for loan losses. Periodically thereafter, the asset is reviewed for subsequent declines in the estimated fair market value. Subsequent declines, if any, and holding costs, as well as gains and losses on subsequent sale, are included in the consolidated statements of income. At December 31, 2014 and 2013, the Company held no real estate owned.

6. **Income Taxes**

The Company accounts for income taxes under the liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities. The principal types of differences between assets and liabilities for financial statement and tax return purposes are allowance for loan losses, deferred loan fees, deferred compensation and securities available-for-sale.

The Company recognizes deferred tax assets and liabilities for the future tax effects of temporary differences, net operating loss carryforwards and tax credits. Deferred tax assets are subject to management's judgment based upon available evidence for future realization. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized.

7. **Cash and Cash Equivalents**

Cash equivalents are comprised of cash and due from banks, interest-bearing deposits in other financial institutions with an original maturity of less than ninety days, and federal funds sold.

8. Restrictions on Cash and Due From Banks

The Bank is required to maintain reserves against customer demand deposits by keeping cash on hand or cash balances with the Federal Reserve Bank in an interest bearing account. The amounts of those reserve and cash balances were approximately $5,682,000 and $5,900,000 at December 31, 2014 and 2013, respectively.

9. Federal Home Loan Bank Stock

The Company is required, as a condition of membership in the Federal Home Loan Bank of New York ("FHLB-NY"), to maintain an investment in FHLB-NY common stock. The stock is redeemable at par, and therefore, its cost is equivalent to its redemption value. The FHLB-NY paid dividends on its common stock in each quarter of 2014. At December 31, 2014 and 2013, management did not believe this asset was impaired.

Note 3 – INVESTMENT SECURITIES

The following is a summary of held-to-maturity investment securities:

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government Agencies	$ 231	$ 3	$ —	$ 234

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government Agencies	$ 253	$ 6	$ —	$ 259

The following is a summary of available-for-sale investment securities:

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Treasury Notes	$ 29,916	$ —	$ (469)	$ 29,447
U.S. Government Agencies	138,046	3	(3,158)	134,891
Mortgage-backed securities	160,412	668	(889)	160,191
Corporate notes	3,819	16	(6)	3,829
Auction rate securities	35,650	3,195	—	38,845
Marketable equity securities and other	90	—	—	90
Totals	$ 367,933	$ 3,882	$ (4,522)	$ 367,293

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Treasury Notes	$ 29,897	$ —	$ (1,323)	$ 28,574
U.S. Government Agencies	141,988	96	(14,076)	128,008
Mortgage-backed securities	130,014	523	(1,959)	128,578
Corporate notes	7,130	50	(4)	7,176
Auction rate securities	40,785	—	—	40,785
Marketable equity securities and other	90	—	—	90
Totals	$ 349,904	$ 669	$ (17,362)	$ 333,211

The following table shows the outstanding auction rate securities included in available-for-sale investments at December 31, 2014 and 2013:

	2014		2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in Thousands)			
Preferred Shares of Money Center Banks	$ 35,650	$ 38,845	$ 40,785	$ 40,785

The Company has investments in certain debt securities, as noted in the table below, that have unrealized losses or may be otherwise impaired, but other-than-temporary impairment losses have not been recognized in the consolidated financial statements as management believes the decline is due to the credit markets coupled with the interest rate environment. In addition, these securities are making payments in accordance with the terms of the instruments.

The following table indicates the length of time individual securities that we consider temporarily impaired have been in a continuous unrealized loss position at December 31, 2014 (Dollars in Thousands):

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities						
U.S. Treasury Notes	$ —	$ —	$ 29,447	$ 469	$ 29,447	$ 469
U.S. Government Agencies	—	—	132,891	3,158	132,891	3,158
Mortgage-backed securities	45,277	115	58,128	774	103,405	889
Corporate notes	427	2	198	4	625	6
Auction rate securities	—	—	—	—	—	—
Marketable equity securities and other	—	—	—	—	—	—
Municipal securities	—	—	—	—	—	—
Total temporarily impaired securities	$ 45,704	$ 117	$ 220,664	$ 4,405	$ 266,368	$ 4,522

The Company had a total of 133 debt securities with a fair market value of $266.4 million, which were temporarily impaired at December 31, 2014. The total unrealized loss on these securities was $4.5 million, which is attributable to market interest volatility, the continued illiquidity of the debt markets, and uncertainty in the financial markets. It is not more likely than not that we would sell these securities before maturity, and we have the intent to hold all of these securities to maturity and will not be required to sell these securities, due to our ratio of cash and cash equivalents of approximately 9.15% of total assets at December 31, 2014. The Company determined that the unrealized losses associated with these securities are considered to be temporary by performing an impairment analysis using a discounted cash flow model.

The following table indicates the length of time individual securities that we consider temporarily impaired have been in a continuous unrealized loss position at December 31, 2013 (Dollars in Thousands):

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities						
U.S. Treasury Notes	$ 19,543	$ 411	$ 9,031	$ 912	$ 28,574	$ 1,323
U.S. Government Agencies	90,223	10,862	32,679	3,214	122,902	14,076
Mortgage-backed securities	82,929	1,216	17,634	743	100,563	1,959
Corporate notes	—	—	652	4	652	4
Auction rate securities	—	—	—	—	—	—
Marketable equity securities and other	—	—	—	—	—	—
Municipal securities	—	—	—	—	—	—
Total temporarily impaired securities	$ 192,695	$ 12,489	$ 59,996	$ 4,873	$ 252,691	$ 17,362

The Company had a total of 134 debt securities with a fair market value of $252.7 million, which were temporarily impaired at December 31, 2013. The total unrealized loss on these securities was $17.4 million, which is attributable to market interest volatility, the continued illiquidity of the debt markets, and uncertainty in the financial markets. It is not more likely than not that we would sell these securities before maturity, and we have the intent to hold all of these securities to maturity and will not be required to sell these securities, due to our ratio of cash and cash equivalents of approximately 12.0% of total assets at December 31, 2013. Therefore, the unrealized losses associated with these securities are not considered to be other than temporary.

For 2013, because of the provisions required under the Volker Rule which were implemented in December 2013, the company determined that the Auction Rate Securities were a "covered" transaction, as defined, and therefore would be required to be sold by July 21, 2015. In 2014, the Board of Governors of the Federal Reserve System (the “Board”) issued an order that extends the conformance period until July 21, 2016 under the Volker Rule. The Board indicated in the extension order that it also intends, for these purposes, to grant an additional one-year extension of the conformance period until July 21, 2017. The company valued the Auction Rate Securities at the value of their underlying collateral, which resulted in an other-than-temporary impairment charge to income of $12.2 million. There was no addition impairment of these Auction Rate Securities as of December 31, 2014.

Other-than-temporary impairment at December 31, 2013	$ (12,215)
Included in other comprehensive income in 2014	3,195
Portion of losses related to securities sold in 2014	1,464
Other-than-temporary impairment at December 31, 2014	$ (7,556)

The fair value that the Bank has recorded for the Auction Rate Securities portfolio based on the value of the underlying securities is approximately $38.8 million and $40.8 million as of December 31, 2014 and December 31, 2013, respectively.

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

	December 31, 2014			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in Thousands)			
Due in one year or less	$ 5,321	$ 5,246	$ 14	$ 14
Due after one through five years	51,111	50,482	217	220
Due after five through ten years	69,980	68,890	—	—
Due after ten years	205,781	203,740	—	—
Auction rate securities	35,650	38,845	—	—
Marketable equity securities and other	90	90	—	—
Totals	$ 367,933	$ 367,293	$ 231	$ 234

At both December 31, 2014 and 2013, securities sold under agreements to repurchase with a book value of approximately $30.0 million were outstanding. The fair value of the securities pledged for these repurchase agreements was $32.4 million and $32.6 million, respectively.

Note 4 – LOANS

Major classifications of loans are as follows:

	December 31, 2014	December 31, 2013
	(Dollars in Thousands)	
Commercial and Industrial and Finance Leases	$ 8,952	$ 13,694
Secured by Real Estate		
Residential	75,925	81,922
Multi-family	16,443	17,653
Commercial Real Estate and Construction	201,294	201,903
Consumer	1,313	2,315
	303,927	317,487
Deferred loan fees, net	(353)	(517)
Allowance for loan losses	(7,560)	(7,786)
	$ 296,014	$ 309,184

Changes in the allowance for loan losses are as follows:

	For The Years Ended December 31,	
	2014	2013
	(Dollars in Thousands)	
Balance at beginning of year	$ 7,786	$ 11,008
Reduction in allowance for loan losses	(226)	(3,196)
Loans charged off	(1)	(26)
Recoveries	1	—
Balance at end of year	$ 7,560	$ 7,786

The Bank had \$5,823,000 and \$908,000 of non-accrual loans as of December 31, 2014 and 2013, respectively, and no loans delinquent more than ninety days and still accruing interest at December 31, 2014 and 2013. The Bank classified the non-accrual loans as impaired loans at both December 31, 2014 and 2013. However, no specific reserves for impaired loans was made because the collateral underlying the non-accrual loans was deemed to be sufficient to cover any loss in the event of a default. Therefore, the allowance for loan loss is includable in the calculation of regulatory capital up to a maximum of 1.25% of risk-weighted assets or approximately \$4.4 million and \$4.7 million at December 31, 2014 and 2013, respectively. Interest payments on non-accrual loans are accounted for on a cash basis.

Allowance for Credit Losses and Recorded Investment in Financing Receivables

The qualitative factors are determined based on the various risk characteristics of each loan class. Relevant risk characteristics are as follows:

Commercial and industrial loans - Loans in this class are made to businesses. Generally, these loans are secured by assets of the business and repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer and/or business spending will have an effect on the credit quality in this loan class.

Commercial real estate - Loans in this class include income-producing investment properties and owner-occupied real estate used for business purposes. The underlying properties are generally located largely in our primary market area. The cash flows of the income producing investment properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on credit quality. In the case of owner-occupied real estate used for business purposes, a weakened economy and resultant decreased consumer and/or business spending will have an adverse effect on credit quality.

Construction loans - Loans in this class primarily include land loans to local individuals, contractors and developers for developing the land for sale or for the purpose of making improvements thereon. Repayment is derived from sale of the lots/units including any pre-sold units. Credit risk is affected by market conditions, time to sell at an adequate price and cost overruns. To a lesser extent this class includes commercial development projects we finance, which in most cases have an interest-only phase during construction and then convert to permanent financing. Credit risk is affected by cost overruns, market conditions and the availability of permanent financing, to the extent such permanent financing is not being provided by us.

Residential real estate - Loans in this class are made to and secured by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class. The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant subprime loans.

Multi-Family real estate - Loans in this class are made to and secured by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class. The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant subprime loans.

Consumer loans - Loans in this class may be either secured or unsecured and repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan (such as automobile or other secured assets). Therefore, the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class.

Financing Leases - Loans in this class may be either secured or unsecured and repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan (such as equipment or other secured assets). Therefore the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class.

Allowance for Credit Losses and Recorded Investment in Loans
For the Year Ended December 31, 2014
(Dollars in Thousands)

	Commercial & Industrial	Commercial Real Estate	Construction	Multi-family	Residential Real Estate	Consumer	Finance Leases	Unallocated	Total
Allowance for credit losses:									
Beginning balance	$ 475	$ 4,565	$ 1,659	$ 300	$ 732	$ 43	$ 12	$ —	$ 7,786
Charge-offs	—	—	—	—	—	1	—	—	1
Recoveries	—	—	—	—	—	(1)	—	—	(1)
Provision	(156)	98	(107)	(20)	(15)	(18)	(8)	—	(226)
Ending balance	$ 319	$ 4,663	$ 1,552	$ 280	$ 717	$ 25	$ 4	$ —	$ 7,560
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ 21	$ —	$ —	$ —	$ 21
Ending balance: collectively evaluated for impairment	$ 319	$ 4,663	$ 1,552	$ 280	$ 696	$ 25	$ 4	$ —	$ 7,539
Financing Receivables:									
Ending balance	$ 8,738	$ 172,936	$ 28,358	$ 16,443	$ 75,925	$ 1,313	$ 214	$ —	$ 303,927
Ending balance: individually evaluated for impairment	$ —	$ 7,650	$ —	$ —	$ 7,554	$ —	$ —	$ —	$ 15,204
Ending balance: collectively evaluated for impairment	$ 8,738	$ 165,286	$ 28,358	$ 16,443	$ 68,371	$ 1,313	$ 214	$ —	$ 288,723

The Company believes the unallocated amount included in the allowance for credit losses is appropriate given the nature of the portfolio with the size of individual loans and the current economy's impact on the real estate market. The Company will continue to closely monitor the environment and loan portfolio and make adjustments when appropriate.

Allowance for Credit Losses and Recorded Investment in Loans
For the Year Ended December 31, 2013
(Dollars in Thousands)

	Commercial & Industrial	Commercial Real Estate	Construction	Multi Family	Residential Real Estate	Consumer	Finance Leases	Unallocated	Total
Allowance for credit losses:									
Beginning balance	$ 989	$ 6,309	$ 1,441	$ 326	$ 1,529	$ 15	$ 62	$ 337	$ 11,008
Charge-offs	(5)	—	—	—	(21)	—	—	—	(26)
Recoveries	—	—	—	—	—	—	—	—	—
Provision	(509)	(1,744)	218	(26)	(776)	28	(50)	(337)	(3,196)
Ending balance	$ 475	$ 4,565	$ 1,659	$ 300	$ 732	$ 43	$ 12	$ —	$ 7,786
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 475	$ 4,565	$ 1,659	$ 300	$ 732	$ 43	$ 12	$ —	$ 7,786
Financing Receivables:									
Ending balance	$ 13,042	$ 172,672	$ 29,231	$ 17,653	$ 81,922	$ 2,315	$ 652	$ —	$317,487
Ending balance: individually evaluated for impairment	$ —	$ 7,903	$ —	$ —	$ 6,682	$ —	$ —	$ —	$ 14,585
Ending balance: collectively evaluated for impairment	$ 13,042	$ 164,769	$ 29,231	$ 17,653	$ 75,240	$ 2,315	$ 652	$ —	$302,902

Among the loans reviewed for impairment, $2.3 million and $1.4 million of residential loans and $7.7 million and $8.1 million of commercial real estate loans were identified as troubled debt restructurings ("TDRs") as of December 31, 2014 and December 31, 2013, respectively. TDRs are the result of an economic concession being granted to borrowers experiencing financial difficulties. Certain TDRs are classified as nonperforming at the time of restructuring and may only return to performing status after considering the borrower's sustained repayment performance under the revised payment terms for a reasonable period, generally six months. We evaluated all of the impaired loans by analyzing the collateral value and by evaluating the discounted cash flow. Based on the nature of the modifications, no impairment was required.

Age Analysis of Past Due Loans
As of December 31, 2014
(Dollars in Thousands)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Loans > 90 Days and Accruing
Commercial & industrial	$ 917	$ —	$ —	$ 917	$ 7,821	$ 8,738	$ —
Construction	—	—	—	—	24,788	24,788	—
Commercial real estate	—	—	—	—	172,936	172,936	—
Consumer	—	—	—	—	1,277	1,277	—
Overdrafts	—	—	—	—	36	36	—
Residential – prime	395	286	5,823	6,504	69,421	75,925	—
Residential – multi-family	—	—	—	—	16,443	16,443	—
Residential - construction	—	—	—	—	3,570	3,570	—
Finance leases	—	—	—	—	214	214	—
Total	$ 1,312	$ 286	$ 5,823	$ 7,421	$296,506	$303,927	$ —

Age Analysis of Past Due Loans
As of December 31, 2013
(Dollars in Thousands)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Loans > 90 Days and Accruing
Commercial & industrial	$ —	$ —	$ —	$ —	$ 13,042	$ 13,042	$ —
Construction	—	—	—	—	25,661	25,661	—
Commercial real estate	7,027	—	—	7,027	165,645	172,672	—
Consumer	—	1	—	1	2,191	2,192	—
Overdrafts	—	—	—	—	123	123	—
Residential – prime	264	423	485	1,172	80,750	81,922	—
Residential – multi-family	—	—	—	—	17,653	17,653	—
Residential-construction	—	—	—	—	3,570	3,570	—
Finance leases	—	—	—	—	652	652	—
Total	$ 7, 291	$ 424	$ 485	$ 8,200	$309,287	$317,487	$ —

Impaired Loans
For the Year Ended December 31, 2014
(Dollars in Thousands)

	Recorded Loan	Unpaid Principal Balance	Related Allowance	Average Recorded Loan	Interest Income Recognized	Interest Income Foregone
With no related allowance recorded:	$ 15,204	$ 15,204	$ —	$ 15,394	$ 741	$ 216
Commercial real estate	7,650	7,650	—	7,771	395	—
Residential	7,554	7,554	—	7,623	346	216
With related allowance recorded:	$ 15,204	$ 15,204	$ 21	$ 15,394	$ 741	$ 216
Commercial	7,650	7,650	—	7,771	395	—
Residential	7,554	7,554	21	7,623	346	216

Impaired Loans
For the Year Ended December 31, 2013
(Dollars in Thousands)

	Recorded Loan	Unpaid Principal Balance	Related Allowance	Average Recorded Loan	Interest Income Recognized	Interest Income Foregone
With no related allowance recorded:	$ 14,585	$ 14,585	$ —	$ 14,801	$ 850	$ 20
Commercial real estate	7,903	7,903	—	7,836	429	—
Residential	6,682	6,682	—	6,965	421	20
With related allowance recorded:	$ 14,585	$ 14,585	$ —	$ 14,801	$ 850	$ 20
Commercial	7,903	7,903	—	7,836	429	—
Residential	6,682	6,682	—	6,965	421	20

Loans on Nonaccrual Status
As of

	December 31, 2014	December 31, 2013
	(Dollars in Thousands)	
Commercial & industrial	$ —	$ —
Construction	—	—
Commercial real estate	—	—
Consumer	—	—
Residential	5,823	908
Multi-family	—	—
Finance leases	—	—
Total	$ 5,823	$ 908

Credit Exposure
Credit Risk Profile by Internally Assigned Grades
For the Year Ended December 31, 2014
(Dollars in Thousands)

	Commercial & Industrial	Commercial Real Estate Construction	Commercial Real Estate Other
Grade:			
Pass	$ 6,943	$ 15,669	$ 159,284
Watch	28	3,239	5,730
Special Mention	—	—	7,414
Substandard	1,767	9,450	508
Total	$ 8,738	$ 28,358	$ 172,936

	Residential	Multi-Family
Grade:		
Pass	$ 64,595	$ 16,443
Watch	3,453	—
Special Mention	2,122	—
Substandard	5,755	—
Total	$ 75,925	$ 16,443

	Consumer Overdrafts	Consumer Other	Finance Leases
Performing	$ 36	$ 1,277	$ 214
Nonperforming	—	—	—
Total	$ 36	$ 1,277	$ 214

Credit Exposure
Credit Risk Profile by Internally Assigned Grades
For the Year Ended December 31, 2013
(Dollars in Thousands)

	Commercial & Industrial	Commercial Real Estate Construction	Commercial Real Estate Other
Grade:			
Pass	$ 9,492	$ 19,660	$ 152,885
Watch	1,450	—	743
Special Mention	100	—	16,663
Substandard	2,000	9,571	2,381
Total	$ 13,042	$ 29,231	$ 172,672

	Residential	Multi-Family
Grade:		
Pass	$ 74,326	$ 17,653
Watch	809	—
Special Mention	72	—
Substandard	6,715	—
Total	$ 81,922	$ 17,653

	Consumer Overdrafts	Consumer Other	Finance Leases
Performing	$ 123	$ 2,192	$ 652
Nonperforming	—	—	—
Total	$ 123	$ 2,192	$ 652

The Company utilizes a grade risk rating system for commercial and industrial, commercial real estate and construction loans as follows:

Pass: These loans have low to average risk.

Watch: A watch loan is similar to a Pass classification and it is not a criticized or classified loan. Documentation exceptions require additional attention by management for corrective action. These loans are paying as agreed and meeting their loan agreement obligations; however existing and developing factors may elevate the risk levels requiring added attention by management. Those factors may include industry conditions, operating problems, pending litigation of a minor nature, declining collateral quality, and customer's failure to provide financial information, occasional payment difficulties (late payments, overdrafts, renewals) or other minor exceptions to policy.

Special Mention: Includes loans, which are fundamentally sound, but exhibit potential credit risk or unsatisfactory characteristics, which, if not corrected, could lead to loan loss. A special mention loan has potential weaknesses that deserve management's close attention and dictate a higher level of attention and oversight. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date. Special mention loans are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard: Includes loans with positive and well defined weaknesses, which are inadequately protected by current net worth and paying capacity of borrower or pledged collateral. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loans have one or more weaknesses (such as being on non-accrual status and 90 days or more past due) that could jeopardize the repayment of the debt and result in some form of loss to the Bank. This category includes loans that may be impaired. Substandard loans should be evaluated at least on a quarterly basis to determine if additional course of action would be required by management.

Doubtful: Loans classified as doubtful have weaknesses that make collection or liquidation in full, on the basis of the currently known facts, conditions, and values, highly questionable and improbable. All doubtful loans are placed on non-accrual status. Doubtful loans are considered impaired.

Loss: Loans classified as loss are considered to be uncollectible and have such little value that their continuance on the Bank's books is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this loan even though partial recovery may be affected in the future. Loans classified Loss should be promptly charged off prior to the end of the calendar quarter in which they are identified.

The Company does assign risk ratings to residential real estate, home equity and consumer loans secured by real estate (such as 1-to-4 family homes) that are contractually past due 90 days or more or where legal action has commenced against the borrower. Consumer loans other than those secured by real estate are charged off when they become contractually past due 120 days. Those loans not assigned a rating watch, special mention, substandard or loss are considered "pass".

On a quarterly basis, or more often if needed, the Company formally reviews the ratings on all classified commercial and industrial, commercial real estate and construction loans. Semi-annually, the Company engages an independent third-party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its periodic review process.

Loan Modifications
(Dollars in Thousands)

	As of December 31, 2014		
	Number of Loans	Pre-Modification Outstanding Recorded Loans	Post-Modification Outstanding Recorded Loans
Troubled Debt Restructuring			
Residential	8	$ 2,419	$ 2,332
Commercial Real Estate	6	8,057	7,650
	14	$ 10,476	$ 9,982

Loan Modifications
(Dollars in Thousands)

	As of December 31, 2013		
	Number of Loans	Pre-Modification Outstanding Recorded Loans	Post-Modification Outstanding Recorded Loans
Troubled Debt Restructuring			
Residential	6	$ 1,391	$ 1,339
Commercial Real Estate	6	8,057	7,903
	12	$ 9,448	$ 9,242

The loans restructured as noted above were restructured by extending maturity dates or reducing interest rates. No loans were restructed into two notes nor are there any commitments to extend additional funds on any TDRs. The commercial real estate loans are individually evaluated for impairment with any loss recognized in the allowance for loan losses. There were no TDR loans subsequent to December 31, 2014 and December 31, 2013 that went in default.

Related Party Loans - In accordance with banking regulations, the Bank, from time to time, enters into lending transactions in the ordinary course of business with directors, executive officers, principal stockholders and affiliates of such persons on the same terms as those prevailing for comparable transactions with other borrowers. The following table summarizes the activity in loans to related parties. (Dollars in Thousands)

Balance at 12/31/13	$ 4,584
New Loans	—
Repayments	(3,817)
Balance at 12/31/14	$ 767

Note 5 – PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	Estimated useful lives	December 31, 2014	December 31, 2013
		(Dollars in Thousands)	
Land	Indefinite	$ 3,514	$ 3,187
Buildings	39 years	5,221	4,812
Furniture and equipment	3 to 10 years	1,782	1,317
Leasehold improvements	2 to 10 years	1,162	1,231
		11,679	10,547
Accumulated depreciation and amortization		(4,019)	(3,709)
Total		$ 7,660	$ 6,838

Depreciation and amortization expense was approximately $608,000 and $536,000 for the years ended December 31, 2014 and 2013, respectively.

Note 6 – DEPOSITS

The Bank concentrates on obtaining deposits from a variety of businesses, professionals and retail customers. The Bank offers a number of different deposit programs, including statement savings accounts, NOW accounts, money market deposit accounts, checking accounts and certificates of deposit with terms from seven days to five years. Deposit account terms vary according to the minimum balance required, the time period the funds must remain on deposit and the interest rate, among other factors. The Bank prices its deposit offerings competitively within the market it serves. These products are designed to attract new customers, retain existing customers and create opportunities to offer other bank products or services. While the market and pricing for deposit funds are very competitive, the Bank believes that personalized, quality service is also an important element in retaining core deposit customers.

	2014	2013
	(Dollars in Thousands)	
Interest-bearing deposits:		
Certificate of deposit accounts	$ 320,540	$ 311,518
Savings accounts	142,150	163,949
Money market accounts	7,598	8,034
NOW accounts	22,868	39,970
Total interest-bearing demand deposits	493,156	523,471
Non-interest bearing deposits	94,818	88,002
Total due to depositors	587,974	611,473
Mortgagors' escrow deposits	2,248	2,307
Total Deposits	$ 590,222	$ 613,780

The aggregate amount of jumbo certificates of deposits greater than $100,000 was approximately $164.3 million and $153.6 million as of December 31, 2014 and 2013, respectively.

The scheduled maturities of all certificates of deposit are as follows:

	December 31, 2014
	(Dollars In Thousands)
2015	$ 194,525
2016	122,291
2017	2,205
Thereafter	1,519
	$ 320,540

The following table summarizes the maturity distribution of time deposits of $100,000 or more as of December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
	(Dollars in Thousands)	
3 months or less	$ 21,170	$ 24,861
Over 3 months but within 6 months	15,731	40,857
Over 6 months but within 12 months	58,338	40,569
Over 12 months	69,067	47,264
Total	$ 164,306	$ 153,551

It has been the Bank's experience that the majority of these certificates of deposit will renew with the Bank.

Aggregate deposits from related parties at December 31, 2014 and December 31, 2013 amounted to approximately $67.1 million and $66.9 million, respectively. At both December 31, 2014 and December 31, 2013, there were no related party overdrawn accounts reclassified to loans.

Note 7 – BORROWINGS AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase generally mature within 30 days from the date of the transactions. Short-term borrowings consist of various borrowings which generally have maturities of less than one year. The details of these categories are presented below:

	December 31, 2014	December 31, 2013
	(Dollars in Thousands)	
Securities sold under repurchase agreements and federal funds purchased		
Balance at year-end	$ 30,000	$ 30,000
Average balance during the year	$ 30,000	$ 38,539
Maximum month-end balance	$ 30,000	$ 30,000
Weighted average rate during the year	0.99%	3.09%
Rate at December 31	0.98%	0.98%

Borrowings

At December 31, 2014, there were no advances from the FHLB-NY outstanding. Unused lines of credit at the FHLB-NY were $140.6 million at December 31, 2014.

Note 8 – INCOME TAXES

The components of income tax expense (benefit) are as follows: (Dollars in Thousands)

	Years Ended December 31, 2014	Years Ended December 31, 2013
Federal:		
Current	$ 1,542	$ 664
Deferred	466	(1,235)
State and Local:		
Current	47	351
Deferred	(2,765)	(1,011)
Total	$ (710)	$ (1,231)

A reconciliation of the provision (benefit) for income taxes for the years ended December 31, 2014 and 2013 and the amount computed by applying the statutory federal income tax rate to income/loss from continuing operations is as follows: (Dollars in Thousands)

	Years Ended December 31,	
	2014	**2013**
Effective Tax Reconciliation		
Tax (benefit) at statutory rate	$ 2,077	$ (1,274)
State and City, net of federal income tax benefit	153	(2,086)
Permanent items	(536)	(605)
(Decrease) increase in State valuation allowance	(2,501)	2,501
Other	97	233
Actual benefit for income taxes	$ (710)	$ (1,231)

The tax effect of the principal temporary differences at December 31, 2014 and 2013 is as follows: (Dollars in Thousands).

	December 31,	
	2014	**2013**
Net deferred tax assets		
Loan loss provision	$ 3,201	$ 3,401
Depreciation	(90)	(98)
Non accrual interest	10	101
Net operating loss	8,607	8,070
Other	3,218	2,055
Impairment loss	4,553	5,335
Valuation reserve	—	(2,383)
Unrealized loss on investment securities	301	7,535
Deferred tax asset, net	$ 19,800	$ 24,016

As of December 31, 2014, the Company had net operating losses available to offset future taxable income for federal income tax purposes in the amount of $13.4 million that will begin to expire in 2028, for state income tax purposes in the amount of $29.7 million that will begin to expire in 2035 and for city income tax purposes in the amount of $20.3 million that will begin to expire in 2029.

For the fiscal year ended December 31, 2014, the Company released its state and local valuation reserve of $2.5 million relating primarily to net operating losses. Management has determined that it is more likely than not that it will realize the net deferred tax asset based upon the nature and timing of the item referred to above. In order to fully realize the net deferred tax asset, the Company will need to generate future taxable income. Management has projected that the Company will generate sufficient taxable income to utilize the net deferred tax asset. However, there can be no assurance that such levels of taxable income will be generated.

In the normal course of business, the Company's Federal, New York State and New York City Corporation tax returns are subject to audit. The Company is currently open to audit by the Internal Revenue Service (the "IRS") under the statute of limitations for years after 2012. The Company was under examination by the IRS for the years 2010 to 2012. This examination was completed during 2015, with no change to the tax returns is expected.

The Company has performed an evaluation of its tax positions and has concluded that as of December 31, 2014, there were no significant uncertain tax positions requiring additional recognition in its financial statements and does not believe that there will be any material changes in its unrecognized tax positions over the next twelve months.

The Company's policy is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. There were no accruals for interest or penalties during the years ended December 31, 2014 and 2013.

Note 9– EMPLOYEE BENEFIT PLANS

1. **Postretirement Welfare Plan**

The Bank, as successor to Goshen Bank provides certain health care and life insurance benefits for retired employees and their spouses. The postretirement health care and life insurance benefits plan was terminated for persons retiring after December 31, 1998. Eligible employees retired on or before that date will have benefits paid through the plan under the agreed upon terms existing at the employee's retirement date.

	December 31,	
	2014	2013
	(Dollars in Thousands)	
Change in benefit obligation		
Benefit obligation at beginning of year	$ 691	$ 749
Service cost	—	—
Interest cost	33	29
Adjustment for measurement date change	—	—
Actual loss (gain)	108	(27)
Benefits paid	(61)	(60)
Benefits obligation at end of year	771	691
Change in plan assets		
Fair value of plan assets at beginning of year	—	—
Actual return on plan assets	—	—
Employer contribution	61	60
Benefits paid	(61)	(60)
Fair value of plan assets at end of year	—	—
Funded status	(771)	(691)
Unrecognized net actuarial loss	—	—
Accrued benefit cost (included in other liabilities)	$ 771	$ 691

Net benefit cost included the following components:

	Year Ended December 31,	
	2014	2013
	(Dollars in Thousands)	
Service cost	$ —	$ —
Interest cost on projected benefit obligation	33	29
Amortization of unrecognized loss	6	8
Actual return on plan assets	—	—
Net periodic benefit cost	$ 39	$ 37

The assumed discount rate used in determining the actuarial present value of the projected benefit obligation was 3.95% and 4.95% in 2014 and 2013, respectively.

2. **401(k) Plans**

The Bank has a 401(k) plan in which eligible employees can contribute up to 5% of their salary. The Bank also matches 50% of the employee contribution up to a maximum of 3% of the employee's salary. The matching expense was $132,000 and $117,000 for the years ended December 31, 2014 and 2013, respectively.

3. **Deferred Compensation Arrangements**

GSB Financial and Goshen Bank established deferred compensation arrangements for certain directors and executives. These deferred compensation arrangements were terminated as a result of the acquisition. At December 31, 2014 and 2013, the balance accumulated under these arrangements was approximately $102,000 and $115,000, respectively, and included in other liabilities on the consolidated balance sheets. The balances accumulated will be paid out when the individual (i) ceases to be a director and/or executive of the Company; (ii) attains the age of 75; or (iii) specifies a particular date.

In July 2006, the Bank established the Deferred Compensation Plan of The Berkshire Bank (the "Plan") to provide for a systematic method by which key employees of the Bank may defer payment of all or part of the compensation that may be earned by them. The Plan is intended to be a nonqualified and unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees pursuant to Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. At December 31, 2014 and 2013, the balances accumulated under the Plan were approximately $1,229,000 and $1,044,000, respectively, and included in other liabilities on the consolidated balance sheets.

Note 10 – COMMITMENTS AND CONTINGENCIES

Leases and Other Commitments

The Company leases certain of its operating facilities under non-cancelable operating leases expiring in 2015 through 2022. The leases require payment by the Company of the real estate taxes and insurance on the leased properties. Approximate future minimum annual rental payments are as follows (Dollars in Thousands):

Year Ending December 31,		
2015	$	1,209
2016		729
2017		306
2018		305
2019		318
Thereafter		684
	$	3,551

The Company's rental expense was approximately $1,282,000 and $1,386,000 for the fiscal years ended December 31, 2014 and 2013, respectively. Included in the Company's rental expense was approximately $643,000 and $628,000 for the fiscal years ended December 31, 2014 and 2013, respectively, which was paid to a company affiliated with a director of the Company. The two leases expire in June and November 2016.

Bancorp rental expense was $19,500, paid to a company affiliated with a director.

Note 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company is required to disclose the estimated fair value of its assets and liabilities considered to be financial instruments. For the Company, as for most financial institutions, the majority of its assets and liabilities are considered financial instruments. The Company uses significant estimations and present value calculations to prepare this disclosure.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

Estimated fair values have been determined by the Company using the best available data and an estimation methodology suitable for each category of financial instruments. The estimation methodologies used, the estimated fair values, and recorded book balances at December 31, 2014 and 2013 are outlined below.

	December 31,			
	2014		2013	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(Dollars in Thousands)			
Investment securities	$ 368,094	$ 368,097	$ 334,186	$ 334,192
Loans, net of unearned fees	296,014	301,863	309,184	312,009
Time Deposits	320,540	322,636	311,518	312,985
Other Deposits	269,682	269,682	302,262	305,342
Repurchase Agreements	30,000	30,127	30,000	30,097

For cash and cash equivalents, the recorded book values of $70.2 million and $92.8 million at December 31, 2014 and 2013, respectively, approximate fair values.

The estimated fair values of investment securities are based on quoted market prices, if available. Estimated fair values are based on quoted market prices of comparable instruments if quoted market prices are not available. Estimated fair values are also determined using unobservable inputs that are supported by little or no market values and significant assumptions and estimates.

The net loan portfolio at December 31, 2014 and 2013 has been valued using a present value discounted cash flow where market prices were not available. The discount rate used in these calculations is the estimated current market rate adjusted for credit risk. The carrying value of accrued interest approximates fair value.

The estimated fair values of demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e. their carrying amounts). The carrying amount of accrued interest payable approximates its fair value. The fair value of time deposits has been valued using net present value discounted cash flow.

The fair value of commitments to extend credit is estimated based upon the amount of unamortized deferred loan commitment fees. The fair value of letters of credit is based upon the amount of unearned fees plus the estimated cost to terminate letters of credit. Fair values of unrecognized financial instruments, including commitments to extend credit, and the fair value of letters of credit are considered immaterial.

The fair value of borrowings and subordinated debt is calculated based on re-pricing of the debt at current market rates.

FASB ASC 820, "Fair Value Measurements and Disclosures", ("ASC 820") defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement. There have been no material changes in valuation techniques as a result of the adoption of ASC 820.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active for identical or similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and significant to the fair value of the assets or liabilities that are developed using the reporting entities' estimates and assumptions, which reflect those that market participants would use.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

A description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the classification of the instruments pursuant to the valuation hierarchy, are as follows:

Securities Available-for-Sale

When quoted market prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The fair values of securities estimated using pricing models or matrix pricing are generally classified within Level 2 of the fair value hierarchy. When discounted cash flow models are used, there is omitted activity or less transparency around inputs to the valuation and securities are classified within Level 3 of the fair value hierarchy.

Level 1 securities generally include equity securities valued based on unadjusted quoted market prices in active markets. Level 2 instruments include U.S. government agency obligations, state and municipal bonds, mortgage-backed securities, collateralized mortgage obligations and corporate bonds. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Level 3 securities available-for-sale consist of instruments that are not readily marketable and may only be redeemed with the issuer at par such as Auction Rate Securities, Federal Home Loan Bank and Federal Reserve Bank stock. These securities are stated at par value.

Assets measured at fair value during 2014 and 2013 are summarized below.

	At December, 31, 2014 Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance December 31, 2014
	(Dollars in Thousands)			
Assets				
Impaired loans (1)	$ —	$ —	$ 15,204	$ 15,204
Investment securities available for sale: (2)				
U.S. Treasury Notes	29,447	—	—	29,447
U.S. Government Agencies	—	134,891	—	134,891
Mortgage-backed securities	—	160,191	—	160,191
Corporate notes	2,155	1,674	—	3,829
Auction rate securities	—	—	38,845	38,845
Marketable equity securities and other	—	90	—	90
Total Investment securities-available-for-sale	31,602	296,846	38,845	367,293
Total assets	$ 31,602	$ 296,846	$ 54,049	$ 382,497

(1) Non-recurring basis
(2) Recurring basis

The above table includes $640 thousand in net unrealized losses on the Company's available-for-sale securities (recurring basis). The Company has reviewed its investment portfolio at December 31, 2014, and has determined that the unrealized losses are temporary. There were no unrealized gains and losses on non-recurring basis of assets.

	At December, 31, 2013 Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance December 31, 2013
	(Dollars in Thousands)			
Assets				
Impaired loans (1)	$ —	$ —	$ 14,585	$ 14,585
Investment securities available-for-sale: (2)				
U.S. Treasury Notes	28,574	—	—	28,574
U.S. Government Agencies	—	128,008	—	128,008
Mortgage-backed securities	—	128,578	—	128,578
Corporate notes	4,656	2,520	—	7,176
Auction rate securities	—	—	40,785	40,785
Marketable equity securities and other	—	90	—	90
Total Investment securities available-for-sale	33,230	259,196	40,785	333,211
Total assets	$ 33,230	$ 259,196	$ 55,370	$ 347,796

(1) Non-recurring basis
(2) Recurring basis

The above table includes $16.7 million in net unrealized losses on the Company's available for sale securities (recurring basis). The Company has reviewed its investment portfolio at December 31, 2013, and has determined that the unrealized losses are temporary. There were no unrealized gains and losses on non-recurring basis.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following table presents reconciliation for assets measured at fair value on a recurring basis for which the Company has utilized significant unobservable inputs (Level 3). (Dollars in Thousands)

	Investment Securities Available for Sale	Investment Securities Available for Sale
	2014	2013
Balance, January 1,	$ 40,785	$ 48,185
Total gains/losses (realized/unrealized)	—	—
Included in earnings	—	—
Included in other comprehensive income	3,195	7,815
Other than temporary impairment expense	—	(12,215)
Converted and sold	(5,135)	(3,000)
Balance, December 31,	$ 38,845	$ 40,785

In accordance with FASB Accounting Standards Update ("ASU") No. 2011-04, the Bank establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent and verifiable.

The Bank periodically tests its valuation of Level 3 investments through performing Discounted Cash Flow analysis of the investments by comparing the results of the discounted cash flows to the values obtained from valuation of the underlying collateral of the Auction Rate Securities. The following tables presents additional information in accordance with ASU 2011-04 about the valuation process utilized in measuring assets and liabilities at fair value using significant unobservable inputs (Level 3) at December 31, 2014 and December 31, 2014.

Assets (at Fair Value)	Fair Value at December 31, 2014 (Dollars in Thousands)	Valuation Technique	Unobservable Inputs	Range of Preferred Share Pricing
Auction Rate Securities	$ 38,845	Market Prices	Underlying Collateral	$18.94 to $23.25

Assets (at Fair Value)	Fair Value at December 30, 2013 (Dollars in Thousands)	Valuation Technique	Unobservable Inputs	Range of Preferred Share Pricing
Auction Rate Securities	$ 40,785	Market Prices	Underlying Collateral	$18.05 to $20.28

Note 12 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Banks have in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as they do for on-balance-sheet instruments.

Unless noted otherwise, the Bank does not require collateral or other security to support financial instruments with credit risk. The approximate contract amounts are as follows:

	December 31, 2014	December 31, 2013
	(Dollars in Thousands)	
Unused lines of credit	$ 16,266	$ 18,516
Commitments to extend credit	761	840
Standby letters of credit and financial guarantees written	181	97
	$ 17,208	$ 19,453

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation.

Standby letters of credit are conditional commitments issued by the Bank 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 as that involved in extending loan facilities to customers. The Bank holds residential or commercial real estate, accounts receivable, inventory and equipment as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments at December 31, 2014 varies up to 100%.

The Company defines the initial fair value of these letters of credit as the fee received from the customer. The maximum potential undiscounted amount of future payments of these letters of credit as of December 31, 2014 was $181,000 and they expire through 2015. Amounts due under these letters of credit would be reduced by any proceeds the Company would be able to obtain in liquidating the collateral for the loans, which varies depending on the customer.

The Bank grants loans primarily to customers in New York and its immediately adjacent suburban communities. Although the Bank has a diversified loan portfolio, a large portion of their loans are secured by commercial or residential real property. The Bank does not generally engage in non-recourse lending and typically will require the principals of any commercial borrower to obligate themselves personally on the loan. Although the Bank has diversified loan portfolios, a substantial portion of their debtors' ability to honor their contracts is dependent upon the economic sector. Commercial and standby letters of credit were granted primarily to commercial borrowers.

Note 13 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possible additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulations to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets.

As of December 31, 2014, the Bank met all regulatory requirements for classification as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that date that management believes have changed the institution's category.

Regulators also have broad discretion to require any institution to maintain higher capital levels than otherwise required by statute or regulation, even institutions that are considered "well-capitalized" under applicable regulations.

New York banking regulations place certain restrictions on dividends paid by the Bank to the Company. The total amount of dividends, which are made by paying at any date, is generally equal to the Bank's net profits for the year in which the payment is made, plus retained net profits for the previous two years subject to certain limits not generally relevant. The Bank's retained aggregate net income is $4.3 million for the two years ended December 31, 2014.

The following table sets forth the actual and required regulatory capital amounts and ratios of, the Company and the Bank as of December 31, 2014 and 2013 (Dollars in Thousands):

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2014						
Total Capital (to Risk-Weighted Assets)						
Company	$131,777	37.4%	$ 28,190	≥8.0%	$ —	N/A
Bank	99,261	28.6%	27,751	≥8.0%	37,837	≥10.0%
Tier I Capital (to Risk-Weighted Assets)						
Company	127,333	36.1%	14,095	≥4.0%	—	N/A
Bank	94,885	27.4%	13,875	≥4.0%	22,702	≥6.0%
Tier I Capital (to Average Assets)						
Company	127,333	16.9%	30,209	≥4.0%	—	N/A
Bank	94,885	12.5%	30,418	≥4.0%	38,783	≥5.0%

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2013						
Total Capital (to Risk-Weighted Assets)						
Company	$128,777	34.1%	$ 30,219	≥8.0%	$ —	N/A
Bank	120,953	31.9%	30,270	≥8.0%	37,837	≥10.0%
Tier I Capital (to Risk-Weighted Assets)						
Company	124,017	32.8%	15,110	≥4.0%	—	N/A
Bank	116,186	30.7%	15,135	≥4.0%	22,702	≥6.0%
Tier I Capital (to Average Assets)						
Company	124,017	15.9%	31,226	≥4.0%	—	N/A
Bank	116,186	15.0%	31,027	≥4.0%	38,783	≥5.0%

The allowance for loan loss is includable in the calculation of regulatory capital up to a maximum of 1.25% of risk-weighted assets. Approximately $4.4 million and $4.8 million of allowance for loan losses were included in total regulatory capital at December 31, 2014 and December 31, 2013, respectively.

Note 14 - SUBSEQUENT EVENTS

The Bank has evaluated subsequent events through April 17, 2015, the date the consolidated financial statements were available for issuance.

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