METROCITY BANKSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

METROCITY BANKSHARES, INC.
Doraville, Georgia

FINANCIAL STATEMENTS
December 31, 2014 and 2013

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Crowe Horwath

INDEPENDENT AUDITOR'S REPORT

Board of Directors
MetroCity Bankshares, Inc.
Doraville, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MetroCity Bankshares, Inc., which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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.

(Continued)

Opinion

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

Other Matter

The financial statements of Metro City Bank as of December 31, 2013, were audited by other auditors whose report dated March 10, 2014, expressed an unmodified opinion on those statements.

Crowe Horwath LLP

Crowe Horwath LLP

Atlanta, Georgia
March 31, 2015

(Continued)

METROCITY BANKSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and due from banks	$ 31,121,147	$ 16,970,940
Federal funds sold	1,692,923	743,407
Securities available for sale	38,044,379	46,631,316
Loans, less allowance for loan losses of $5,986,084 and $7,503,030, respectively	480,940,167	425,367,684
Federal Home Loan Bank stock, at cost	1,980,000	1,848,800
Premises and equipment, net	1,548,502	1,781,358
Foreclosed real estate, net	2,200,796	3,163,362
Core deposit intangible	121,671	177,819
Bank owned life insurance	15,655,562	10,244,658
Accrued interest receivable	1,783,087	1,465,474
Other assets	7,495,262	6,597,720
Total assets	$ 582,593,496	$ 514,992,538
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing demand	$ 119,024,000	$ 91,708,024
Interest-bearing	347,138,644	321,900,416
Total deposits	466,162,644	413,608,440
Federal Home Loan Bank advances	33,700,000	28,700,000
Other borrowings	7,277,636	9,738,461
Accrued interest payable	184,330	168,860
Other liabilities	2,189,217	1,483,100
Total liabilities	509,513,827	453,698,861
Shareholders' equity		
Common stock, $0.01 par value, 10,000,000 shares authorized, 2,641,314 and 2,552,933 shares issued and outstanding	26,413	25,529
Additional paid in capital	33,431,313	32,403,456
Retained earnings	39,672,935	29,139,405
Accumulated other comprehensive (loss)	(50,992)	(274,713)
Total shareholders' equity	73,079,669	61,293,677
Total liabilities and shareholders' equity	$ 582,593,496	$ 514,992,538

See accompanying notes to consolidated financial statements.

METROCITY BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2014 and 2013

	2014	2013
Interest and dividend income		
Loans, including fees	$ 26,488,198	$ 22,873,946
Securities	904,033	1,201,618
Federal funds sold	4,566	5,062
	27,396,797	24,080,626
Interest expense		
Deposits	2,725,994	2,380,996
FHLB advances and other borrowings'	346,840	365,393
	3,072,834	2,746,389
Net interest income	24,323,963	21,334,237
Provision for loan losses	-	1,676,000
Net interest income after provision for loan losses	24,323,963	19,658,237
Noninterest income		
Service charges on deposit accounts	1,014,832	1,218,405
Other service charges, commissions and fees	3,916,984	3,400,851
Gain on sale of SBA loans	6,022,139	5,502,927
Gain on sale of available for sale securities	9,217	311,595
	10,963,172	10,433,778
Noninterest expense		
Salaries and employee benefits	8,050,162	6,992,140
Occupancy	1,926,749	1,844,991
Other operating	5,484,467	4,872,558
	15,461,378	13,709,689
Income before provision for income taxes	19,825,757	16,382,326
Provision for income taxes	7,328,977	6,203,618
Net income	12,496,780	10,178,708
Preferred stock dividends	-	78,203
Net income available to common shareholders	$ 12,496,780	$ 10,100,505

See accompanying notes to consolidated financial statements.

METROCITY BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2014 and 2013

	2014	2013
Net income	$ 12,496,780	$ 10,178,708
Other comprehensive income (loss)		
Unrealized holding gains (losses) on securities available for sale arising during the period	348,188	(1,334,939)
Reclassification adjustment for gains realized in net income	(9,217)	(311,595)
Tax effect	(115,250)	559,822
Other comprehensive income (loss)	223,721	(1,086,712)
Comprehensive income	$ 12,720,501	$ 9,091,996

See accompanying notes to consolidated financial statements.

METROCITY BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2014 and 2013

	Preferred Stock		Common Stock					
	Series A	Series B	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2013	$ 2,836,020	$ -	2,536,368	$ 25,364	$ 32,118,699	$ 19,458,820	$ 811,999	$ 55,250,902
Redemption of preferred stock	(2,873,000)	-	-	-	-	-	-	(2,873,000)
Stock based compensation expense	-	-	-	-	234,922	-	-	234,922
Vesting of restricted stock	-	-	11,565	115	(115)	-	-	-
Stock option exercise	-	-	5,000	50	49,950	-	-	50,000
Accretion (amortization) of preferred stock discounts and premiums	36,980	-	-	-	-	(36,980)	-	-
Net income	-	-	-	-	-	10,178,708	-	10,178,708
Other comprehensive loss	-	-	-	-	-	-	(1,086,712)	(1,086,712)
Dividends on common stock	-	-	-	-	-	(382,940)	-	(382,940)
Dividends on preferred stock	-	-	-	-	-	(78,203)	-	(78,203)
Balance, December 31, 2013	-	-	2,552,933	25,529	32,403,456	29,139,405	(274,713)	61,293,677
Stock based compensation expense	-	-	-	-	398,980	-	-	398,980
Vesting of restricted stock	-	-	21,631	216	(216)	-	-	-
Warrant exercise	-	-	103,750	1,038	1,036,462	-	-	1,037,500
Retired shares	-	-	(37,000)	(370)	(407,369)	-	-	(407,739)
Net income	-	-	-	-	-	12,496,780	-	12,496,780
Other comprehensive income	-	-	-	-	-	-	223,721	223,721
Dividends on common stock	-	-	-	-	-	(1,963,250)	-	(1,963,250)
Balance, December 31, 2014	$ -	$ -	2,641,314	$ 26,413	$ 33,431,313	$ 39,672,935	$ (50,992)	$ 73,079,669

See accompanying notes to consolidated financial statements.

METROCITY BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
Cash flow from operating activities		
Net income	$ 12,496,780	$ 10,178,708
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	638,954	767,959
Provision for loan losses	-	1,676,000
Stock based compensation expense	398,980	234,922
Gain on sale of SBA loans	(6,022,139)	(5,502,927)
Gain on sale of available for sale securities	(9,217)	(311,595)
Gain (loss) on sale of foreclosed real estate	(22,943)	376,652
Write-down of foreclosed real estate	571,965	96,350
Deferred income tax expense	947,592	72,611
Increase in cash value of bank owned life insurance	(420,904)	(244,658)
Increase in accrued interest receivable	(317,613)	(2,020)
Increase in other assets	(1,960,654)	(315,786)
Increase (decrease) in accrued interest payable	15,470	(34,563)
Increase (decrease) in other liabilities	706,117	1,127,481
Net cash provided by operating activities	7,022,388	8,119,134
Cash flow from investing activities		
Increase in loans, net	(49,411,329)	(72,638,924)
Decrease (increase) in federal funds sold, net	(949,516)	499,888
Purchases of securities available for sale	-	(420,131)
Proceeds from sales, calls or prepayments of securities available for sale	8,831,792	25,352,824
Redemption (purchase) of Federal Home Loan Bank stock	(131,200)	60,400
Purchases of premises and equipment	(246,617)	(509,776)
Proceeds from sales of foreclosed assets	274,799	3,612,940
Purchase of bank owned life insurance	(5,000,000)	(10,000,000)
Net cash flow used by investing activities	(46,632,071)	(54,042,779)
Cash flow from financing activities		
Dividends paid – common stock	(1,963,250)	(382,940)
Dividends paid – preferred stock	-	(78,203)
Retirement of common stock	(407,739)	(2,873,000)
Exercise of stock options	1,037,500	50,000
Increase (decrease) in deposits, net	52,554,204	42,190,800
Decrease in other borrowings, net	(2,460,825)	(369,089)
Repayments of Federal Home Loan Bank advances	(20,000,000)	(16,000,000)
Federal Home Loan Bank advances	25,000,000	20,000,000
Net cash flow provided by financing activities	53,759,890	42,537,568
Net change in cash and cash equivalents	14,150,207	(3,386,077)
Cash and cash equivalents at beginning of year	16,970,940	20,357,017
Cash and cash equivalents at end of year	$ 31,121,147	$ 16,970,940

(Continued)

METROCITY BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
Supplemental schedule of noncash activities		
Transfer of loans	$ 4,881,467	$ 6,886,525
Loans made to facilitate sales of foreclosed real estate	$ 5,001,887	$ 4,446,750
Supplemental of cash flow information		
Interest paid	$ 3,057,364	$ 2,780,952
Income taxes paid	$ 6,018,363	$ 4,903,243

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: As of October 15, 2014, MetroCity Bankshares, Inc. (the Company) received regulatory approval and effected a corporate reorganization whereby the shareholders of Metro City Bank (the Bank) became shareholders of MetroCity Bankshares, Inc. by exchanging their current Metro City Bank shares for MetroCity Bankshares, Inc. shares on a one for one basis.

The transaction has been accounted for as a corporate reorganization by entities under common control, whereby MetroCity Bankshares, Inc. has been capitalized as of the effective date of the reorganization based on the historical financial statements of Metro City Bank. Therefore, the financial statements of MetroCity Bankshares, Inc. have been restated by taking Metro City Bank's 2013 and 2012 financial statements and reclassifying certain components of shareholders' equity based on the change in par value from $5 per share to $.01 per share.

The Company was formed for the purpose of owning and operating its wholly owned subsidiary, Metro City Bank (the "Bank"). The Company acquired all of the outstanding common stock of the Bank in a holding company formation transaction on December 31, 2014. The Bank is a State bank chartered under the laws of Georgia and commenced operations in 2006. The Bank's main office is located in Doraville, Georgia, and it also operates branches in Duluth, Johns Creek, Suwanee and Norcross, Georgia, Opelika, Alabama, and Centreville, Virginia. The main emphasis of the Bank is on commercial banking and it offers such customary banking services as consumer and commercial checking accounts, savings accounts, certificates of deposit, commercial and consumer loans, money transfers and a variety of other banking services. The Company's primary source of revenue is providing lending services within its geographical area. The Company is subject to the regulations of Federal and State banking agencies and is periodically examined by them.

The Company's earnings are primarily dependent upon its net interest income, which is determined by (i) the difference between yields earned on interest-earning assets and rates paid on interest- bearing liabilities ("interest rate spread") and (ii) the relative amounts of interest-earning assets and interest-bearing liabilities outstanding. The Company's interest rate spread is affected by regulatory, economic, and competitive factors that influence interest rates, loan demand and deposit flows. The Company, like other community banks, is vulnerable to an increase in interest rates to the extent that interest-bearing liabilities mature or re-price more rapidly than interest-earning assets.

Subsequent Events: The Company assessed events that have occurred subsequent to December 31, 2014 through March 31, 2015, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances or valuation of foreclosed real estate based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for losses on loans and valuation of foreclosed real estate may change materially in the near term.

Significant Group Concentrations of Credit Risk: A substantial portion of the Company's loan portfolio is to customers in the DeKalb, Fulton, and Gwinnett Counties, Georgia area. The ultimate collectability of a substantial portion of the portfolio is therefore susceptible to changes in the economic and market condition in and around this area.

The nature of the Company's business requires that it maintain amounts due from banks, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Acquisition Accounting: Acquisitions are accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. Purchased assets and assumed liabilities are recorded at their estimated fair value as of the purchase date. Any identifiable intangible assets are also recorded at fair value. When the fair value of the assets purchased exceeds the fair value of the liabilities assumed, it results in a "bargain purchase gain." If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date values becomes available.

Purchased loans having evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments, are accounted for under ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (ASC 310-30). ASC 310-30 requires that acquired credit-impaired loans to be recorded at fair value and prohibits carryover of the related allowance for loan losses. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable discount. The Company must estimate expected cash flows at each reporting date. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior provisions and adjust accretable discount if no prior provisions have been made. This increase in accretable discount will have a positive impact on interest income. In addition, purchased loans without evidence of credit deterioration are also handled under this method. Loans acquired that do not have evidence of credit deterioration since origination are accounted for under ASC 310-20, *Nonrefundable Fees and Other Costs* ("ASC 310-20"). Interest is recognized using the simple interest method.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e. capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Because deposit liabilities and the related customer relationship intangible assets may be exchanged in a sale or exchange transaction, the intangible asset associated with the depositor relationship is considered identifiable.

Cash and Cash Equivalents: For purposes of presentation in the statement of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "cash and due from banks," which includes cash on hand, cash items in process of collection, and amounts due from banks. Cash flows from loans, federal funds sold, other borrowings, and deposits are reported net.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities: Debt securities that management has the positive intent and the Company has the ability to hold to maturity are classified as securities held to maturity and are recorded at amortized cost. Securities not classified as securities held to maturity, including equity securities with readily, determinable fair values, are securities available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of the related tax effect. There were no held to maturity or trading securities at December 31, 2014 and 2013.

Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the terms of the securities. A decline in the market value of any available for sale or held to maturity security below cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security. The general standards of accounting for other than temporary impairment (OTTI) losses requires the recognition of an OTTI loss in earnings only when an entity (1) intends to sell the debt security; (2) more likely than not will be required to sell the security before recovery of its amortized cost basis or (3) does not expect to recover the entire amortized cost basis of the security. Realized gains and losses for securities classified as available for sale and held to maturity are included in earnings and are derived using the specific identification method for determining the amortized cost of securities sold.

Federal Home Loan Bank Stock: Federal Home Loan Bank (FHLB) stock represents an equity interest in a FHLB. It does not have a readily determinable fair value because its ownership is restricted and it lacks a market. The amount of FHLB stock held by the Company is required by the FHLB to be maintained and is based on membership requirements and terms of advance agreements. Such restricted equity securities without a readily determinable fair value are recorded at cost.

The Company periodically evaluates its FHLB investment for possible impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. The Federal Housing Finance Agency, the regulator of the FHLB, requires it to maintain a total capital-to-asset ratio of at least 4%. At September 30, 2014, the FHLB Atlanta's unaudited capital ratio was 5.15% and exceeded the regulatory requirement.

The Company believes its holdings in the stock is ultimately recoverable at par value and therefore determined that FHLB stock was not other-than-temporarily impaired. In addition, the Company has ample liquidity and does not require redemption of its FHLB stock in the foreseeable future.

Loans: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal, adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Interest on commercial, real estate loans and installment loans is credited to income on a daily basis based upon the principal amount outstanding. Loan origination fees and certain direct origination costs, less the costs associated with closing the loan, are capitalized and recognized as an adjustment of the yield of the related loan.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income on mortgage and commercial loans is discontinued and placed on non-accrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

When interest accrual is discontinued, all unpaid accrued interest is reversed against current interest income. Interest income is subsequently recognized only to the extent cash payments are received. Loans are returned to accrual status when all the principal and interest amounts contractually due are reasonably assured of repayment within a reasonable time frame.

A loan is considered impaired when, based on current information and events, it is probable the Company will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are measured by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the estimated fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

The Company has sold guaranteed portions of Small Business Administration (SBA) loans in the SBA secondary market and continues to service these loans. Gains or losses on guaranteed portions of SBA loans which are sold are recorded in other income, based on the net proceeds received and the basis in the portion of the loan sold. The basis in the portion of the loan sold is determined by allocating a portion of the loan carrying value to the portion sold based on its fair value, relative to the fair value of the portion of the loan retained and the estimated servicing asset.

Allowance for Loan Losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. The allowance for loan losses is increased by provision charges to income and decreased by charge-offs (net of recoveries). Loans are charged against the allowance for loan losses when management believes the collection of the principal is unlikely. The allowance for loan losses is maintained at a level believed adequate by management to absorb estimated probable loan losses and estimated losses relating to specifically identified loans. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience and on peer bank loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires material estimates that are susceptible to significant change including the amounts and timing of future cash flows expected to be received on impaired loans.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for losses on loans. Such agencies may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The allowance for loan losses may consist of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. A loan is considered impaired when, based on current information and events, it is probable the Company will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and classified as impaired.

Impaired loans are measured by either the present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the estimated fair value of the collateral if the loan is collateral dependent. The amount of the impairment, if any, and any subsequent changes are included in the allowance for loan losses.

General allowances are established for non-impaired loans. These loans are assigned a risk rating, and the allocated allowance for loan losses is determined based upon the loss percentage factors that correspond to each risk rating. Prior to 2014, loss percentage factors were based on peer data, adjusted for qualitative factors given that the Bank was still a de novo and had little historical loss experience. Beginning with the first quarter of 2014, loss percentage factors are based on both historical loss experience and peer data, adjusted for qualitative factors. The qualitative factors consider credit concentrations, recent levels and trends in delinquencies and nonaccrual loans, and growth in the loan portfolio. The occurrence of certain events could result in changes to the loss factors. Accordingly, these loss factors are reviewed periodically and modified by management. The change during 2014 to use the Company's own loss experience in addition to peer data did not have a significant impact to the allowance or provision for loan losses.

General allowances are established for loans that can be pooled into pools based on similar characteristics. Loss percentage factors applied to these pools are based on an analysis of historical charge-off experience and expected losses given default derived from the Company's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type and line of business. Adjustments are also made to the allowance for the pools after an assessment of internal and external influences on credit quality that have not yet been reflected in the historical loss or risk rating data.

The general allowances are determined based on consideration of historical loss data, the various risk characteristics of each loan segment, and whether the loans are within or outside the Company's general market area. Risk characteristics relevant to each portfolio segment are as follows:

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction and development – Loans in this segment primarily include real estate development loans for which payment is derived from the sale of the property as well as construction projects in which the property will ultimately be used by the borrower. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial real estate – Loans in this segment are primarily income-producing properties. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management monitors the cash flows of these loans.

Commercial and industrial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased customer spending, will have an effect on the credit quality in this segment.

Consumer – Loans in this segment are made to individuals and are secured by personal assets. Loans in this segment are dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality in the segment.

Other – Loans in this segment include loans for residential real estate, farmland, purchased auto loan pools and other loans. Loans in this segment are dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality in this segment.

Foreclosed Real Estate: Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at the lesser of the investment in the property or fair value less selling costs at the date of foreclosure establishing a new cost basis. Any write down to fair value at the time of foreclosure is charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed real estate and subsequent adjustment to the value are expensed.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation, computed principally on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the short of the useful life or lease term. Maintenance and repairs that do not extend the useful life of the premises and equipment are charged to expense. The useful lives of premises and equipment are as follows:

Asset Type	Useful Life
Leasehold improvements	3-20 years
Furniture, fixtures, and equipment	5-7 years
Computer equipment	4-5 years
Computer software	3 years

Intangible Assets: Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Servicing Rights: Loan servicing rights on originated loans that have been sold are capitalized by allocating the total cost of the loans between the loan servicing rights and the loans based on their relative fair values. Capitalized servicing rights are measured at fair value at each reporting date and changes in fair value are reported in earnings in the period they occur. Impairment of loan servicing rights is assessed based on the fair value of those rights. Fair values are estimated using either an independent valuation or by discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the predominant risk characteristics of the underlying loans. The predominant characteristic currently used for stratification is type of loan. The amount of impairment recognized is the amount by which the capitalized loan servicing rights for a stratum exceed their fair value.

Bank Owned Life Insurance (BOLI): The Company has purchased life insurance on the lives of certain key officers of the Company. The Company purchased these life insurance policies to generate income to offset the Company's cost of providing various employee benefits. BOLI is recorded at its cash surrender value, net of surrender charges and/or early termination charges that are probable at settlement. The increase in cash value is recorded as other income.

Stock Based Compensation Plan: The Company follows Financial Accounting Standards Board (FASB) ASC 718, *Compensation - Stock Compensation*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the financial statements based on fair value. FASB ASC 718 requires recognition of expense equal to the fair value of the option, determined using the calculated value method, over the vesting period of the option. As of December 31, 2014, there was no unrecognized compensation cost related to options and warrants outstanding. The compensation cost for stock options and restricted stock recognized in net income was $398,980 and $234,922 for the years ended December 31, 2014 and 2013, respectively.

The fair value of stock options and warrants used to compute the recognized expense is estimated using the Black-Scholes option pricing model. This model requires input of subjective assumptions, including the expected price volatility of the underlying stock. Projected data related to the expected volatility and expected life of the stock option is based upon historical and other information. Changes in these subjective assumptions can materially affect the fair value estimates. FASB ASC 718 allows non-public companies to use calculated value to determine the expected price volatility of underlying stock for use in the model. Calculated value for the Company was obtained by determining the historical volatility of public companies in the Company's industry sector.

Income Taxes: The provision for income taxes is based on income and expense reported for financial statement purposes after the adjustment for permanent differences such as tax-exempt income. Deferred income tax assets and liabilities are determined using the balance sheet method, reflecting a net deferred tax asset or liability based on the tax effects of the temporary differences between the book and tax bases of assets and liabilities, giving recognition to changes in tax rates and laws. A net deferred tax asset is evaluated for realization, and reduced by a valuation allowance when determined it is more likely than not that the asset will not be fully realized.

In accordance with ASC 740-10 *Income Taxes* it is the Company's policy to recognize interest and penalties associated with uncertain tax positions as components of income taxes and to disclose the recognized interest and penalties, if material. Management has evaluated all tax positions that could have a significant effect on the financial statements and determined the Company had no uncertain tax positions at December 31, 2014 and 2013. Further, all years subsequent to 2011 remain subject to evaluation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income (Loss): Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income (loss), are components of comprehensive income (loss).

Loan Commitments and Related Financial Instruments: In the ordinary course of business, the Company has entered into off balance sheet financial instruments, which are not reflected in the financial statements and consist of commitments to extend credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. The Company uses the same credit policies for these off-balance-sheet financial instruments as it does for other instruments that are recorded in the financial statements.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments. Since no quoted market prices exist for a significant part of the Company's financial instruments, the fair values of such instruments have been derived based on management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates.

Fair Value of Financial Instruments: The estimation methods for individual classifications of financial instruments are described more fully in applicable financial statement notes. Different assumptions could significantly affect these estimates. Accordingly, net realizable values could be materially different from the estimates disclosed. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Company.

Advertising: The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2014 and 2013 were $412,580 and $305,997, respectively.

Reclassifications: Certain amounts from the 2013 financial statements have been reclassified to conform to the current year presentation.

Impact of Recently Issued Accounting Standards: In January 2014, the FASB issued ASU 2014- 04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40).* The amendments in this Update clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. For public entities, these amendments are effective for annual and interim periods beginning after December 15, 2014. For all other entities, these amendments are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company’s operating results or financial condition.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2014, the FASB issued ASU 2014-07- Consolidation (Topic 810). The amendments in this Update permit a private company lessee (the reporting entity) to elect an alternative not to apply variable interest entity (VIE) guidance to a lessor entity under common control when certain conditions are met. The amendments permit a private company lessee (the reporting entity) to elect an alternative not to apply VIE guidance to a lessor entity if (a) the private company lessee and the lessor entity are under common control, (b) the private company lessee has a lease arrangement with the lessor entity, (c) substantially all of the activities between the private company lessee and the lessor entity are related to leasing activities (including supporting leasing activities) between those two entities, and (d) if the private company lessee explicitly guarantees or provides collateral for any obligation of the lessor entity related to the asset leased by the private company, then the principal amount of the obligation at inception of such guarantee or collateral arrangement does not exceed the value of the asset leased by the private company from the lessor entity. The amendments are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. The amendments in this standard should be applied retrospectively to all periods presented. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

In May 2014, the FASB issued ASU 2014-09- *Revenue from Contracts with Customers* (Topic 606). The amendments in this Update amended existing guidance related to revenue from contracts with customers. This amendment supersedes and replaces nearly all existing revenue recognition guidance, including industry-specific guidance, establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. In addition, this amendment specifies the accounting for some costs to obtain or fulfill a contract with a customer. For public entities, these amendments are effective for annual and interim periods beginning after December 15, 2016. For all other entities, these amendments are effective for annual reporting periods beginning after December 15, 2017 and interim periods within annual periods after December 15, 2018. Early adoption is not permitted. The amendments should be applied retrospectively to all periods presented or retrospectively with the cumulative effect recognized at the date of initial application. The Company is currently evaluating the impact of this new accounting standard on the consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing* (Topic 860). The amendments in this Update require that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement. The amendments require an entity to disclose information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements, in which the transferor retains substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In addition the amendments require disclosure of the types of collateral pledged in repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions and the tenor of those transactions. These amendments are effective for annual periods beginning after December 15, 2014 and interim periods beginning after December 15, 2015. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2014, the FASB issued ASU 2014-12, *Compensation – Stock Compensation* (Topic 718). The amendments apply to reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target can be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards.

As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. These amendments are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

In August 2014, the FASB issued ASU 2014-14, *Receivables – Troubled Debt Restructurings by Creditors* (Subtopic 310-40). The objective of this Update is to reduce diversity in practice by addressing the classification of foreclosed mortgage loans that are fully or partially guaranteed under government programs. The amendments in this Update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim. (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. These amendments are effective for public entities for annual and interim periods beginning after December 15, 2014. For all other entities, these amendments are effective for annual periods ending after December 15, 2015 and interim periods beginning after December 15, 2015. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

(Continued)

NOTE 2 – SECURITIES AVAILABLE FOR SALE

The amortized costs, gross unrealized gains and losses, and estimated fair values of securities available for sale at December 31, 2014 and 2013, are summarized as follows:

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2014				
Obligations of U.S. Government entities and agencies	$ 31,141,744	$ -	$ -	$ 31,141,744
State and municipal securities	250,247	-	(12,737)	237,510
Mortgage-backed residential	6,729,649	430	(64,954)	6,665,125
	$ 38,121,640	$ 430	$ (77,691)	$ 38,044,379
2013				
Obligations of U.S. Government entities and agencies	$ 36,933,270	$ -	$ -	$ 36,933,270
State and municipal securities	2,078,328	-	(119,071)	1,959,257
Mortgage-backed residential	8,035,950	413	(297,574)	7,738,789
	$ 47,047,548	$ 413	$ (416,645)	$ 46,631,316

Included in stockholders' equity at December 31, 2014 and 2013 are $77,261 and $416,232 respectively, of gross unrealized losses on investment securities available for sale, net of tax of $26,269 and $141,519 respectively.

At December 31, 2014 and 2013, there were no holdings of securities, other that the U.S. Government and its agencies, in an amount greater that 10% of shareholders' equity.

The amortized costs and estimated fair values of investment securities available for sale at December 31, 2014, by contractual maturity 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. Securities due at a single maturity date are shown separately:

	Securities Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,175,218	$ 1,175,218
Due after one year but less than five years	5,179,212	5,166,475
Due after five years but less than ten years	6,295,974	6,295,974
Due in more than ten years	18,741,587	18,741,587
Mortgage-backed	6,729,649	6,665,125
	$ 38,121,640	$ 38,044,379

Metrociy
There were no securities pledged December 31, 2014 to secure public deposits and repurchase agreements.

(Continued)

NOTE 2 – SECURITIES AVAILABLE FOR SALE (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2014 and 2013 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Twelve Months or Less		Over Twelve Months	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
2014				
State and municipal securities	$ -	$ -	$ (12,737)	$ 237,510
Mortgage-backed residential	(10,294)	2,060,047	(54,660)	4,584,583
	$ (10,294)	$ 2,060,047	$ (67,397)	$ 4,822,093

	Twelve Months or Less		Over Twelve Months	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
2013				
State and municipal securities	$ (83,260)	$ 1,744,757	$ (35,811)	$ 214,500
Mortgage-backed residential	(216,930)	5,145,437	(80,644)	2,571,572
	$ (300,190)	$ 6,890,194	$ (116,455)	$ 2,786,072

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) 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.

At December 31, 2014 the four debt securities with unrealized losses have depreciated 1.1% from the Company's amortized cost basis.

State and Municipal Securities. The Company's unrealized loss on one investment in municipal bonds relates to interest rate increases, as the issuers are of high credit quality. Management currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Because the Company does not plan to sell the investments and it is not likely that the Company will be required to sell these securities before recovery of their par value, which may be maturity, management does not consider these investments to be other-than- temporarily impaired at December 31, 2014.

Mortgage-backed - residential. The Company's unrealized loss on three investments in residential government-sponsored entities and agencies, primarily Fannie Mae and Freddie Mac, institutions for which the government has affirmed its commitment to support, was caused by interest rate increases. The contractual cash flows of the investment are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the security would not be settled at a price less than the amortized cost base of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has no immediate plans to sell the investment, and because it is not more likely than not that the Company will be required to sell the investment before recovery of their amortized cost base, which may be maturity, management does not consider this investment to be other-than-temporarily impaired at December 31, 2014.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Major classifications of loans at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Construction and development	$ 37,749,876	$ 30,162,112
Commercial real estate	317,939,010	324,462,537
Commercial and industrial	31,959,890	24,066,829
Consumer	18,487,488	1,702,973
Other	84,849,461	54,055,030
	490,985,725	434,449,481
Unearned income	(2,262,422)	(1,578,767)
Discount on purchased loans	(1,797,052)	-
Allowance for loan losses	(5,986,084)	(7,503,030)
Loans, net	$ 480,940,167	$ 425,367,684

The Company is not committed to lend additional funds to borrowers with non-accrual or restructured loans.

In the normal course of business, the Company may sell and purchase loan participations to and from other financial institutions and related parties. Loan participations are typically sold to comply with the legal lending limits per borrower as imposed by regulatory authorities. The participations are sold without recourse and the Company imposes no transfer or ownership restrictions on the purchaser. At December 31, 2014 and 2013, the Company had participations sold of $3,587,440 and $1,910,825, respectively. For SBA loans, see Note 11.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The activity in the allowance for loan losses for the twelve months ended December 31, 2014, by portfolio segment, is as follows:

	Construction and Development	Commercial Real Estate	Commercial and Industrial	Consumer	Other	Unallocated	Total
2014							
Allowance for loan losses:							
Beginning balance	$ 407,188	$ 6,140,320	$ 459,991	$ 12,185	$ 483,346	$ -	$ 7,503,030
Charge-offs	-	(1,520,976)	(73,281)	-	-	-	(1,594,257)
Recoveries	-	25,115	52,196	-	-	-	77,311
Provisions	(212,392)	(856,215)	(160,458)	(5,658)	464,674	770,049	-
Ending balance	$ 194,796	$ 3,788,244	$ 278,448	$ 6,527	$ 948,020	$ 770,049	$ 5,986,084
Ending balance – individually evaluated for impairment	$ -	$ 181,052	$ 104,784	$ -	$ 243	$ -	$ 286,079
Ending balance – collectively evaluated for impairment	$ 194,796	$ 3,607,192	$ 173,664	$ 6,527	$ 947,777	$ 770,049	$ 5,700,005
Loans:							
Ending balance – individually evaluated for impairment	$ 380,730	$ 9,394,234	$ 112,002	$ -	$ 150,812	$ -	$ 10,037,778
Ending balance – collectively evaluated for impairment	37,369,146	308,544,776	31,847,888	18,487,488	84,698,649	-	480,947,947
Total loans ending balance	$ 37,749,876	$ 317,939,010	$ 31,959,890	$ 18,487,488	$ 84,849,461	$ -	$ 490,985,725

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The activity in the allowance for loan losses for the twelve months ended December 31, 2013, by portfolio segment, is as follows:

2013	Construction and Development	Commercial Real Estate	Commercial and Industrial	Consumer	Other	Unallocated	Total
Allowance for loan losses:							
Beginning balance	$ 263,453	$ 5,871,105	$ 182,314	$ 23,040	$ 122,210	$ -	$ 6,462,122
Charge-offs	-	(532,460)	(159,450)	(14)	-	-	(691,924)
Recoveries	-	52,020	4,812	-	-	-	56,832
Provisions	143,735	749,655	432,315	(10,841)	361,136	-	1,676,000
Ending balance	$ 407,188	$ 6,140,320	$ 459,991	$ 12,185	$ 483,346	$ -	$ 7,503,030
Ending balance – individually evaluated for impairment	$ -	$ 1,433,904	$ 144,223	$ -	$ 21,968	$ -	$ 1,600,095
Ending balance – collectively evaluated for impairment	$ 407,188	$ 4,706,416	$ 315,768	$ 12,185	$ 461,378	$ -	$ 5,902,935
Loans:							
Ending balance – individually evaluated for impairment	$ 341,380	$ 19,355,791	$ 249,880	$ -	$ 178,987	$ -	$ 20,126,038
Ending balance – collectively evaluated for impairment	29,820,732	305,106,746	23,816,949	1,702,973	53,876,043	-	414,323,443
Total loans ending balance	$ 30,162,112	$ 324,462,537	$ 24,066,829	$ 1,702,973	$ 54,055,030	$ -	$ 434,449,481

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired loans as of December 31, 2014 and 2013, by portfolio segment, are as follows:

	Unpaid Total Principal Balances	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
2014					
Construction and development	$ 380,730	$ 380,730	$ -	$ 380,730	$ -
Commercial real estate	9,512,971	1,529,001	7,865,233	9,394,234	181,372
Commercial and industrial	112,002	-	112,002	112,002	104,784
Consumer	-	-	-	-	-
Other	150,812	140,683	10,129	150,812	243
	$ 10,156,515	$ 2,050,414	$ 7,987,364	$ 10,037,778	$ 286,399
2013					
Construction and development	$ 341,380	$ 341,380	$ -	$ 341,380	$ -
Commercial real estate	19,433,611	8,003,514	11,352,277	19,355,791	1,433,904
Commercial and industrial	249,880	39,211	210,669	249,880	144,223
Consumer	-	-	-	-	-
Other	178,987	159,235	19,752	178,987	21,968
	$ 20,203,858	$ 8,543,340	$ 11,582,698	$ 20,126,038	$ 1,600,095

Cash basis interest income recognized on impaired loans was $897,917 for 2014.

A primary credit quality indicator for financial institutions is delinquent balances. Delinquencies are updated on a daily basis and are continuously monitored. Loans are placed on nonaccrual status as needed based on repayment status and consideration of accounting and regulatory guidelines. Nonaccrual balances are updated and reported on a daily basis.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

Following are the delinquent amounts, by portfolio segment:

	Current	30-89 Days	Accruing Greater Than 90 Days	Total Accruing Past Due	Non-accrual	Total Financing Receivables
December 31, 2014						
Construction and development	$ 37,369,146	$ -	$ -	$ -	$ 380,730	$ 37,749,876
Commercial real estate	317,263,941	675,069	-	675,069	-	317,939,010
Commercial and industrial	31,528,200	329,165	-	329,165	102,525	31,959,890
Consumer	18,487,488	-	-	-	-	18,487,488
Other	82,643,982	2,205,479	-	2,205,479	-	84,849,461
	$ 487,292,757	$ 3,209,713	$ -	$ 3,209,713	$ 483,255	$ 490,985,725
December 31, 2013						
Construction and development	$ 30,162,112	$ -	$ -	$ -	$ -	$ 30,162,112
Commercial real estate	319,332,346	2,356,678	-	2,356,678	2,773,513	324,462,537
Commercial and industrial	23,705,749	118,478	-	118,478	242,602	24,066,829
Consumer	1,699,938	3,035	-	3,035	-	1,702,973
Other	53,892,230	162,800	-	162,800	-	54,055,030
	$ 428,792,375	$ 2,649,991	$ -	$ 2,640,991	$ 3,016,115	$ 434,449,481

The Company utilizes a ten grade loan rating system for its loan portfolio as follows:

- Loans rated 1-5 (Pass) – Loans in these categories have low to average risk.
- Loans rated 6 (Pass/Watch) – The borrower or guarantor exhibits emerging evidence of minor weakness or a deterioration that is normally of a temporary nature.
- Loans rated 7 (Special Mention) – The loan does not presently expose the Company to a sufficient degree of risk to warrant adverse classification, but does possess deficiencies deserving close attention.
- Loans rated 8 (Substandard) – Loans are inadequately protected by the current sound worth and paying capability of the obligor or of the collateral pledged, if any.
- Loans rated 9 (Doubtful) – Loans which have all the weaknesses inherent in loans classified Substandard, with the added characteristic that the weaknesses make collections or liquidation in full, or on the basis of currently known facts, conditions and values, highly questionable or improbable.
- Loans rated 10 (Loss) - Loans classified Loss are considered uncollectible and such little value that there continuance as bankable assets is not warranted.

Loan grades are monitored regularly and updated as necessary based upon review of repayment status and consideration of periodic updates regarding the borrower's financial condition and capacity to meet contractual requirements.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following presents the Company's loans, including purchased loans, by risk rating based on the most recent information available:

	Construction and Development	Commercial Real Estate	Commercial and Industrial	Consumer	Other	Total
December 31, 2014						
Rating:						
1-6 (Pass)	$ 37,369,146	$ 310,498,048	$ 31,834,614	$ 18,487,488	$ 84,698,649	$ 482,887,945
7 (Special mention)	-	6,923,339	13,274	-	150,812	7,087,425
8 (Substandard)	380,730	517,623	112,002	-	-	1,010,355
9 (Doubtful)	-	-	-	-	-	-
10 (Loss)	-	-	-	-	-	-
	$ 37,749,876	$ 317,939,010	$ 31,959,890	$ 18,487,488	$ 84,849,461	$ 490,985,725
December 31, 2013						
Rating:						
1-6 (Pass)	$ 30,162,112	$ 292,383,021	$ 23,689,300	$ 1,702,973	$ 53,876,043	$ 401,813,449
7 (Special mention)	-	19,163,494	24,326	-	-	19,187,820
8 (Substandard)	-	12,916,022	353,203	-	178,987	13,448,212
9 (Doubtful)	-	-	-	-	-	-
10 (Loss)	-	-	-	-	-	-
	$ 30,162,112	$ 324,462,537	$ 24,066,829	$ 1,702,973	$ 54,055,030	$ 434,449,481

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The Company has purchased loans, for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. Loans are recorded under the scope of ASC 310-30 when it is deemed probable at acquisition that all contractually required payments will not be collected.

During 2014, the Company purchased auto loan pools with contractually required payments receivable of $22,220,416 at a discount and recorded the pools at fair value pursuant to ASC 310-30 with a related discount of $2,748,638, or fair value of $19,471,778. Loans within the scope of ASC 310-30 are initially recorded at fair value and no allowance is initially recorded. Management has deemed the loan pools not to have credit deterioration since origination; therefore, there is no allowance for loan losses on these pools as of December 31, 2014. The carrying value of these acquired loans at December 31, 2014 was $15,818,778. There were no acquired pools as of December 31, 2013.

These loans pools had total expected cash flows of principal and interest, net of 3.5% servicing cost, at acquisition date and December 31, 2014 of $21,788,870 and $23,346,552, respectively. As part of agreement with the servicer, excess cash flows received, net of servicing cost (accretable yield greater than 12%), will be shared with (50%) and remitted to the servicer at the close of each pool.

Accretable yield, or income expected to be collected, is as follows:

	2014
Balance at January 1	$ -
New loans purchased	2,317,892
Accretion of income	(1,000,690)
Balance at December 31	$ 1,317,202

All loans acquired in the Global Commerce Acquisition were selected by management and deemed not to have credit deterioration since origination. Therefore, the loans have been accounted for pursuant to ASC-310-20. The carrying value of these loans at December 31, 2014 and 2013 was $3,752,117 and $18,134,604, respectively, and are included in the allowance for loan losses.

In this current real estate environment it has become more common to restructure or modify the terms of certain loans under certain conditions (i.e. troubled debt restructures or “TDRs”). In those circumstances it may be beneficial to restructure the terms of a loan and work with the borrower for the benefit of both parties, versus forcing the property into foreclosure and having to dispose of it in an unfavorable real estate market. When we have modified the terms of a loan, we usually either reduce or defer payments for a period of time. We have not forgiven any material principal amounts on any loan modifications to date. Non-performing TDRs are generally placed on non-accrual under the same criteria as all other loans.

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

TDRs as of December 31, 2014 and 2013 quantified by loan type classified separately as accrual and non-accrual are presented in the table below.

	Accruing	Nonaccrual	Total
December 31, 2014			
Construction and development	$ -	$ 323,916	$ 323,916
Commercial real estate	9,085,654	-	9,085,654
Commercial and industrial	-	102,525	102,525
Consumer	-	-	-
Other	-	-	-
	$ 9,085,654	$ 426,441	$ 9,512,095

	Accruing	Nonaccrual	Total
December 31, 2013			
Construction and development	$ 341,380	$ -	$ 341,380
Commercial real estate	15,987,283	441,243	16,428,526
Commercial and industrial	-	97,205	97,205
Consumer	-	-	-
Other	-	-	-
	$ 16,328,663	$ 538,448	$ 16,867,111

Our policy is to return non-accrual TDR loans to accrual status when all the principal and interest amounts contractually due, pursuant to its modified terms, are brought current and future payments are reasonably assured. Our policy also considers payment history of the borrower, but is not dependent upon a specific number of payments. The Company recorded a specific reserve of $99,293 and $903,000, as of December 31, 2014 and 2013, and recognized partial charge offs $100,000 in 2014 and no partial charge offs in 2013 on the TDR loans described above during the years ended December 31, 2014 and 2013. During 2014 four loans totaling $3,204,857 defaulted. During 2013 there were no defaults on troubled debt restructurings.

Loans are modified to minimize loan losses when we believe the modification will improve the borrower's financial condition and ability to repay the loan. We typically do not forgive principal. We generally either defer, or decrease monthly payments for a temporary period of time. A summary of the types of concessions made during the year for loans classified as troubled debt restructurings are presented in the table below.

Type of Concession	2014	2013
Rate concession	$ -	$ 1,641,984
Extension of maturity date	9,512,095	5,225,127
	$ 9,512,095	$ 6,867,111

(Continued)

NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

The following table presents loans by portfolio segment modified as TDRs and the corresponding recorded investment, which includes accrued interest and fees, as of December 31, 2014 and 2013.

	2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Construction and development	1	$ 323,916	1	$ 343,800
Commercial real estate	6	9,204,391	12	16,486,912
Commercial and industrial	1	102,525	2	101,698
Consumer	-	-	-	-
Other	-	-	-	-
	8	$ 9,630,832	15	$ 16,932,410

NOTE 4 – OTHER REAL ESTATE OWNED

Real estate owned activity was as follows:

	2014	2013
Beginning balance	$ 3,359,712	$ 5,025,879
Loans transferred to real estate owned	4,881,467	6,886,525
Capitalized expenditures	-	-
Direct write-downs	-	-
Sales of real estate owned	(5,733,818)	(8,552,692)
End of year	$ 2,507,361	$ 3,359,712

Activity in the valuation allowance was as follows:

	2014	2013
Beginning of year	$ 196,350	$ 100,000
Additions/(recoveries) charged/(credit) to expense	571,965	96,350
Reductions from sales of real estate owned	(461,750)	-
Direct write-downs	-	-
End of year	$ 306,565	$ 196,350

Expenses related to foreclosed assets include:

	2014	2013
Net loss (gain) on sales	$ (22,943)	$ 376,652
Provision for unrealized losses	-	-
Operating expenses, net of rental income	266,951	272,845
	$ 244,008	$ 649,497

(Continued)

NOTE 5 – PREMISES AND EQUIPMENT

The major classes of premises and equipment and the total accumulated depreciation at December 31, 2014 and 2013 are as follows:

	2014	2013
Leasehold improvements	$ 1,923,553	$ 1,834,927
Furniture, fixtures and equipment	1,537,984	1,478,183
Computer equipment	692,107	631,431
Computer software	308,473	298,054
	4,462,117	4,242,595
Accumulated depreciation	(2,913,615)	(2,461,237)
	$ 1,548,502	$ 1,781,358

Depreciation expense for the years ended December 31, 2014 and 2013 was $479,473 and $491,797, respectively.

The Company has operating leases on the eight buildings where the branches are located. The building in Doraville, GA in which the main branch is located, is owned by an entity in which a Bank Director is a part owner. The lease is a ten year noncancellable lease that runs until March 1, 2016, with two options to renew for five years. In 2012, the Company made an amendment to this lease, for additional space with a lease termination date of December 31, 2016. The Company has entered into an operating lease for a branch in Duluth, which began in 2007 and is a 10 year noncancellable lease that runs until February 1, 2017, with four options to renew for 5 years. The Company has also entered into a 5 year noncancellable lease in November of 2007 for an additional branch located at Johns Creek. The lease has an option term at the end of the 5th year that can be effective for an additional 5 years, which the Company exercised in 2012. The Company has a lease for the Suwanee branch, which is a 5 year noncancellable lease that runs through April 2018. The Company has a lease for the Sugarloaf branch, which is a 5 year noncancellable lease that began in February 2010. In 2012, the Company entered into a noncancellable lease for the branch in Opelika, Alabama. The lease is for ten years with two options to renew for 5 years. The Company signed an agreement to lease space in Norcross, Georgia with an entity in which a Bank Director is a part owner. The lease is a ten year noncancellable lease which runs until October 2023. The Company signed an agreement to lease space in Centreville, Virginia. The lease is a five year noncancellable lease which run until January 2018. The following is a schedule by years of future minimum lease payments under noncancellable operating leases as of December 31, 2014.

Year ending December 31,	
2015	$ 760,646
2016	770,972
2017	510,721
2018	307,180
2019	231,775
Thereafter	829,499
Total minimum lease payments	$ 3,410,793

Total rent expense was $951,604 and $881,114 for the years ended December 31, 2014 and 2013, respectively.

(Continued)

NOTE 6 – CORE DEPOSIT INTANGIBLE

Intangible assets include core deposit intangibles resulting from the Company's acquisition of certain assets and liabilities of Global Commerce Bank during 2012. Core deposit intangibles are amortized on a straight-line basis over an estimate useful life of five years and evaluated for impairment whenever events or circumstances indicate the carrying value of the assets may not be recoverable. Core deposit intangibles at December 31, 2014 and 2013 are summarized below:

	2014	2013
Core deposit intangible, gross	$ 280,757	$ 280,757
Less accumulated amortization	(159,086)	(102,938)
Core deposit intangible, net	$ 121,671	$ 177,819

For the years ended December 31, 2014 and 2013, amortization expense of $56,148 and $56,148, respectively, was recognized and included in other operating expense. The estimated aggregate amortization expense for each of the next five years is as follows.

Year ending December 31,	
2015	$ 56,148
2016	56,148
2017	9,375
	$ 121,671

NOTE 7 – DEPOSITS

Deposit account balances at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Non-interest bearing demand deposits	$ 119,024,000	$ 91,708,024
Interest-bearing deposits	84,011,331	56,916,378
Brokered time deposits	943,157	2,635,157
Time deposits	262,184,156	262,348,881
Total deposits	$ 466,162,644	$ 413,608,440

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2014 and 2013 were $62,601,977 and $45,170,735, respectively.

(Continued)

NOTE 7 – DEPOSITS (Continued)

Maturities of time deposits at December 31, 2014 are summarized as follows:

Year ending December 31,	
2015	$ 228,490,481
2016	16,873,766
2017	6,619,380
2018	5,501,559
2019	5,642,127
	$ 263,127,313

At December 31, 2014 and 2013, overdraft demand deposits reclassified to loans totaled $303,655 and $248,224 respectively.

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Advances from the Federal Home Loan Bank (FHLB) at December 31, 2014 and 2013 are summarized as follows:

Interest Rate	Rate Type	Maturity Date	2014	2013
3.63%	Fixed	October 5, 2017	$ 5,000,000	$ 5,000,000
3.80%	Fixed	October 23, 2017	3,700,000	3,700,000
0.24%	Fixed	January 21, 2015	15,000,000	-
0.17%	Fixed	January 29, 2015	10,000,000	-
0.18%	Fixed	January 6, 2014	-	5,000,000
0.17%	Fixed	January 30, 2014	-	5,000,000
0.17%	Fixed	January 30, 2014	-	5,000,000
0.29%	Fixed	September 29, 2014	-	5,000,000
			$ 33,700,000	$ 28,700,000

The aggregate of the advances is collateralized by the Company's FHLB stock, the Company's deposits with the FHLB and pledged commercial and residential real estate loans, which totaled $127,142,529 at December 31, 2014 and $106,370,119 at December 31, 2013.

At December 31, 2014 and 2013, the Company had Federal funds lines available with correspondent banks of approximately $37,000,000 for both periods. These lines have various terms, rates, and maturities. The Company had no borrowings on these outstanding at December 31, 2014 or 2013.

The Company sells the guaranteed portion of certain SBA loans it originates and continues to service the sold portion of the loan. The Company sometimes retains an interest only strip or servicing fee that is considered to be more than customary market terms. An interest only strip can result from a transaction when the market rate of the transaction differs from the stated rate on the portion of the loan sold.

(Continued)

NOTE 8 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS (Continued)

In addition, the transactions contain a ninety day recourse provision which may require the Company to buy back the guaranteed portion of the loan at a set price should the borrower pay off the loan or default on the loan within the recourse window. The sold portion of SBA loans that satisfies at least one of the above provisions are considered secured borrowings and are included in other borrowings. Secured borrowings at December 31, 2014 and 2013 were $7,277,636 and $9,738,461, respectively.

NOTE 9 – INCOME TAXES

The total provision for income taxes in the statements of income is as follows:

	2014	2013
Currently payable		
Federal	$ 5,538,250	$ 5,704,826
State	843,135	426,181
	6,381,385	6,131,007
Deferred income taxes	947,592	72,611
	$ 7,382,977	$ 6,203,618

The Company's provision for income taxes differs from the amounts computed by applying the Federal income tax statutory rates of 35% to income before income taxes. A reconciliation of the differences is as follows:

	2014	2013
Federal statutory rate times financial statement income	$ 6,939,015	$ 5,733,814
Difference resulting from:		
State taxes, net of federal benefit	642,176	442,323
Other items, net	(252,214)	27,481
Provision for income taxes	$ 7,382,977	$ 6,203,618

At December 31, 2014 and 2013, the Company's deferred tax assets and liabilities consisted of the following:

	2014	2013
Deferred income tax assets (liabilities)		
Allowance for loan losses	$ 1,625,869	$ 2,347,128
Write-downs of foreclosed real estate	243,407	214,879
Nonaccrual loan interest	5,581	74,113
Other	(22,840)	123,062
Unrealized gain on securities available for sale	26,269	141,519
Deferred SBA servicing fees	(2,050,108)	(2,043,571)
Premises and equipment	(141,225)	(224,471)
Net deferred tax assets	$ (313,047)	$ 632,659

(Continued)

NOTE 9 – INCOME TAXES (Continued)

For the years ended December 31, 2014 and 2013, management believes there are no material amounts of uncertain tax position. Additionally, there were no amounts of interest and penalties recognized in the balance sheet as of December 31, 2014 or 2013 or on the statements of income for the years ended December 31, 2014 or 2013.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties).

Aggregate loan transactions with related parties for the year ended December 31, 2014 were as follows:

Balance, beginning	$ 12,555,072
New loans	316,665
Repayments	(3,664,310)
Balance, ending	$ 9,207,427

In addition, the Company held related party deposits of approximately $3,887,879 and $3,526,804 at December 31, 2014 and 2013, respectively.

NOTE 11 – SBA AND USDA LOAN SERVICING

The Company sells the guaranteed portion of certain SBA and USDA loans it originates and continues to service the sold portion of the loan. The portion of the loans sold are not included in the financial statements of the Company. As of December 31, 2014 and 2013, the unpaid principal balances of serviced loans totaled $255,869,807 and $205,281,874, respectively.

The aggregate fair value of capitalized loan servicing rights included in other assets at December 31, 2014 and 2013 totaled $5,598,938 and $5,225,794, respectively. There were $62,716 in settlements and $435,860 in increases in fair value of servicing rights during 2014. Fair value at year-end 2014 was determined using discount rates ranging from 2.98% to 11.68%, prepayment speeds ranging from 8.35% to 17.18%, depending on the stratification of the specific right. Average default rates are based on the industry average for the applicable NAICS/SIC code.

The aggregate fair market value of the interest only strips included in other assets was $46,688 and $49,357 at December 31, 2014 and 2013, respectively. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. For purposes of measuring impairment, risk characteristics including product type and interest rate, were used to stratify the originated loan servicing rights. No valuation allowances are recorded against capitalized servicing rights or interest only strips as of December 31, 2014 and 2013.

(Continued)

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Bank has entered into employment agreements with its President/Chief Executive Officer, Senior Vice President/Manager of SBA Lending, and Executive Vice President/Chief Lending Officer. Each employment agreement provides for a base salary, an incentive bonus based upon the Bank's profitability, stock options and other benefits commensurate with employment. The Bank may be obligated to make payments to each employee upon termination, with the timing and amount of the payment dependent upon the cause of termination. The agreements contain a contract term of 36 months, which is extended one year annually unless notice is given by the employee or the Board of Directors.

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not reflected in the Company's financial statements. These commitments and contingent liabilities include various guarantees, commitments to extend credit and standby letters of credit. The Company does not anticipate any material losses as a result of these commitments and contingent liabilities.

The Company's nature of business is such that it ordinarily results in a certain amount of litigation. In the opinion of management for the Company, there is no litigation in which the outcome will have a material effect on the financial statements.

NOTE 13 – LOAN COMMITMENTS AND RELATED FINANCIAL INSTRUMENTS

The Company is a 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. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Financial instruments where contract amounts represent credit risk as of December 31, 2014 and 2013 include:

	Contract Amount	
	2014	2013
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 37,077,001	$ 38,344,859
Standby letters of credit	3,160,804	1,961,275

(Continued)

NOTE 13 – LOAN COMMITMENTS AND RELATED FINANCIAL INSTRUMENTS (Continued)

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 to extend credit includes $30,985,537 of unused lines of credit and $6,019,464 of commitments to make loans as of December 31, 2014. 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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counterparty.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan commitments to customers.

The Company maintains cash deposits with a financial institution that during the year are in excess of the insured limitation of the Federal Deposit Insurance Corporation. If the financial institution were not to honor its contractual liability, the Company could incur losses. Management is of the opinion that there is not material risk because of the financial strength of the institution.

NOTE 14 – FAIR VALUE

Financial Instruments Measured at Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

(Continued)

NOTE 14 – FAIR VALUE (Continued)

The following presents the assets and liabilities as of December 31, 2014 and 2013 which are measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, and the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarch, for which a nonrecurring change in fair value has been recorded:

	December 31, 2014				
Assets	Total	Level 1	Level 2	Level 3	Total Gains (losses)
Recurring fair value measurements:					
Securities available for sale:					
Obligations of U.S. Government entities and agencies	$ 31,141,744	$ -	$ -	$ 31,141,744	
State and municipal securities	237,510	-	237,510	-	
Mortgage-backed – residential	6,665,125	-	6,665,125	-	
Total securities available for sale	38,044,379	-	6,902,635	31,141,744	
SBA servicing asset	5,598,938	-	-	5,598,938	
Interest only strip	46,688	-	-	46,688	
	$ 43,690,005	$ -	$ 6,902,635	$ 36,787,370	
Non-recurring fair value measurements:					
Impaired loans	$ 7,584,219	$ -	$ -	$ 7,584,219	$ 735,508
Foreclosed real estate	301,035	-	-	301,035	(121,965)
Total nonrecurring fair value measurements	$ 7,885,254	$ -	$ -	$ 7,885,254	$ (613,543)

(Continued)

NOTE 14 – FAIR VALUE (Continued)

	December 31, 2013				
Assets	Total	Level 1	Level 2	Level 3	Total Gains (losses)
Recurring fair value measurements:					
Securities available for sale:					
U.S. Government-sponsored entities and agencies	$ 36,933,270	$ -	$ -	$ 36,933,270	
State and municipal securities	1,959,257	-	1,959,257	-	
Mortgage-backed GSE residential	7,738,789	-	7,738,789	-	
Total securities available for sale	46,631,316	-	9,698,046	36,9373,270	
SBA servicing asset	5,225,794	-	-	5,225,794	
Interest only strip	49,357	-	-	49,357	
	$ 51,906,467	$ -	$ 9,698,046	$ 42,208,421	
Non-recurring fair value measurements:					
Impaired loans	$ 9,247,314	$ -	$ -	$ 9,247,314	$ (637,472)
Foreclosed real estate	407,416	-	-	407,416	(137,599)
Total nonrecurring fair value measurements	$ 9,654,730	$ -	$ -	$ 9,654,730	$ (775,071)

(Continued)

NOTE 14 – FAIR VALUE (Continued)

The Company used the following methods and significant assumptions to estimate fair value:

Securities, Available for Sale: The Company carries securities available for sale at fair value. The fair values of the Company's securities available for sale are determined using Level 2 inputs. For securities available for sale, 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. The investments in the Company's portfolio are generally not quoted on an exchange but are actively traded in the secondary institutional markets.

The Company owns certain SBA investments that for which the fair value is determine using Level 3 hierarchy inputs and assumptions as the trading market for such securities was determined to be "not active." This determination was based on the limited number of trades or, in certain cases, the existence of no reported trades.

SBA Servicing Assets: The fair values of the Company's servicing assets are determined using Level 3 inputs. All separately recognized servicing assets and servicing liabilities are initially measured at fair value. Subsequent measurement methods include the amortization method, whereby servicing assets or servicing liabilities are amortized over the period of estimated net servicing income or net servicing loss, or the fair value method, whereby servicing assets or servicing liabilities are measured at fair value at each reporting date and changes in fair value are reported in earnings in the period in which they occur. Because of the unique nature of the Company's servicing assets, quoted market prices may not be available. If no quoted market prices are available, the amortization method is used. The Company assesses servicing assets or servicing liabilities for impairment or increased obligation based on the fair value at each reporting date.

The fair values of the Company's interest-only strips are determined using Level 3 inputs. When the Company sells loans to others, it may hold interest-only strips, which is an interest that continues to be held by the transferor in the securitized receivable. It may also obtain servicing assets or assume servicing liabilities that are initially measured at fair value. Gain or loss on sale of the receivables depends in part on both (a) the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the interests that continue to be held by the transferor based on their relative fair value at the date of transfer, and (b) the proceeds received. To obtain fair values, quoted market prices are used if available. However, quotes are generally not available for interests that continue to be held by the transferor, so the Company generally estimates fair value based on the future expected cash flows estimated using management's best estimates of the key assumptions — credit losses and discount rates commensurate with the risks involved.

Under certain circumstances we make adjustments to fair value for our assets and liabilities although they are not measured at fair value on an ongoing basis.

Impaired Loans: Impaired Loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing these loans and is classified at a Level 3 in the fair value hierarchy. Collateral may include real estate, or business assets including equipment, inventory and accounts receivable. The value of real estate collateral is determined based on an appraisal by qualified licensed appraisers hired by the Company. The value of business equipment is based on appraisals if significant, or the equipment's net book value on the business' financial statements. Inventory and accounts receivable collateral are valued based on independent field examiner review or aging reports. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the

(Continued)

NOTE 14 – FAIR VALUE (Continued)

appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Appraised values are reviewed by management using our historical knowledge, market considerations and knowledge of the client and client's business.

Foreclosed Real Estate: Foreclosed Real Estate is adjusted to fair value upon transfer of the loans to foreclosed real estate. Subsequently, foreclosed real estate is carried at the lower of carrying value or fair value. Fair value is based upon independent market prices or appraised values of the collateral and is classified as nonrecurring Level 3. Adjustments are routinely made in the appraisal process by the independent appraisers engaged by the Company to adjust for differences between the comparable sales. Appraised values are reviewed by management using our market knowledge and historical experience.

Changes in Level 3 Fair Value Measurements

The table below presents a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2014:

	Assets	Liabilities
Fair value, January 1, 2014	$ 5,275,151	$ -
Total gains included in income	433,191	-
Settlements	(62,716)	-
Transfers in and/or out of level 3	-	-
Fair value, December 31, 2014	$ 5,645,626	$ -

There were no gains or losses included in earnings for securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2014. The only activity for these securities was prepayments. There were no purchases, sales or transfers in to and out of Level 3.

Fair Value of Financial Instruments

The methods and assumptions used in the estimation of the fair value of the Company's financial instruments are detailed below:

Cash, federal funds sold and purchased, and short-term instruments: The carrying amounts of cash and short-term instruments approximate their fair value due to the relatively short period to maturity of instruments.

Securities available-for-sale: Fair values for securities, excluding restricted equity securities, are based predominately on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of similar instruments.

Federal Home Loan Bank stock: The carrying value of these restricted equity securities approximate fair value.

Loans: For variable-rate loans that re-price frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for fixed rate real estate, commercial and other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

(Continued)

NOTE 14 – FAIR VALUE (Continued)

Servicing assets: The fair value is based on market prices for comparable servicing contracts, when available, or alternatively, as based on a valuation model that calculates the present value of estimated future net servicing income. The Company records these assets at fair value on a recurring basis.

Interest only strips: The fair value is based on a valuation model that calculates the present value of estimated future cash flows. The Company records these assets at fair value on a recurring basis.

Deposit liabilities: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Secured borrowings and other borrowings: The carrying amounts of commercial funding agreements and other short-term borrowings maturing within 90 days approximate their fair values. Fair values of other borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying values of secured borrowings approximate fair value.

Accrued interest: The carrying amounts of accrued interest approximate their fair values.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counter parties' credit standings.

The carrying amount and estimated fair values of the Company's financial instruments at December 31, 2014 and 2013 (in thousands) are as follows:

	2014		2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Fair Value
Assets				
Cash and due from banks	$ 31,121	$ 31,121	$ 16,971	$ 16,971
Federal funds sold	1,693	1,693	743	743
Investment securities	38,044	38,044	46,631	46,631
FHLB stock	1,980	1,980	1,849	1,849
Loans	480,940	488,880	425,368	428,116
Accrued interest receivable	1,783	1,783	1,465	1,465
SBA servicing rights	5,599	5,599	5,226	5,226
Interest only strips	47	47	49	49
Liabilities				
Deposits	466,163	467,420	413,033	414,017
FHLB advances	33,700	34,247	28,700	29,530
Other borrowings	7,278	7,278	9,738	9,738
Accrued interest payable	184	184	169	169

(Continued)

NOTE 15 – REGULATORY MATTERS

The Company is subject to various capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary regulatory actions by regulators that, if undertaken, could have a direct material effect on the Company's 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 Company's assets, liabilities and certain off- balance sheet items as calculated under regulatory accounting practices. The Company's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2014, that the Company meets all capital adequacy requirements to which it is subject.

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

The Company's actual capital amounts (in thousands) and ratios are also presented in the following table:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2014						
Total capital (to risk weighted assets)	$ 78,243	16.87%	$ 37,098	8.0%	$ 46,372	10.0%
Tier I Capital (to risk weighted assets)	$ 72,444	15.62%	$ 18,549	4.0%	$ 27,823	6.0%
Tier I Capital (to average assets)	$ 72,444	12.73%	$ 22,762	4.0%	$ 28,453	5.0%
2013						
Total capital (to risk weighted assets)	$ 66,225	15.51%	$ 42,685	10.0%	$ 34,148	8.0%
Tier I Capital (to risk weighted assets)	$ 60,863	14.26%	$ 25,611	6.0%	$ 17,074	4.0%
Tier I Capital (to average assets)	$ 60,863	12.07%	$ 25,220	5.0%	$ 20,176	4.0%

(Continued)

NOTE 16 – LIMITATION ON DIVIDENDS

The sole source of funds available to pay shareholder dividends is from the Company's earnings. Bank regulatory authorities impose restrictions on the amount of dividends that may be declared by the Company. During 2014, the Bank could, without prior approval, declare dividends of approximately $5.1 million. Further restrictions could result from a review by regulatory authorities of the Company's capital adequacy.

NOTE 17 – STOCK BASED COMPENSATION

Stock Options

During 2006, the Company adopted an Employee Incentive Stock Plan (the Stock Plan). The Stock Plan offers stock options to key employees to encourage continued employment facilitating their purchase of an equity interest in the Company. These options are granted at the discretion of the Board of Directors at an exercise price determined by the Board at the grant date. The initial options have a term of nine years from the date of grant and vest ratably over three years. Options issued during 2007 have a ten year term and vest ratably over five years. A total of 225,000 (as ratified in the 2006 annual stockholders meeting) shares have been reserved under the Stock Plan.

The Board of Directors and stockholders approved the Stock Plan at the Company's annual stockholder meeting. The Stock Plan allows for grants of stock options up to 225,000 shares. The termination of this Stock Plan is July 17, 2016. At December 31, 2014 and 2013, 125,000 and 95,000 shares had been issued under this Stock Plan.

The fair value of each stock option award is estimated on the date of the grant using a valuation model that includes expected volatility, an expected term, dividend yield and a risk-free rate. For options granted during 2014, these assumptions were 23.6%, 6.5 years, 4.5% and 2.2%, respectively. There were no options granted during 2013.

A summary of activity in the stock plan for the years ended December 31, 2014 and 2013 is below:

	2014		2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	80,000	$ 12.06	85,000	$ 11.94
Granted	30,000	21.55	-	-
Exercised	-	-	(5,000)	(10.00)
Forfeited	-	-	-	-
Outstanding at end of year	110,000	$ 14.65	80,000	$ 12.06

There are 80,000 options exercisable with a weighted average exercise price of $12.06 and weighted average remaining contractual term of 1.6 years at December 31, 2014. The outstanding options have a weighted average remaining contractual life of approximately 3.51 years as of December 31, 2014. Shares available for future stock option grants to employees under the existing plan were 100,000 and 130,000 at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, intrinsic value of the stock options outstanding could not be reasonably calculated, as there were no significant sales of Company stock during the period.

(Continued)

NOTE 17 – STOCK BASED COMPENSATION (Continued)

Warrants

In connection with the Company's formation and initial offering, 326,250 warrants for shares were issued to the organizers. The warrant agreements are with all organizing Directors of the Company, whereas each Director is allowed to purchase additional shares of Company common stock. The warrants were issued at the initial offering price of $10 per share and vested evenly over a three-year period. The warrants are exercisable for a period of ten years following issuance, but generally no later than three months after the holder ceases to serve as a Director.

Each warrant agreement has an anti-dilution clause whereby if the Company subdivides its outstanding shares of common stock into a greater number of shares, or declares and pays a stock dividend, the purchase price of each share shall be proportionately reduced, and the Company shall proportionately increase the number of shares of common stock.

At December 31, 2014 and 2013, stock warrants outstanding totaled 197,500 and 301,250 shares. 103,750 were exercised in 2014 and no warrants were exercised in 2013. The outstanding warrants have a weighted average remaining contractual life of approximately 1.62 years as of December 31, 2014. At December 31, 2014 and 2013, intrinsic value of the stock warrants outstanding could not be reasonably calculated, as there were no significant sales of Company stock during the period.

Restricted Stock

During 2011, the Company issued 13,984 shares of restricted stock to one executive officer and two senior officers. Shares for the executive officer will vest 50% on the second anniversary of the grant date and the remaining 50% will vest on the third anniversary of the grant date. The shares for the senior officers vest 25% immediately and an additional 25% on each anniversary date for three years. During 2014 and 2013, 5,108 and 5,110 shares vested, respectively, leaving no shares restricted under the terms of the restricted stock awards. In connection with the restricted stock awards, $19,791 and $53,123 in compensation stock expense was recognized for the years ended December 31, 2014 and 2013, respectively.

During 2012, the Company issued 19,329 shares of restricted stock to one executive officer and two senior officers. Shares for the executive officer will vest 50% on the second anniversary of the grant date and the remaining 50% will vest on the third anniversary of the grant date. The shares for the senior officers vest 25% immediately and an additional 25% on each anniversary date for three years. During 2014 and 2013, 7,063 and 2,602 shares vested leaving 7,062 shares restricted under the terms of the restricted stock awards. In connection with the restricted stock awards, $77,340 and $60,935 in compensation stock expense was recognized for the years ended December 31, 2014 and 2013, respectively.

During 2013, the Company issued 15,413 shares of restricted stock to one executive officer and two senior officers. Shares will vest 25% on the grant date and 25% annually beginning on the first anniversary of the grant date. During 2014 and 2013, 3,853 shares vested leaving 7,707 shares restricted under the terms of the restricted stock awards. In connection with the restricted stock awards, $72,518 and $120,864 in compensation stock expense was recognized for the year ended December 31, 2014 and 2013.

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NOTE 18 – PREFERRED AND COMMON STOCK

TARP Capital Purchase Program

On January 30, 2009, the Company entered into a Letter Agreement and Securities Purchase Agreement (collectively, the "Purchase Agreement") with the United States Department of the Treasury ("Treasury") under the TARP Capital Purchase Program, pursuant to which the Company sold (i) 7,700 shares of the Company's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock") and (ii) a warrant (the "Warrant") to purchase 385 shares of the Company's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B, for an aggregate purchase price of $7.7 million in cash. Both series of perpetual preferred stock have a $1,000 per share liquidation preference. The Series A Preferred Stock qualified as Tier 1 capital and paid non- cumulative dividends at a rate of 5% per annum for the first five years, and 9% per annum thereafter. The Warrant had a 10-year term and was immediately exercisable upon its issuance, and was immediately exercised. Upon exercise, the Company issued 385 shares of Fixed Rate Non- Cumulative Perpetual Preferred Stock, Series B. The dividend rate on Series B Stock was 9% per annum.

In 2012, the Treasury auctioned off all of the Series A and Series B preferred shares in its continued wind down of the TARP Program. The Company placed a bid and successfully repurchased 1,171 of the 7,700 shares of Series A Preferred Stock at a discount of 9.99%. The remaining shares of Series A and all of the Series B shares were acquired by other investors. Subsequent to the auction, the Company successfully negotiated with the individual investors and repurchased 3,656 shares of Series A Preferred Stock at a discount of 3.99% and all 385 shares of the Series B preferred stock at par. At December 31, 2012, the Company had 2,873 shares of the Series A stock being held by individual investors. During 2013, the Company negotiated with the remaining individual investors and repurchased the remaining 2,873 shares at par.

NOTE 19 – OTHER OPERATING EXPENSE

Significant components of other operating expenses for the periods ended December 31, 2014 and 2013 are as follows:

	2014	2013
Data processing	$ 529,281	$ 514,549
Professional fees	387,732	313,524
Miscellaneous loan related	949,125	761,168
Write-downs of foreclosed real estate	571,695	96,350

(Continued)

NOTE 20 – CONDENSED FINANCIAL INFORMATION ON METROCITY BANKSHARES, INC. (PARENT COMPANY ONLY)

Condensed Balance Sheets	2014
Assets:	
Investment in common stock of subsidiary stated on the basis of the Company's equity in subsidiary's capital accounts	$ 73,079,669
Total assets	$ 73,079,669
Liabilities:	
Total liabilities	$ -
Stockholders' equity	73,079,669
Total liabilities and stockholders' equity	$ 73,079,669

Condensed Statements of Income	
Equity in undistributed income of subsidiary	$ 12,496,780
Net income	$ 12,496,780

Consolidated Statements of Cash Flows	
Cash flows from operating activities:	
Net income	$ 12,496,780
Adjustments to reconcile net income to net cash from operations:	
Income from subsidiary	(12,496,780)
Net cash flow provided by operating activities	(12,496,780)
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	$ -