TGR Financial Inc. and Subsidiary

Financial Report
12.31.2014

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

Independent Auditor's Report	1
Financial Statements	
Consolidated Statements of Financial Condition	2
Consolidated Statements of Operations	3
Consolidated Statements of Comprehensive Income (Loss)	4
Consolidated Statements of Stockholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 41

McGladrey

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TGR Financial, Inc.
Naples, Florida

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of TGR Financial, Inc. and its subsidiary which comprise the consolidated statements of financial condition as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the years then ended and the related notes to the consolidated 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 audits. We conducted our audits 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.

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

McGladrey LLP

Jacksonville, Florida
March 25, 2015

Member of the RSM International network of independent accounting, tax and consulting firms.

TGR Financial, Inc. and Subsidiary
Consolidated Statements of Financial Condition

(dollars in thousands, except per share data)	December 31, 2014	December 31, 2013
Assets:		
Cash and due from banks	$ 8,543	$ 4,979
Interest earning balances due from banks and others	10,240	11,488
Total cash and cash equivalents	18,783	16,467
Securities available-for-sale	260,813	179,592
Federal Reserve Bank stock	2,725	2,219
Federal Home Loan Bank stock	3,496	2,806
Loans, net of allowance for loan losses $7,480 and $6,560, respectively	645,175	482,759
Loans held for sale	-	8,219
Premises and equipment, net	20,138	20,375
Other real estate owned, net	75	656
Accrued interest receivable	1,929	1,756
Goodwill and other intangibles	5,837	5,256
Bank owned life insurance	19,026	10,007
Deferred tax asset, net	11,533	11,486
Other assets	705	996
Total assets	$ 990,235	$ 742,594
Liabilities and Stockholders' Equity:		
Liabilities:		
Noninterest-bearing demand deposits	$ 124,525	$ 77,177
Interest-bearing liabilities:		
Money market	184,662	149,908
NOW	227,483	94,213
Savings	50,022	52,929
Certificates of deposit $250,000 or more	48,914	69,512
Certificates of deposit under $250,000	116,124	98,631
Total deposits	751,730	542,370
Securities sold under agreements to repurchase	70,259	76,616
Short term borrowings	42,625	10,000
Long term borrowings	26,000	36,000
Total borrowings	138,884	122,616
Other liabilities	4,552	4,261
Total liabilities	895,166	669,247
Commitments and Contingencies (Note 9)		
Stockholders' Equity:		
Common stock, $1 par value; 500,000,000 shares authorized, 16,788,681 and 14,333,620, issued and outstanding, respectively	16,789	14,334
Preferred stock, Nonvoting Series A Convertible, $1 par value (liquidation preference $0.001); 7,050,000 shares authorized, 1,037,984 and 126,573, issued and outstanding, respectively	1,038	127
Additional paid-in capital	88,592	75,614
Accumulated deficit	(11,581)	(13,180)
Accumulated other comprehensive income (loss), net of tax	231	(3,548)
Total stockholders' equity	95,069	73,347
Total liabilities and stockholders' equity	$ 990,235	$ 742,594

See Notes to Consolidated Financial Statements.

TGR Financial, Inc. and Subsidiary
Consolidated Statements of Operations

(dollars in thousands, except per share data)	For the Years Ended December 31, 2014	2013
Interest income:		
Loans	$ 26,045	$ 20,249
Investment securities	3,931	3,763
Interest bearing balances due from banks and others	57	94
Total interest income	30,033	24,106
Interest expense:		
Deposits	3,024	2,874
Customer repurchase agreements	257	209
Other borrowed funds	199	109
Total interest expense	3,480	3,192
Net interest income	26,553	20,914
Provision for loan losses	1,720	1,528
Net interest income after provision for loan losses	24,833	19,386
Non-interest income:		
Service charges and fees on deposit accounts	890	654
Title and closing services revenue	432	472
Loss on loans held for sale	(322)	-
Loss on sale of other real estate owned	(28)	(53)
Gain on sale of fixed assets	6	-
Gain on sale of repossessions	21	-
Gain (loss) on sale of securities, net	(1,398)	584
Other than temporary impairment losses on securities available for sale	(128)	-
Bank owned life insurance	518	7
Bargain purchase gain	491	-
Other non-interest income	307	210
Total non-interest income	789	1,874
Non-interest expense:		
Salaries and employee benefits	12,882	11,066
Occupancy and equipment	3,514	2,912
Professional fees	600	545
Data processing	881	672
Advertising, marketing, and business development	659	590
Collection and other real estate owned expense	114	293
Regulatory assessments	826	620
Merger and acquisition related expense	2,127	-
Reorganization expense	88	-
Other non-interest expense	2,430	2,222
Total non-interest expense	24,121	18,920
Income before income taxes	1,501	2,340
Provision (benefit) for income taxes	(98)	(8,754)
Net income	$ 1,599	$ 11,094
Basic income per common share	$ 0.10	$ 0.77
Diluted income per common share	$ 0.09	$ 0.77
Basic weighted average number of common shares outstanding	16,300,367	14,333,570
Diluted weighted average number of common shares outstanding	17,374,452	14,460,143

See Notes to Consolidated Financial Statements.

TGR Financial, Inc. and Subsidiary **Consolidated Statements of Comprehensive Income** (dollars in thousands, except per share data)	**For the Years Ended December 31,**	
	2014	**2013**
Net income	**$ 1,599**	**$ 11,094**
Other comprehensive income/(loss), net of tax:		
Unrealized holding gains/(losses) arising during the period	**2,253**	**(4,906)**
Less: Reclassification adjustment for (gains)/losses recognized in earnings	**1,526**	**(584)**
Other comprehensive income/(loss), net of tax:	**3,779**	**(5,490)**
Total comprehensive income	**$ 5,378**	**$ 5,604**

See Notes to Consolidated Financial Statements.

TGR Financial, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
(dollars in thousands, except per share data)

	Number of Outstanding Common Stock Shares	Common Stock	Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2012	**14,333,570**	**$ 14,333**	**$ 127**	**$ 75,614**	**$ (24,274)**	**$ 1,942**	**$ 67,742**
Stock sale:							
Pursuant to warrant exercise	50	1					1
Net income					11,094		11,094
Change in net unrealized gain (loss) on securities, net of reclassification and income tax						(5,490)	(5,490)
Balance, December 31, 2013	**14,333,620**	**$ 14,334**	**$ 127**	**$ 75,614**	**$ (13,180)**	**$ (3,548)**	**$ 73,347**
Stock sale:							
Pursuant to warrant exercise	1,084	1		10			11
Pursuant to private placement	1,211,733	1,212	911	7,401			9,524
Pursuant to acquisition	1,242,244	1,242		5,280			6,522
Net income					1,599		1,599
Stock compensation				287			287
Change in net unrealized gain (loss) on securities, net of reclassification and income tax						3,779	3,779
Balance, December 31, 2014	**16,788,681**	**$ 16,789**	**$ 1,038**	**$ 88,592**	**$ (11,581)**	**$ 231**	**$ 95,069**

See Notes to Consolidated Financial Statements.

TGR Financial, Inc. and Subsidiary
Consolidated Statements of Cash Flows

(dollars in thousands)	For the Years Ended December 31, 2014	2013
Cash Flows From Operating Activities		
Net income	$ 1,599	$ 11,094
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,720	1,528
Premium amortization and discount accretion on securities, net	2,013	1,665
Depreciation and amortization of premises and equipment	1,464	1,239
Amortization of net deferred loan costs	683	497
Origination of loans held for sale	(1,325)	-
Proceeds from sales of loans held for sale	9,222	-
Loss on sales of loans held for sale	322	-
Loss on sales of other real estate owned	28	53
Gain on sale of fixed assets	(6)	-
Gain/loss on sales of securities available for sale	1,526	(584)
Deferred income tax (benefit) expense	(107)	(8,848)
Increase in bank owned life insurance cash surrender value	(518)	(7)
Amortization of purchase accounting adjustments	(3,907)	(3,365)
Amortization of other intangibles	88	27
Stock based compensation	287	-
Bargain purchase gain	(491)	-
Net change in:		
Accrued interest receivable	(173)	21
Other assets	2,605	(954)
Other liabilities	(2,702)	1,386
Net cash provided by operating activities	12,328	3,752
Cash Flows From Investing Activities		
Cash and equivalents received in acquisition	7,341	-
Purchase of premises and equipment	(1,174)	(3,131)
Purchase of Federal Home Loan and Federal Reserve Bank stock	(2,887)	(3,341)
Redemption of Federal Home Loan and Federal Reserve Bank stock	2,047	1,755
Purchase of bank owned life insurance	(8,501)	(10,000)
Purchase of securities available for sale	(153,755)	(66,419)
Proceeds from maturities, calls and principal repayments of securities available for sale	18,645	19,860
Proceeds from the sale of securities available for sale	83,369	46,892
Proceeds from the sale of fixed assets	59	-
Proceeds from the sale of other real estate	787	2,032
Originations and principal collections on loans, net	(109,864)	(143,195)
Net cash used in investing activities	(163,933)	(155,547)
Cash Flows From Financing Activities		
Net increase in deposits	128,118	73,188
Net (decrease) increase in securities sold under agreements to repurchase	(6,357)	19,410
Net increase in short term borrowings	32,625	10,000
Net (decrease) increase in long term borrowings	(10,000)	20,000
Net proceeds from exercise of warrants	11	1
Net proceeds from private placement sale of stock	9,524	-
Net cash provided by financing activities	153,921	122,599
Net increase (decrease) in cash and cash equivalents	2,316	(29,196)
Cash and cash equivalents:		
Beginning of period	16,467	45,663
End of period	$ 18,783	$ 16,467
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 3,593	$ 3,299
Cash payments for taxes	$ 15	$ 80
Non-cash: Stock issued in acquisition	$ 6,522	$ -
Non-cash: Loans transferred to held for sale	$ -	$ 8,219
Non-cash: Loans transferred to other real estate owned	$ 234	$ 56

See Notes to Consolidated Financial Statements.

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business: TGR Financial, Inc. (the "Company") is a Florida corporation organized in November 2011 at the direction of the Board of Directors of First National Bank of the Gulf Coast (the "Bank") solely for the purpose of becoming a holding company for the Bank. Prior to September 25, 2012, the Company had no operating history and no business purpose other than to become a bank holding company. Effective September 25, 2012 (the "Effective Date"), the Company and the Bank completed a Merger, as more fully described in the Company's registration statement on Form S-4, filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, on June 26, 2012, and amended on Form S-4/A, filed with the SEC on August 3, 2012, (SEC Registration No. 333-182414). At the Effective Date, each issued and outstanding share of the Bank's common stock was converted solely into the right to receive one (1) share of the Company's common stock, pursuant to the terms of a Reorganization Agreement and Plan of Share Exchange, dated June 26, 2012, entered into between the Company and the Bank. All outstanding Bank warrants or options on the Effective Date were converted into Company warrants and options on a one-for-one basis. Upon completion of the Merger, the Bank became a wholly owned subsidiary of the Company.

The Bank commenced operations on October 23, 2009, as a federally chartered commercial bank in the State of Florida. Effective October 23, 2009 the Bank, formerly known as Panther Community Bank, N.A. ("Panther") acquired First National Bank of the Gulf Coast (in organization) ("First National"); immediately thereafter Panther changed its name to First National Bank of the Gulf Coast. The acquisition was accounted for as a reverse acquisition. During its period of organization, First National incurred organizational, start-up and pre-opening costs of approximately $8.8 million.

On July 20, 2012, the Florida Office of Financial Regulation closed The Royal Palm Bank of Florida, ("Royal"), Naples, Florida, and appointed the Federal Deposit Insurance Corporation (the "FDIC") as receiver. Simultaneously, the Bank assumed approximately $77 million of Royal's deposits and acquired approximately $78 million in assets from the FDIC under a whole-bank purchase and assumption agreement without loss sharing agreement. The Bank did not pay the FDIC a premium to assume the deposits, and the assets were acquired at a discount to Royal's historical book value as of July 20, 2012 of approximately $19.3 million, subject to customary adjustments.

On October 8, 2013, TGR Financial Inc., First National Bank of the Gulf Coast and Shamrock Bank of Florida ("Shamrock") entered into an Agreement and Plan of Merger (as amended by Amendment No. 1 dated December 16, 2013). The Agreement and Plan of Merger (the "Merger") provided for the acquisition of Shamrock by the Company by merging Shamrock with and into the Bank, with First Florida Integrity Bank as the surviving entity. The Merger also provided that each outstanding share of Shamrock common stock be converted into the right to receive .590 shares of TGR Financial, Inc. common stock plus a contingent right to receive additional shares of the Company ("Contingent Consideration") upon the occurrence of certain events, as defined by the Merger. Additional information regarding the Merger, which closed on March 14, 2014, is found under Note 2 to the financial statements.

On May 9, 2014, the Bank received approval from the Florida Officer of Financial Regulation on its application to convert from a nationally chartered bank to a Florida state chartered bank. The Federal Reserve Bank of Atlanta approved the charter conversion on June 6, 2014. Subsequent to the charter conversion, the Bank changed its name to First Florida Integrity Bank on June 28, 2014. The Company incurred approximately $88,000 in expenses related to the charter conversion.

The Bank provides a full range of banking services to individual and corporate customers from its branch locations in Southwest Florida. All of the Bank's activities relate to community banking and accordingly, the Bank has a single reportable segment.

Basis of presentation: The consolidated financial statements present the years ended December 31, 2014 and 2013. The financial statements include the accounts of TGR Financial, Inc. and its wholly owned subsidiary, First Florida Integrity Bank and its wholly-owned subsidiary, First National Title and Closing Services, Inc. ("First National Title"), an entity formed to issue third-party title insurance and provide loan closing services. First National Title has not had significant operations or activity to date. Significant intercompany balances and transactions have been

eliminated in consolidation. The accounting and reporting policies of the Bank conform to accounting policies generally accepted in the United States of America and general practices within the financial services industry.

Use of estimates: In preparing the financial statements, management is required to make estimates and assumptions which significantly 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 from those estimates. Significant estimates that are particularly susceptible to change in the near term include the allowance for loan losses, the valuation of loans acquired with credit deterioration, impairment of goodwill and intangibles, deferred tax asset and the fair values of financial instruments.

Cash and cash equivalents: Cash and cash equivalents includes cash on hand and amounts due from banks, including cash items in process of clearing, interest earning balances due from banks and federal funds sold. The Bank may be required to maintain reserve balances with the Federal Reserve Bank. The reserve balances required at December 31, 2014 and 2013, was $0 million. Cash flows from loans and deposits are reported net.

Securities available for sale: The Bank invests in debt securities. Management determines the appropriate classification of securities at the time of acquisition and evaluates the appropriateness of the classification at each balance sheet date. The Bank does not engage in securities trading activities and accordingly no securities are classified as trading securities. Securities available for sale consist of debt securities not classified as held to maturity or trading and are carried at fair value. Unrealized holding gains and losses on securities available for sale are excluded from earnings and reported as a separate component of accumulated other comprehensive income, net of tax.

The amortization of premiums and accretion of discounts, computed by the interest method over the contractual lives of the related securities, are recognized in interest income. Realized gains and losses on the sale of securities are recorded in earnings on the trade date and are determined on the specific identification basis.

On a quarterly basis, we evaluate our investment portfolio for other-than-temporary-impairment ("OTTI") in accordance with ASC 320, "Investments – Debt and Equity Securities." An investment security is considered impaired if the fair value of the security is less than its cost or amortized cost basis. When impairment of an equity security is considered to be other-than-temporary, the security is written down to its fair value and an impairment loss is recorded in earnings. When impairment of a debt security is considered to be other-than-temporary, the security is written down to its fair value. The amount of OTTI recorded as a loss in earnings depends on whether we intend to sell the debt security and whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If we intend to sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the entire difference between the security's amortized cost basis and its fair value is recorded as an impairment loss in earnings. If we do not intend to sell the debt security and it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis, OTTI is separated into the amount representing credit loss and the amount related to all other market factors. The amount related to credit loss is recognized in earnings. The amount related to other market factors is recognized in other comprehensive income, net of applicable taxes.

The amount of OTTI recorded in earnings as a credit loss is dependent upon management's estimate of discounted future cash flows expected from the investment security. The difference between the expected cash flows and the amortized cost basis of the security is considered to be credit loss. The remaining difference between the fair value and the amortized cost basis of the security is considered to be related to all other market factors. Our estimate of discounted future cash flows incorporates a number of assumptions based on both qualitative and quantitative factors. Performance indicators of the security's underlying assets, including credit ratings and current and projected default and deferral rates, as well as the credit quality and capital ratios of the issuing institutions are considered in the analysis. Changes in these assumptions could impact the amount of OTTI recognized as a credit loss in earnings.

Federal Home Loan Bank and Federal Reserve Bank stock: The Bank, as a member of the Federal Home Loan Bank ("FHLB") of Atlanta system and of the Federal Reserve Bank, is required to maintain an investment in capital stock of the FHLB and the Federal Reserve Bank. FHLB and Federal Reserve Bank stock are carried at cost. No ready market exists for this stock and it has no quoted market value. Management evaluates FHLB and Federal

Reserve Bank stock for impairment based on the ultimate recoverability of its cost basis. No other than temporary write downs were recorded on these securities.

Loans: Loans originated during the period are stated at the amount of unpaid principal, reduced by deferred loan origination fees, net of direct loan origination costs, and an allowance for loan losses.

Interest on loans is recognized over the terms of the loans and is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest on loans is generally discontinued when a loan is greater than 90 days past due or when, in the opinion of management, full repayment of principal and interest is in doubt. Past due status is based on contractual terms of the loans. Interest accrued but uncollected for loans placed on nonaccrual status is reversed against interest income. Interest on these loans is accounted for on the cash or cost-recovery basis until the loans qualify for return to accrual status. Accrual of interest is generally resumed when the customer is current on all principal and interest payments and collectability of the loan is no longer in doubt.

Loans are considered impaired when, based on current information and events, it is probable the Bank will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogenous loans such as consumer and residential mortgage loans may be collectively evaluated for impairment.

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amount is amortized, using the effective interest method, as an adjustment of the related loan's yield over the contractual life of the loans. Commitment fees that are based upon a percentage of a customer's unused line of credit and fees related to standby letters of credit are recognized over the commitment period, using the straight-line method.

A loan is classified as a troubled debt restructured loan when a borrower is experiencing financial difficulties that lead to a restructuring and the Bank grants a concession it would not otherwise consider. Concessions may include rate reductions, extensions of maturities or other potential actions intended to minimize potential losses.

Troubled debt restructurings, by definition, are impaired loans. As such, they are measured on a loan-by-loan basis (or in pools of similar characteristics) by either the present value of expected future cash flows discounted at the loan's original contractual interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Loans held for sale: Loans held for sale include residential real estate mortgages that were originated in accordance with secondary market pricing and underwriting standards and are stated at the lower of cost or fair value determined on an aggregate basis. Gains and losses on loan sales are recorded in non-interest income. The Bank does not retain servicing responsibility on loans sold. The Bank may also classify other types of loans as held for sale on an exception basis under certain circumstances. In those instances, those loans will be recorded at the lower of cost or fair value.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Allowance for loan losses: The allowance for loan losses is maintained at a level considered adequate to absorb losses relating to specifically identified loans as well as probable credit losses inherent in the balance of the loan portfolio. The allowance is established by a provision charged to operations. Loans are charged against the allowance when management believes that collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The Bank performs on-going credit reviews of individual non-homogeneous loans in the portfolio considering current economic conditions, borrower's payment history, developments in the Florida real

estate market, historical loan loss experience, industry loan loss experience, specific problem loans, growth and composition of the loan portfolio, adverse situations that may affect borrowers' ability to repay, the estimated value of underlying collateral, financial strength of guarantors, and other factors in determining the adequacy of the allowance. A loan is considered impaired if it is probable that the Bank will be unable to collect all amounts due according to the contractual loan agreement. A specific reserve may initially be established for each loan based upon impairment analyses when it is the Bank's expectation principal will be collected. While management uses the best information available to make its evaluation, the evaluation is inherently subjective and future adjustments to the allowance may be necessary.

The allowance consists of specific and general components. Specific reserves may be established for loans that management has determined to be impaired. The general component is determined by major loan category based on historical loss experience adjusted for the aforementioned qualitative factors and in certain cases, peer data.

The Bank has developed policies and procedures for evaluating the overall quality of the credit portfolio and the timely identification of loans that may pose a risk of loss. Additions to the allowance for loan losses, which are expensed as the provision for loan losses on the statement of operations, are made periodically to maintain the allowance at an appropriate level to absorb losses incurred in the portfolio based on management's analysis of collectability. Any loan losses and recoveries would be charged or credited directly to the allowance. The Bank maintains a component of the allowance for three categories of real estate secured loans in our portfolio – residential (first mortgage, second mortgage and home equity lines of credit), commercial real estate loans and construction/other real estate loans, and two other categories, commercial and industrial, and consumer loans. The Bank uses a loan loss reserve model that incorporates loan risk rating, peer group default data, and historical loss experience. As the Bank matures and develops meaningful historical data, priority and weighting will shift away from peer data toward predominately historical default rates.

Under the Bank's loan risk rating system, each loan is risk rated between one and nine by the originating loan officer, credit management, and loan review or loan committee. Loans rated one represent those loans least likely to default and a loan rated nine represents a loss. Estimated loan default factors are multiplied by individual loan balances for each loan type to determine an appropriate level of allowance by loan type. This approach is applied to all components of the loan portfolio.

The general allowance for loan losses also includes estimated losses resulting from macroeconomic factors and adjustments to account for imprecision of the loan loss model. Macroeconomic factors adjust the allowance for loan losses upward or downward based on the current point in the economic cycle and are applied to the loan loss model through a separate allowance element for the commercial, commercial real estate, and residential real estate loan components. To determine the Bank's macroeconomic factors, the Bank uses specific economic data that has a statistical correlation with loan losses. The Bank reviews this data quarterly to determine that such a correlation continues to exist. Additionally, the macroeconomic factors are reviewed quarterly in order to conclude they are appropriate based on current economic conditions. Other qualitative factors considered include, but are not limited to: recent loan loss trends, changes in portfolio composition, concentrations of credit, changes in the Bank's risk profile, current interest rates and local economic conditions and trends. Based on present information, the Bank considers the allowance for loan losses to be appropriate. Management's judgment about the appropriateness of the allowance is based on a number of assumptions about future events which the Bank believes to be reasonable, but which may or may not prove to be accurate. There can be no assurance that charge-offs in future periods will not exceed the allowance for loans losses or that additional increases in the allowance for loan losses will not be required.

Loans acquired through transfer or business combination: Loans acquired in business combinations with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Acquired credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality, in accordance with ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30") and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loans. Increases in expected cash flows to be collected on these loans are recognized as an adjustment of the loan's yield over its remaining life, while decreases in expected cash flows are recognized as impairment or reduced yield over the remaining life. Loans acquired through business combinations that do not meet the specific criteria of ASC 310-30, but for which a discount is attributable, at least in part, to credit quality, are also accounted for under this

guidance. As a result, related discounts are recognized subsequently through accretion based on the expected cash flow of the acquired loans.

Premises and equipment: Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Building	39.5
Leasehold improvements	10 - 10.6
Furniture, fixtures and office equipment	5 - 10
Computer equipment	3 - 5
Automobiles	3

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the lease terms. The Bank establishes salvage values equal to 25% of the original cost on automobiles.

Other real estate owned: Real estate properties acquired through or in lieu of foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure establishing a new costs basis. Fair value is determined by obtaining appraisals or other market value information at least annually. Any write-downs in value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by obtaining updated appraisals or other market information. Any subsequent write-downs are recorded as a charge to operations, if necessary to reduce the carrying value of a property to the updated fair value less estimated selling cost. Net costs related to the holding of properties are included in noninterest expense.

Goodwill and other intangible assets: Goodwill and indefinite lived intangibles recognized in business combination transactions are not amortized but are evaluated at least annually for impairment. Other intangible assets with finite lives are amortized over their expected useful lives using the straight line method and are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Impairment exists when the carrying value of goodwill exceeds its fair value, which is determined through a two-step impairment test. The first step includes the determination of the carrying value of the Bank's single reporting unit, including the existing goodwill and intangible assets, and estimating the fair value of the reporting unit. The Bank's annual impairment analysis as of December 31, 2014, indicated that the fair value of the reporting unit exceeded its carrying amount. Consequently, the second step to the impairment test was not necessary.

Income taxes: The Company files a consolidated federal tax return. Deferred taxes are determined using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating losses or tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the bases of assets and liabilities for income tax and financial reporting purposes. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when management determines that it is more likely than not that some portion or all of the deferred tax assets will not be realized. Changes in the valuation allowance are included in the Company's tax position within the period of change. In determining whether a valuation is warranted, the Bank evaluates factors such as expected future earnings and tax strategies.

Tax benefits are recognized if it is more-likely-than-not, based on the technical merits, the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Interest and penalties on income taxes are recognized as a component of income tax expense.

Share-based compensation: The compensation cost relating to share-based payment transactions, based on the fair value of the equity or liability instruments issued, is recognized in the financial statements as compensation expense.

The cost of employee services received in exchange for stock options is measured based on the grant-date fair value of the awards, and is recognized over the period the employee is required to provide services for the award. The Company estimates the fair value of stock options using a Black-Sholes model.

Bank owned life insurance: The Bank has life insurance policies on certain key executives. Bank-owned life insurance ("BOLI") is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts likely due at settlement.

Fair value measurements: Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, unadjusted for transaction costs.

Disclosure of fair value measurements is based on a three-level valuation hierarchy. Fair value is used on a recurring basis for assets and liabilities that are elected to be accounted at fair value as well as for assets and liabilities in which fair value is the primary basis of accounting such as for securities available for sale. Fair value is used on a non-recurring basis to evaluate assets and liabilities for impairment or for disclosure purposes. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level I – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level II – inputs to the valuation methodology include quoted prices in markets that are not active or quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – inputs to the valuation methodology are unobservable, reflecting the entity's own assumptions about assumptions market participants would use in pricing the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Depending on the nature of the asset or liability, the Bank uses a variety of valuation techniques when estimating fair value. See Note 16 for further disclosure about fair value measurements.

Income/(loss) per share: Basic income/(loss) per share represents net income/(loss) divided by the weighted average number of common shares outstanding during the period. The calculation of diluted earnings per share reflects additional, potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to earnings that would result from the assumed issuance, using the treasury stock method. Potentially dilutive common shares that may be issued by the Company include convertible preferred stock and outstanding stock options and warrants.

Comprehensive income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income consists of the net change in unrealized gains and losses on the Company's securities available for sale, including the noncredit-related portion of unrealized gains (losses) of other than temporarily impaired securities, and the effective portion of the change in fair value of derivative instruments.

Recent accounting pronouncements: ASU No. 2014-14, *"Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure"* requires 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. ASU 2014-14 is effective for reporting periods (including interim periods) beginning after December 15, 2014 and is not expected to have a significant impact on the Company's consolidated financial statements.

ASU No. 2014-12, *"Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period"* requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for reporting periods after January 1, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

ASU No. 2014-11, *"Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures"* requires entities to account for repurchase-to-maturity transactions as secured borrowings rather than as sales with forward repurchase agreements and expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers (specifically, repos, securities lending transactions, and repurchase-to-maturity transactions) accounted for as secured borrowings. The accounting-related changes are effective for the first interim or annual period beginning after December 15, 2014. The disclosures for certain transactions accounted for as sales are required for interim and annual periods beginning after December 15, 2014. The disclosures for repos, securities lending transactions, and repos-to-maturity accounted for as secured borrowings are required for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. Early adoption of the ASU 2014-11 is prohibited. As of December 31, 2014, all of the Company's repurchase agreements were typical in nature (i.e., not repurchase-to-maturity transactions or repurchase agreements executed as a repurchase financing) and are accounted for as secured borrowings. As such, the Company's adoption of ASU 2014-11 is not expected to have a significant impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)"*. This ASU was developed as a joint project with the International Accounting Standards Board to remove inconsistencies in revenue requirements and provide a more robust framework for addressing revenue issues. The ASU's core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The ASU is effective for annual and interim periods beginning after December 15, 2016. The ASU may be adopted using either a modified retrospective method or a full retrospective method and early adoption is not permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

In January 2014, the FASB issued ASU 2014-04, *"Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, a consensus of the FASB Emerging Issues Task Force"*. ASU 2014-04 clarifies that an in-substance foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (i) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (ii) the borrower conveying all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or similar legal agreement. ASU 2014-04 also requires disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in loans collateralized by residential real estate property that are in the process of foreclosure. ASU 2014-04 is effective for nonpublic companies for interim and annual periods beginning after December 15, 2015, with early adoption permitted. Once adopted, an entity can elect either (i) a modified retrospective transition method or (ii) a prospective transition method. The modified retrospective transition method is applied by means of a cumulative-effect adjustment to residential mortgage loans and foreclosed residential real estate properties existing as of the beginning of the period for which the amendments of ASU 2014-04 are effective, with real estate reclassified to loans measured at the carrying value of the real estate at the date of adoption and loans reclassified to real estate measured at the lower of net carrying value of the loan or the fair value of the real estate less costs to sell at the date of adoption. The prospective transition method is applied by means of applying the amendments of ASU 2014-04 to all instances of receiving physical possession of residential real estate properties that occur after the date of adoption. The Company is evaluating the impact that the adoption of ASU 2014-04 will have on the Company's consolidated financial condition and results of operations.

In July 2013, the FASB issued ASU No. 2013-11, "*Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists"*. The update is expected to reduce the diversity in the accounting practice with respect to the presentation of unrecognized tax benefits when net operating loss or credit carryforwards are present. The provisions of this update require the separate presentation of tax benefits related to net operating loss carryforwards and credit carryforwards apart from other deferred tax assets. For nonpublic companies, the amendments of the update become effective for fiscal years,

and interim periods within those years, beginning subsequent to December 15, 2014. Early adoption is permitted. The Company expects that the only impact of the update will be for the Company to provide additional disclosure surrounding its recorded net operating loss and credit carryforwards.

In February 2013, the FASB issued ASU No. 2013-02, "*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive"*. This guidance is the culmination of the FASB's deliberation on reporting reclassification adjustments from accumulated other comprehensive income (AOCI). The amendments in ASU 2013-02 do not change the current requirements for reporting net income or other comprehensive income. However, the amendments require disclosure of amounts reclassified out of AOCI in its entirety, by component, on the face of the statement of operations or in the notes thereto. Amounts that are not required to be reclassified in their entirety to net income must be cross-referenced to other disclosures that provide additional detail. This standard was effective prospectively for nonpublic entities for annual and interim reporting periods beginning after December 15, 2012. The Company adopted this standard early, which was permitted. The impact on the Company's disclosures was not material.

Reclassifications: Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications did not result in any changes to previously reported net income or stockholders' equity.

Subsequent Events: Prior to March 31, 2015, the Company will finalize its Contingent Consideration payment under the terms as defined in the Merger (see further information under Note 2). It is estimated that rights to receive approximately 439,000 commons shares will be issued.

NOTE 2. ACQUISITON OF SHAMROCK BANK OF FLORIDA

On March 14, 2014 (the "Closing Date"), the Company and the Bank completed its acquisition of Shamrock Bank of Florida. The Merger provided that all outstanding Shamrock common stock were converted into the right to receive common stock of the Company, at a conversion rate of .590 Company shares for each Shamrock share outstanding, plus a contingent right to receive additional shares of the Company upon the occurrence of certain events. The contingent payment rights entitle holders to additional shares upon the occurrence of any of the following events (subject to conditions further described in the Merger agreement) after the Merger closes: (a) the receipt of monies (net of related taxes and expense) related to a pending insurance claim; or (b) the receipt of monies related to pending litigation involving a title insurance dispute; or (c) the final determination by TGR of the recognizable amount, if any, of Shamrock's deferred tax asset, not to exceed the maximum amount of $1,313,000. The contingent payment rights shall automatically terminate on the date marking the one year anniversary of the closing date of the Merger. Upon closing, the Company issued Shamrock shareholders the right to receive 1,242,244 Company shares. The value, before Contingent Consideration, assigned to the transaction was approximately $6.5 million.

Costs related to the acquisition were $2.1 million and largely consisted of conversion costs and professional fees. As of the Closing Date, the Bank acquired assets with a fair value of approximately $91.5 million and assumed liabilities of approximately $81.8 million. The acquisition resulted in a pre-tax bargain purchase gain, as measured at December 31, 2014, of $491,000. This gain is considered a bargain purchase gain under FASB ASC Topic 805, "Business Combinations", since the total acquisition-date fair value of the identifiable net assets exceeds the fair value of the consideration transferred.

In February 2015, additional expenses associated with the receipt of the insurance claim (as discussed in the contingent payment rights, item (a) mentioned above) totaling approximately $336,000 were identified. In accordance with this adjustment, the Contingent Consideration, bargain purchase gain and to a lesser extent, certain other assets and other liabilities were re-measured. The adjustments decreased the bargain purchase gain to $412,000 and reduced the contingent consideration payable to approximately 439,000 shares of common stock valued at approximately $2.3 million. These adjustments were recorded in the first quarter of 2015.

The following table sets forth the values as of the Closing Date (and for the period ended December 31, 2014):

(dollars in thousands)		March 14, 2014
Assets Acquired:		
Cash and due from banks	$	1,327
Interest earning balances due from banks		6,014
Total cash and cash equivalents		7,341
Securities available-for-sale		26,960
Federal Home Loan Bank stock		356
Loans		51,516
Core deposit intangible		669
Interest receivable and other assets		4,639
Total assets acquired	$	91,481
Liabilities Assumed:		
Noninterest-bearing demand deposits	$	9,520
Interest-bearing liabilities:		
Money market		17,034
NOW		11,984
Savings		1,337
Certificates of deposit greater than $100,000		27,793
Certificates of deposit $100,000 or less		13,807
Total deposits		81,475
Other liabilities		354
Total liabilities assumed		81,829
Net Assets Acquired:	$	9,652
Consideration (1,242,244 shares of common stock)	$	6,522
Contingent consideration payable		2,639
	$	9,161
Bargain purchase gain	$	491

The determination of the fair value of the assets acquired and liabilities assumed required management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature.

NOTE 3. SECURITIES

The amortized cost and fair value of securities available for sale at December 31, 2014 and 2013, respectively, are summarized as follows (dollars in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2014:				
Securities Available for Sale				
U.S. Government agencies and government sponsored entities	$ 156,746	$ 611	$ 664	$ 156,693
Agency mortgage backed securities	85,548	535	175	85,908
Agency collateralized mortgage obligations	6,693	50	5	6,738
Corporate bonds	11,456	53	35	11,474
Total	$ 260,443	$ 1,249	$ 879	$ 260,813
December 31, 2013:				
Securities Available for Sale				
U.S. Government agencies and government sponsored entities	$ 66,791	$ 444	$ 327	$ 66,908
Agency mortgage backed securities	47,027	2	1,320	45,709
Agency collateralized mortgage obligations	3,833	39	31	3,841
State, county and municipal	53,192	19	4,394	48,817
Corporate bonds	14,437	18	138	14,317
Total	$ 185,280	$ 522	$ 6,210	$ 179,592

Information pertaining to securities available for sale with gross unrealized losses at December 31, 2014 and 2013, respectively, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows (dollars in thousands). Corporate bond investments are substantially from the financial services sector.

	Less than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2014:						
U.S. Government agencies and government sponsored entities	$ 404	$ 52,089	$ 260	$ 27,051	$ 664	$ 79,140
Agency mortgage backed securities	7	5,078	168	11,196	175	16,274
Agency collateralized mortgage obligations	5	1,679	-	-	5	1,679
Corporate bonds	5	2,579	30	4,469	35	7,048
	$ 421	$ 61,425	$ 458	$ 42,716	$ 879	$ 104,141
December 31, 2013:						
U.S. Government agencies and government sponsored entities	$ 316	$ 24,778	$ 11	$ 1,675	$ 327	$ 26,453
Agency mortgage backed securities	1,320	42,091	-	-	1,320	42,091
Agency collateralized mortgage obligations	31	1,598	-	-	31	1,598
State, county and municipal	2,980	35,651	1,414	10,710	4,394	46,361
Corporate bonds	138	9,351	-	-	138	9,351
	$ 4,785	$ 113,469	$ 1,425	$ 12,385	$ 6,210	$ 125,854

On June 30, 2014, management recorded an Other Than Temporary Impairment ("OTTI") charge of $128,000 related to a Boyd County Kentucky School District Build America Bond. This investment represented taxable, municipal revenue bonds issued on 12/1/2010 to build schools in the Ashland, Kentucky market. The Bank purchased this Aa3 rated bond on 6/20/2012, paying 119.06% due to the high 5.75% coupon. The Bank purchased $850,000; the entire issue was $32,970,000. Management expected a yield to the 2/1/2021 call date of 3.20%, or a yield to the 2/1/2026 maturity date of 3.93%. The Official Statement contained an Extraordinary Redemption Provision ("ERP") stating: "Should the U.S. Treasury or any agency of the United States of America at any time cease to remit to the issuer all or any part of the "Direct Pay" interest cost subsidy, then the right is reserved in the issuer to redeem or retire all or any part of the principal part of Build America Bonds then outstanding in any order of maturities, on any date, upon 30 days written notice by regular United States mail to the Registered Owners upon terms of the principal amount so redeemed plus accrued interest to the redemption date but without premium." On January 2, 2013, Congress enacted the American Taxpayer Relief Act of 2012, also known as the "Fiscal Cliff" agreement. On March 1, 2013, sequestration cuts reduced the Build America Bonds interest expense subsidy by 8.7% from 35% to 31.96%. The sequester triggered the ERP, permitting the issuer to redeem this bond at par. Bank management had evaluated the risk in 2013 and decided to hold this bond in the investment portfolio. On July 1, 2014 the Bank received a notice of bond redemption to redeem all maturities at par on August 4, 2014. This bond was impaired, so the Bank wrote the bond down to its fair market value of $850,000 from the June 30, 2014 book value of $978,000.

As of December 31, 2014, a total of 65 investment securities were in unrealized loss positions. The unrealized losses resulted from fair values falling below book values due to higher levels of market interest rates on the measurement date. The fair value of fixed rate investment securities is inversely proportional to interest rates, i.e., rising market rates of interest cause reductions in the fair values assigned to investment securities. Unrealized losses, by security type, as of December 31, 2014, are further described below. Pursuant to the Bank's OTTI Policy, management performed OTTI assessments, however no OTTI was concluded. The primary conclusion is the Bank does not intend to sell, nor is the Bank more-likely-than-not to be required to sell these securities.

As of December 31, 2014, 53 U.S. government agency securities were in unrealized loss positions. One bond was issued by the Federal Farm Credit Bank and had remained in a loss position for 20 months. The remaining 52 bonds were issued by the Small Business Administration ("SBA"); the bond credit rating is implicit AAA. All market values fell within 98% of book value. Management concluded that the unrealized losses within the agency securities were not other-than-temporary based on:

- Small unrealized losses
- The issuer has not defaulted
- The unconditional full faith and credit guarantee of the U.S. Government
- AAA credit rating
- The Bank does not intend to sell, nor is the Bank more likely than not to be required to sell

As of December 31, 2014, five mortgage-backed securities were in unrealized loss positions. Management concluded that the unrealized losses within the MBS securities were not other-than-temporary. The Bank does not intend to sell, nor is the Bank more-likely-than-not to be required to sell these securities.

As of December 31, 2014, two collateralized mortgage obligation bond issued by the Federal Home Loan Mortgage Corporation ("FHLMC") and Government National Mortgage Association ("GNMA") had remained in loss positions for only two months, and one month, respectively. Management concluded that the unrealized losses within these fixed rate CMO bonds were not other-than-temporary.

As of December 31, 2014, five corporate bonds were in unrealized loss positions, including a Barclay's Bank bond for four consecutive months, and a Goldman Sachs bond for only 1 month. However, two other corporate bonds issued by Goldman Sachs and one corporate bond issued by the Royal Bank of Canada were assessed for OTTI. Management concluded that the unrealized losses within the corporate bond portfolio were not other-than-temporary based on:

- Small and shrinking unrealized losses
- The issuers had not defaulted
- The issuers' size and financial strength
- The Bank's ability to hold the bonds to maturity in 2018 or 2020

The Bank elected to liquidate its municipal bond portfolio during 2014. The portfolio totaled approximately $50 million in book value at the time of the sale. Net losses of approximately $1.4 million were incurred on the sale of the portfolio.

The amortized cost and fair value of securities at December 31, 2014 by contractual maturities are shown below (dollars in thousands).

	Securities Available for Sale	
December 31, 2014:	**Amortized Cost**	**Fair Value**
Due within one year	$ 584	$ 584
Due after one year through five years	11,914	11,841
Due after five years through ten years	72,011	72,135
Due over ten years	175,934	176,253
Total	$ 260,443	$ 260,813

During the year ended December 31, 2014, the Bank sold securities with gross gains of $109,000 and gross losses of $1.5 million and recognized an OTTI charge of $128,000. During the twelve months ended December 31, 2013, the Bank sold securities with gross gains of $665,000 and three securities with gross losses of $81,000; there were no OTTI charges.

At December 31, 2014 and December 31, 2013, respectively, securities with a carrying value of $190 million and $53 million were pledged to the State of Florida as collateral for deposits of public entities. Additionally, $10 million in cash collateral was also pledged to the State of Florida at December 31, 2014; none at December 31, 2013.

At December 31, 2014 and December 31, 2013, respectively, securities with a carrying value of $68.3 million and $75.3 million were pledged as collateral for customer repurchase agreements.

NOTE 4. LOANS, ALLOWANCE AND ASSET QUALITY

The composition of net loans is as follows at December 31, 2014 and 2013, respectively (dollars in thousands).

	For the Years Ended December 31,			
	2014		2013	
Residential single and multifamily	$ 281,699	43%	$ 206,131	42%
Commercial real estate	243,590	37%	209,559	43%
Construction loans	82,343	13%	40,399	8%
Commercial and industrial	33,115	5%	22,459	5%
Consumer installment loans	11,908	2%	10,771	2%
	652,655	100%	489,319	100%
Less allowance for loan losses	(7,480)		(6,560)	
Net loans	$ 645,175		$ 482,759	

Loan Origination/Risk Management

The Bank has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions. Management evaluates credit risk on the following portfolio segments:

Residential Single and Multifamily Loans (including Home Equity Lines of Credit): The Bank originates fixed and adjustable rate residential real estate loans secured by one to four family and, on a very limited basis, multifamily dwellings. First mortgage loan terms range from five to thirty years. In deciding whether to make a residential real estate loan, the Bank considers the qualifications of the borrower as well as the value of the underlying property.

Commercial Real Estate Loans: The Bank's goal is to originate and maintain a high quality portfolio of commercial real estate loans with customers who meet the quality and relationship profitability objectives of the Bank. Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the underlying property. The Bank also looks to the sale of the underlying collateral as a means of secondary repayment. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type.

Commercial and Industrial Loans: Commercial credit is extended primarily to middle market customers. Such credits typically comprise working capital loans, loans for physical asset expansion, asset acquisition loans and other business loans. Loans to closely held businesses will generally be guaranteed in full or for a substantial amount by the businesses' majority owners. Commercial loans are made based primarily on the historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Minimum standards and underwriting guidelines have been established for all commercial loan types.

Construction Loans: The Bank defines construction loans as loans where the loan proceeds are controlled by the Bank and used exclusively for the improvement of residential or commercial real estate in which the Bank holds a mortgage. These loans generally must be supported by an adequate "as completed" value of the underlying project. In addition to the underlying project, the financial history of the borrower weighs significantly in determining approval. The repayment of these loans is typically through permanent financing upon completion of the construction. Real estate construction loans are inherently more risky than loans on completed properties due to the

unimproved nature and the financial risks of construction. Due to the inherent risk in this type of loan, they are subject to industry specific policy guidelines outlined in the Bank's Loan Policy and are monitored closely.

Consumer Installment Loans: The Bank originates consumer loans mostly comprised of automobile and light duty truck loans, lot loans and personal lines of credit, secured and unsecured. Each loan type has a separate underwriting matrix including but not limited to debt to income ratio, term requirements, type of collateral and loan to collateral value, credit history and relationship with the borrower.

Allowance For Loan Losses

The following table illustrates certain information with respect to our allowance for loan losses and the composition of charge-offs and recoveries for the years ended December 31, 2014 and 2013, respectively, (dollars in thousands).

	Residential Single & Multifamily	Commercial Real Estate	Construction Loans	Commercial and Industrial	Consumer and Other	Total
The Bank's activity in the allowance for loan losses is summarized below for the year ended 12/31/14:						
Allowance For Loan Losses						
Originated Loans:						
Beginning Balance	$ 1,458	$ 3,179	$ 584	$ 746	$ 137	$ 6,104
Provision	484	89	615	448	88	1,724
Charge Offs	134	-	32	559	46	771
Recoveries	-	1	-	-	4	5
Ending Balance Originated Loans:	$ 1,808	$ 3,269	$ 1,167	$ 635	$ 183	$ 7,062
Acquired Loans:						
Beginning balance	150	301	5	-	-	456
Provision	31	(38)	(3)	-	6	(4)
Charge Offs	34	-	-	-	-	34
Recoveries	-	-	-	-	-	-
Ending Balance Acquired Loans:	$ 147	$ 263	$ 2	$ -	$ 6	$ 418
Ending Balance Total Allowance:	$ 1,955	$ 3,532	$ 1,169	$ 635	$ 189	$ 7,480
The Bank's activity in the allowance for loan losses is summarized below for the year ended 12/31/13:						
Allowance For Loan Losses						
Originated Loans:						
Beginning Balance	$ 1,135	$ 2,596	$ 825	$ 362	$ 164	$ 5,082
Provision	323	583	(241)	420	(13)	1,072
Charge Offs	-	-	-	36	39	75
Recoveries	-	-	-	-	25	25
Ending Balance Originated Loans:	$ 1,458	$ 3,179	$ 584	$ 746	$ 137	$ 6,104
Acquired Loans:						
Beginning balance	-	-	-	-	-	-
Provision	150	301	5	-	-	456
Charge Offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Ending Balance Acquired Loans:	$ 150	$ 301	$ 5	$ -	$ -	$ 456
Ending Balance Total Allowance:	$ 1,608	$ 3,480	$ 589	$ 746	$ 137	$ 6,560

The acquired loan portfolios continue to pay off or pay down, resulting in a reduction in the Bank's required allowance for those portfolios. Additionally, estimated loss ratios have been analyzed and appropriately adjusted downward based on sustained credit quality in the originated loan portfolio. The adjustments in the originated and acquired loan portfolios are illustrated in the table above for the years ended December 31, 2014 and 2013, respectively.

The following tables illustrate certain information with respect to our allowance for loan losses and the composition of impaired loans as of December 31, 2014 and 2013, respectively (dollars in thousands).

	Residential Single & Multifamily	Commercial Real Estate	Construction Loans	Commercial and Industrial	Consumer and Other	Total
The Bank's allowance for loan losses impairment evaluation at December 31, 2014:						
Individually evaluated for impairment	$ -	$ 580	$ 90	$ -	$ 28	$ 698
Collectively evaluated for impairment	1,807	2,697	1,077	628	155	6,364
Acquired with deteriorated credit quality	147	263	2	0	6	418
Ending Balance Total Allowance:	$ 1,954	$ 3,540	$ 1,169	$ 628	$ 189	$ 7,480
The Bank's loan balances based on impairment evaluation at December 31, 2014:						
Individually evaluated for impairment	$ 58	$ 6,932	$ 1,290	$ 1,271	$ 31	$ 9,582
Collectively evaluated for impairment	276,180	228,326	78,747	31,675	11,815	626,743
Acquired with deteriorated credit quality	5,461	8,332	2,306	169	62	16,330
Ending Balance Total Loans:	$ 281,699	$ 243,590	$ 82,343	$ 33,115	$ 11,908	$ 652,655
The Bank's allowance for loan losses impairment evaluation at December 31, 2013:						
Individually evaluated for impairment	$ 38	$ 903	$ 37	$ 437	$ -	$ 1,415
Collectively evaluated for impairment	1,420	2,276	547	309	137	4,689
Acquired with deteriorated credit quality	150	301	5	-	-	456
Ending Balance Total Allowance:	$ 1,608	$ 3,480	$ 589	$ 746	$ 137	$ 6,560
The Bank's loan balances based on impairment evaluation at December 31, 2013:						
Individually evaluated for impairment	$ 118	$ 6,081	$ 412	$ 2,527	$ 37	$ 9,175
Collectively evaluated for impairment	201,758	195,044	38,692	19,817	10,734	466,045
Acquired with deteriorated credit quality	4,255	8,434	1,295	115	-	14,099
Ending Balance Total Loans:	$ 206,131	$ 209,559	$ 40,399	$ 22,459	$ 10,771	$ 489,319

The below tables represent the loan portfolio, segmented by risk factors, as of December 31, 2014 and 2013, respectively (dollars in thousands). Categories with no assigned loans have been omitted from this table.

As of December 31, 2014	Residential Single & Multifamily	Commercial Real Estate	Construction Loans	Commercial and Industrial	Consumer and Other	Total Loans
Originated Loans:						
Pass Loans	$ 275,758	$ 222,716	$ 78,028	$ 30,722	$ 11,810	$ 619,034
OLEM	422	6,529	719	2,212	-	9,882
Substandard	-	6,013	1,290	12	31	7,346
Doubtful	58	-	-	-	5	63
Sub-total	276,238	235,258	80,037	32,946	11,846	636,325
Purchased Impaired Loans:						
Pass Loans	$ 2,619	$ 5,947	$ 118	$ 169	$ 62	$ 8,915
OLEM	650	1,358	55	-	-	2,063
Substandard	2,192	1,027	2,133	-	-	5,352
Sub-total	5,461	8,332	2,306	169	62	16,330
Total	**$ 281,699**	**$ 243,590**	**$ 82,343**	**$ 33,115**	**$ 11,908**	**$ 652,655**

As of December 31, 2013	Residential Single & Multifamily	Commercial Real Estate	Construction Loans	Commercial and Industrial	Consumer and Other	Total Loans
Originated Loans:						
Pass Loans	$ 200,633	$ 195,163	$ 37,907	$ 15,078	$ 10,734	$ 459,515
OLEM	305	520	785	2,975	37	4,622
Substandard	938	5,442	412	4,291	-	11,083
Sub-total	201,876	201,125	39,104	22,344	10,771	475,220
Purchased Impaired Loans:						
Pass Loans	$ 710	$ 5,452	$ 1,272	$ 106	$ -	$ 7,540
OLEM	2,121	713	-	-	-	2,834
Substandard	1,424	2,269	23	9	-	3,725
Sub-total	4,255	8,434	1,295	115	-	14,099
Total	**$ 206,131**	**$ 209,559**	**$ 40,399**	**$ 22,459**	**$ 10,771**	**$ 489,319**

The following are the definitions of the Company's credit quality indicators:

Pass: Loans in all classes are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.

Watch: Loan paying as agreed with generally acceptable asset quality; however the obligor's performance has not met expectations. Financial condition is unstable and shows minimally acceptable support for credit accommodation. Credit is expected to be strengthened through improved obligor performance and/or additional collateral within a reasonable period of time.

Special Mention: Assets have potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Other Loans Especially Mentioned assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Classified: *Classified (a) Substandard*—Loans inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the

distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual loans classified substandard.

Classified (b) Doubtful—Loans that have all the weaknesses inherent in a loan classified substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the assets, its classification as an estimated loss is deferred until its more exact status may be determined.

Below are the statistics for past due and non-accrual loans, by portfolio segment, as of December 31, 2014 and 2013, respectively (dollars in thousands).

As of December 31, 2014	**30-59 Days**	**60-89 Days**	**90 + Days**	**Non-Accrual**	**Total Past Due and Non-Accrual**	**Current**	**Total Loans**	**Current Non-Accrual Loans**
Originated Loans:								
Residential single & multifamily	$ 375	$ -	$ -	$ 58	$ 433	$ 275,805	$ 276,238	$ -
Commercial real estate	782	-	-	4,525	5,307	229,951	235,258	2,753
Construction loans	-	-	-	255	255	79,782	80,037	255
Commercial and industrial	-	-	-	-	-	32,946	32,946	-
Consumer and other	40	5	-	5	50	11,796	11,846	5
Purchase Impaired Loans:								
Commercial real estate	-	-	-	536	536	7,796	8,332	536
Residential, consumer and other	-	-	-	-	-	7,998	7,998	-
Total Loans	**$ 1,197**	**$ 5**	**$ -**	**$ 5,379**	**$ 6,581**	**$ 646,074**	**$ 652,655**	**$ 3,549**
As of December 31, 2013								
Originated Loans:								
Residential single & multifamily	$ 310	$ -	$ -	$ 530	$ 840	$ 201,036	$ 201,876	$ 530
Commercial real estate	-	-	-	6,081	6,081	195,044	201,125	4,175
Construction loans	-	-	-	-	-	39,104	39,104	-
Commercial and industrial	-	-	-	1,737	1,737	20,607	22,344	1,178
Consumer and other	156	39	-	-	195	10,576	10,771	-
Purchase Impaired Loans:								
Commercial real estate	-	-	-	9	9	8,425	8,434	9
Residential, consumer and other	1,240	-	-	220	1,460	4,205	5,665	120
Total Loans	**$ 1,706**	**$ 39**	**$ -**	**$ 8,577**	**$ 10,322**	**$ 478,997**	**$ 489,319**	**$ 6,012**

The following is a summary of information pertaining to impaired loans for the years ended December 31, 2014 and 2013, respectively (dollars in thousands). There were no new troubled debt restructurings during the years ended December 31, 2014 and 2013. There were no loans classified as troubled debt restructurings that re-defaulted during the period of 12 months from their modification date.

	As of December 31, 2014			For the Year Ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance Recorded:					
Residential single & multifamily	$ 58	$ 198	$ -	$ 55	$ -
Commercial real estate	3,874	5,193	-	3,891	42
Construction loans	-	-	-	-	-
Commercial and industrial	1,271	1,271	-	1,277	3
Consumer and other	-	-	-	14	-
With An Allowance Recorded:					
Residential single & multifamily	-	-	-	-	-
Commercial real estate	3,058	3,241	580	3,104	6
Construction loans	1,290	1,300	90	1,324	40
Commercial and industrial	-	-	-	-	-
Consumer and other	31	31	28	31	2
Total:					
Residential single & multifamily	58	198	-	55	-
Commercial real estate	6,932	8,434	580	6,995	48
Construction loans	1,290	1,300	90	1,324	40
Commercial and industrial	1,271	1,271	-	1,277	3
Consumer and other	31	31	28	45	2
	$ 9,582	$ 11,234	$ 698	$ 9,696	$ 93

	As of December 31, 2013			For the Year Ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance Recorded:					
Residential single & multifamily	$ -	$ -	$ -	$ -	$ -
Commercial real estate	2,173	4,503	-	2,219	37
Construction loans	-	-	-	-	-
Commercial and industrial	1,946	2,027	-	1,981	27
Consumer and other	37	37	-	40	2
With An Allowance Recorded:					
Residential single & multifamily	118	121	38	120	-
Commercial real estate	3,908	5,616	903	4,715	30
Construction loans	412	580	37	423	-
Commercial and industrial	581	580	437	584	1
Consumer and other	-	-	-	-	-
Total:					
Residential single & multifamily	118	121	38	120	-
Commercial real estate	6,081	10,119	903	6,934	67
Construction loans	412	580	37	423	-
Commercial and industrial	2,527	2,607	437	2,565	28
Consumer and other	37	37	-	40	2
	$ 9,175	$ 13,464	$ 1,415	$ 10,082	$ 97

The following tables illustrate information related to the Bank's other real estate owned, net of valuation allowances and direct write-downs:

	December 31, 2014	December 31, 2013
Commercial real estate	$ -	$ 540
Construction and land loans	75	116
Total	$ 75	$ 656

Balance at January 1	$ 656	$ 2,685
Transfers of loans	234	56
Write downs	-	(154)
(Loss)/gain on sale	(28)	(53)
Dispositions	(787)	(1,878)
Balance at December 31	$ 75	$ 656

Loans Acquired with Deteriorated Credit Quality

Loans acquired in business combinations (Royal and Shamrock) that exhibited, at the time of acquisition, evidence of deterioration of the credit quality since origination, such that it was probable that all contractually required payments would not be collected, were as follows as of the dates presented:

	December 31, 2014	December 31, 2013
Commercial real estate	$ 8,332	$ 8,434
Construction loans	2,306	1,295
Commercial and industrial	169	115
Residential single & multifamily	5,523	4,255
	$ 16,330	$ 14,099

The following table presents the fair value of loans determined to be impaired at the time of acquisition as of the dates presented:

	December 31, 2014	December 31, 2013
Contractually required principal and interest	$ 26,764	$ 23,914
Nonaccretable difference	(5,401)	(3,867)
Cash flows expected to be collected	21,363	20,047
Accretable yield	(5,033)	(5,948)
Fair value	$ 16,330	$ 14,099

Changes in the accretable yield of loans acquired with deteriorated credit quality were as follows:

	December 31, 2014	December 31, 2013
Balance at beginning of year	$ 5,948	$ 6,550
Additions through acquisition	893	-
Reclassification from non-accretable difference	1,921	2,104
Accretion	(2,234)	(2,124)
Other net activity (1)	(1,495)	(582)
Balance at end of year	$ 5,033	$ 5,948

(1) Includes impact of loan repayments and charge offs.

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill not subject to amortization of $3.9 million was recorded in conjunction with the business combination between First National and Panther. Additionally, an indefinite lived bank charter intangible asset of $1.2 million was recorded in conjunction with the Panther business combination. Goodwill has been assigned to the Bank's single reporting unit. Fair value of the Bank's single reporting unit is determined using either discounted cash flow analyses based on internal financial forecasts or, if available, market-based valuation multiples for comparable businesses. No impairment was identified for the Bank's goodwill as a result of the testing performed for the year ended December 31, 2014.

The Bank recorded core deposit intangibles totaling $669,000 in connection with the acquisition of Shamrock on March 14, 2014. Intangible assets subject to amortization include the Bank's trademarked logo and core deposit intangibles recorded with the acquisitions of Royal and Shamrock. The carrying amount of these assets was $761,000 at December 31, 2014. The trademarked logo is being amortized over a period of 20 years. Core deposit intangibles for Royal and Shamrock are being amortized over five and ten year periods, respectively. Amortization expense on the Bank's intangibles was $88,000 for the period ended December 31, 2014.

NOTE 6. BORROWINGS

Short and Long Term Borrowings

The FHLB of Atlanta has extended credit availability to the Bank equal to approximately 20% of total assets. There was $88 million in remaining credit availability at December 31, 2014. All borrowings must be fully secured with eligible collateral. The Bank had $162 and $138 million, respectively, in eligible loans pledged as collateral for advances listed in the schedules below at December 31, 2014 and 2013 (dollars in thousands).

	As of December 31, 2014			
Long Term Advances	**Term**	**Maturity Date**	**Interest Rate**	**Advance Amount**
Fixed rate advance	2 years	12/16/15	0.45%	20,000
Fixed rate advance	3 years	02/03/15	0.66%	3,000
Fixed rate advance	4 years	02/03/16	0.91%	3,000
Average weighted rate			0.53%	$ 26,000
Short Term Advances				
Fixed rate advance	9 months	04/17/15	0.27%	$ 10,000
Fixed rate advance	1 month	01/30/15	0.19%	$ 25,000
Average weighted rate			0.21%	$ 35,000

	As of December 31, 2013			
Long Term Advances	**Term**	**Maturity Date**	**Interest Rate**	**Advance Amount**
Fixed rate advance	2 years	12/10/14	0.38%	$ 10,000
Fixed rate advance	2 years	12/16/15	0.45%	20,000
Fixed rate advance	3 years	02/03/15	0.66%	3,000
Fixed rate advance	4 years	02/03/16	0.91%	3,000
Average weighted rate			0.49%	$ 36,000
Short Term Advances				
Fixed rate advance	6 months	03/20/14	0.21%	$ 10,000
Average weighted rate			0.21%	$ 10,000

The Bank had $68 million authorized under unsecured federal funds lines of credit with five correspondent banks at December 31, 2014; adding the fourth and fifth correspondent banks during 2014 for $10 and $15 million, respectively. At December 31, 2014, there was $7.6 million in outstanding borrowings under these lines reducing the collective availability to $60 million. There were no borrowings outstanding under the agreements at December 31, 2013.

The Bank has securities sold under agreements to repurchase with commercial account holders whereby the Bank sweeps the customer's accounts on a daily basis and pays interest on these amounts. These agreements are collateralized by investment securities chosen by the Bank. The Bank had approximately $70 and $77 million in such accounts as of December 31, 2014 and 2013, respectively.

NOTE 7. INCOME PER SHARE

Basic income per share represents the net income divided by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflects additional potential common stock that would have been outstanding if dilutive potential common stock had been issued, as well as any adjustment to income that would result from the assumed issuance, determined using the treasury stock method. Potential common stock that may be issued by the Company relates solely to outstanding stock options, warrants and convertible preferred stock.

There were a total of 2,190,025 and 1,884,193 outstanding warrants and options at December 31, 2014 and 2013, respectively, of which 986,725 shares were included in the calculation of diluted income per share for 2014. The remaining 1,203,300 options and warrants were excluded from the calculation for December 31, 2014 because the effect would be anti-dilutive. Likewise, all warrants and options were excluded from the calculation for December 31, 2013 because the effect would be anti-dilutive.

	For the Years Ended December 31,	
Income Per Common Share	**2014**	**2013**
Basic		
Weighted average number of shares of common stock outstanding - basic:	16,300,367	14,333,570
Basic income per share	$ 0.10	$ 0.77
Diluted		
Weighted average number of shares of common stock outstanding:	16,300,367	14,333,570
Effect of stock options	215,886	-
Effect of dilutive convertible preferred shares	858,199	126,573
Weighted average number of shares of common stock outstanding - diluted:	17,374,452	14,460,143
Diluted income per share	$ 0.09	$ 0.77

Nonvoting Series A Convertible Preferred Stock

The Company has authorized 7,050,000 shares of Nonvoting Series A Convertible Preferred Stock ("preferred shares"). There were 1,037,984 and 126,573 preferred shares outstanding at December 31, 2014 and 2013, respectively. Each holder of preferred shares is generally not entitled to vote on any matters. Holders of preferred shares will be entitled to receive dividends and shall rank equally with the Company's holders of common stock. In the event of liquidation, each holder of preferred shares would be entitled to recover, after payment of all Company's debts and liabililities, a preferred liquidation amount equal to the greater of (i) one tenth of one cent per share and (ii) the amount the holder of such preferred share would receive if the share had been converted into common stock. Each preferred share, at the election of the holder, may be converted into an equal number of

common shares, if such conversion would not cause the holder to hold greater than 9.99% of the Company's outstanding common stock at the time of such conversion. Furthermore, the preferred shares are not subject to any call or redemption rights on the part of the Company.

NOTE 8. PREMISES AND EQUIPMENT

The major classes of premises and equipment and total accumulated depreciation and amortization at December 31, 2014 and 2013, respectively, are as follows (dollars in thousands).

	As of December 31,	
	2014	**2013**
Land	$ 3,034	$ 3,034
Buildings and improvements	14,473	14,432
Leasehold improvements	2,716	2,425
Furniture, fixtures and office equipment	2,552	2,066
Computer equipment	1,558	1,338
Computer software	1,434	1,252
Automobiles	192	161
Signs	39	68
	25,998	24,776
Less accumulated depreciation and amortization	5,890	4,607
Plus construction in progress	30	206
Premises and equipment, net	$ 20,138	$ 20,375

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Bank leases certain branch facilities under non-cancelable operating leases expiring from 2017 through 2020. The leases contain renewal options, generally provide for annual increases in base rent from 3% to 3.5% per annum, and require payment of the Bank's pro rata share of property taxes, normal maintenance and insurance.

Future minimum rental payments required under the operating leases at December 31, 2014 were as follows (dollars in thousands).

Year Ending December 31,	Amount
2015	$ 491
2016	518
2017	526
2018	492
2019	509
Thereafter	380
	$ 2,916

The Bank, in the normal course of business, is party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized on the statement of financial condition. The contractual amounts of these instruments reflect the Bank's involvement in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the counterparty to the financial instruments for commitments to extend credit and letters of credit is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Following is a summary of off-balance sheet credit risk information (dollars in thousands).

	December 31, 2014	December 31, 2013
Commitments to extend credit	$ 123,581	$ 87,366
Letters of credit	$ 145	$ 160

Commitments to extend credit are commitments to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include cash, accounts receivable, inventory, property, plant and equipment and residential and commercial real estate.

Standby letters of credit are conditional commitments issued by the Bank 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 loans to customers. Letters of credit are collateralized by certificates of deposit or other collateral. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Bank is required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount of the letter of credit. If the commitment is funded, the Bank is entitled to seek recovery from its customer. No liabilities were recorded for these guarantees at December 31, 2014.

NOTE 10. TIME DEPOSITS

At December 31, 2014 and 2013, respectively, the scheduled maturities of time deposits are as follows (dollars in thousands).

December 31, 2014:	≤ 3 Mths	3-6 Mths	6 Mths-1 Yr	1-3 Yrs	> 3 Yrs	Total
Time deposits < $250,000	$ 10,745	$ 6,751	$ 83,946	$ 14,549	$ 133	$ 116,124
Time deposits ≥ $250,000	4,712	6,152	34,249	3,801	-	48,914
Total	$ 15,457	$ 12,903	$ 118,195	$ 18,350	$ 133	$ 165,038

December 31, 2013:	≤ 3 Mths	3-6 Mths	6 Mths-1 Yr	1-3 Yrs	> 3 Yrs	Total
Time deposits < $250,000	$ 17,864	$ 14,080	$ 58,091	$ 4,467	$ 4,129	$ 98,631
Time deposits ≥ $250,000	23,071	4,770	24,794	16,071	806	69,512
Total	$ 40,935	$ 18,850	$ 82,885	$ 20,538	$ 4,935	$ 168,143

NOTE 11. CONCENTRATIONS OF RISK

Neither the Company nor the Bank is a party to any claim, lawsuit or other legal proceeding that might have a material adverse effect on the consolidated financial statements.

Most of the Bank's business activity is with customers located within its primary market area, generally southwest Florida. Approximately 93% of the Bank's gross loan portfolio at December 31, 2014 was concentrated in loans secured by real estate. Residential first mortgages and home equity lines of credit represent 43% of gross loans or approximately $282 million. Commercial real estate comprises 37% of gross loans or approximately $244 million. At December 31, 2014, the Bank had no significant concentrations of credit risk with any individual counterparty.

At December 31, 2014, deposits and/or repurchase agreements of two customers individually exceeded 5% of total deposits plus costumer repurchase agreements. These deposits totaled approximately $127 million or 15% of total deposits and repurchase agreements. Management does not view this concentration as a liquidity risk. The interest rate paid on these deposits ranges between 0.25% and 0.65%.

NOTE 12. EMPLOYEE BENEFITS

The Company has established a salary deferral plan under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to defer up to 100% of their compensation, up to the maximum amount permitted by law. The Bank, at its discretion, may match a portion of the employees' contributions. All employees may make contributions under the plan. Employees age 21 and over are eligible to receive matching contributions. Employer contributions vest immediately. Total expenses recorded for the years ended December 31, 2014 and 2013, related to this plan were $396,000 and $378,000, respectively.

NOTE 13. STOCK OPTIONS AND WARRANTS

The Company has two stock option plans, one for (i) directors and one for (ii) officers and employees, with options outstanding at December 31, 2014 of 388,356 and 849,169, respectively.

On January 2, 2014, the Company issued nonqualified options to purchase 786,975 shares under its Amended and Restated Officers' and Employees' Stock Option Plan and 236,250 shares under its Amended and Restated Directors' Option Plan (collectively "the options"). The options were awarded at an exercise price of $4.71 per share. The options vest equally over four years with a term of ten years. The Company recognized expense totaling $287,000 in connection with the option grants for the period ended December 31, 2014. There were no options exercised during the period ended December 31, 2014. No stock based compensation awards were granted during the period ended December 31, 2013.

The fair value of the 2014 option grant was estimated on the grant date using the Black-Sholes option-pricing model with the following assumptions:

	2014 Grant
Dividend yield	0.00%
Expected volatility	20.00%
Risk-free interest rate	1.89%
Expected lives	6.25 years
Weighted average fair value	$1.16

The maximum number of options that can be granted under both plans may not exceed 10% of the aggregate of outstanding common and preferred stock. There are 545,142 options available for grant between the plans at December 31, 2014. As of December 31, 2014, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the two plans.

The following table presents the activity of the Company's outstanding stock options and warrants, for the periods ended December 31, 2014 and 2013, respectively.

	For the Years Ended December 31,			
	2014		2013	
STOCK OPTIONS:	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	250,800	$ 7.58	250,800	$ 7.58
Options granted	1,023,225	4.71	-	-
Options exercised	-	-	-	-
Options repurchased	-	-	-	-
Options expired/forfeited	(36,500)	4.71	-	-
Options outstanding, end of period	1,237,525	$ 5.43	250,800	$ 7.58
Exercisable at end of period	250,800	$ 7.58	250,800	$ 7.58
Weighted Average Remaining Contractual Term		7.85 years		4.29 years
STOCK WARRANTS:				
Warrants outstanding, beginning of period	1,633,393	$ 10.00	1,633,443	$ 10.00
Warrants exercised	(1,084)	10.00	(50)	10.00
Warrants repurchased	-	-	-	-
Warrants expired	(679,809)	10.00	-	-
Warrants outstanding, end of period	952,500	$ 10.00	1,633,393	$ 10.00
Exercisable at end of period	952,500	$ 10.00	1,633,393	$ 10.00
Weighted Average Remaining Contractual Term		4.81 years		3.73 years

In accordance with the terms of the original offering prospectus dated July 14, 2009, and as part of the Agreement and Plan of Merger between Panther and First National, dated April 23, 2009, organizers and founders received organizer warrants to purchase 952,500 shares with a term of 10 years and shareholder warrants to purchase 10,020 shares of common stock with a term of five years. Additionally, all other common shareholders received warrants to purchase a total of 671,054 shares with a term of five years. All warrants were at an exercise price of $10 per share and immediately exercisable. All outstanding warrants to purchase shares of the Bank's common stock were converted into warrants to purchase shares of the Company's common stock upon closing of the reorganization on September 25, 2012. On October 23, 2014, there were 679,809 shareholder warrants that expired, unexercised.

On January 2, 2015, the Company issued nonqualified options to purchase 279,325 shares under its Amended and Restated Officers' and Employees' Stock Option Plan and 54,525 shares under its Amended and Restated Directors' Option Plan (collectively "the options"). The options were awarded at an exercise price of $5.01 per share. The options vest equally by month, over three years, with a term of ten years.

NOTE 14. RESTRICTIONS ON RETAINED EARNINGS AND REGULATORY MATTERS

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. At December 31, 2014, there were no retained earnings available for the payment of dividends.

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, banks must meet specific capital guidelines that involve quantitative measures of the bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets (as defined by FDIC regulations). The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial condition. Management believes that the Bank met all capital adequacy requirements to which it was subject at December 31, 2014.

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

The Company and the Bank's actual capital amounts and ratios are also presented in the table below (dollars in thousands). The maximum amount of Tier II capital, contributed via the allowance for loan losses, is limited to 1.25% of gross risk weighted assets. This limitation, where applicable, is reflected in the total capital amounts listed below.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
As of December 31, 2014:						
TGR Financial, Inc.						
Total capital (to risk weighted assets):	$ 87,184	13.42 %	$ 51,983	8.00 %	N/A	N/A %
Tier I capital (to risk weighted assets):	79,704	12.27	25,991	4.00	38,987	6.00
Tier I capital (to average assets):	79,704	8.38	38,053	4.00	47,566	5.00
First Florida Integrity Bank						
Total capital (to risk weighted assets):	$ 86,045	13.25 %	$ 51,961	8.00 %	$ 64,951	10.00 %
Tier I capital (to risk weighted assets):	78,565	12.10	25,981	4.00	38,971	6.00
Tier I capital (to average assets):	78,565	8.26	38,043	4.00	47,554	5.00
As of December 31, 2013:						
TGR Financial, Inc.						
Total capital (to risk weighted assets):	$ 70,250	13.56 %	$ 41,434	8.00 %	N/A	N/A %
Tier I capital (to risk weighted assets):	63,775	12.31	20,717	4.00	31,076	6.00
Tier I capital (to average assets):	63,775	9.20	27,717	4.00	34,646	5.00
First Florida Integrity Bank						
Total capital (to risk weighted assets):	$ 69,739	13.47 %	$ 41,409	8.00 %	$ 51,762	10.00 %
Tier I capital (to risk weighted assets):	63,268	12.22	20,705	4.00	31,057	6.00
Tier I capital (to average assets):	63,268	9.13	27,717	4.00	34,647	5.00

During 2013, the Federal Reserve released final United States Basel III regulatory capital rules implementing the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Wall Street Reform

and Consumer Protection Act. The FDIC and OCC also approved the final rule during 2013. The rule applies to all banking organizations that are currently subject to regulatory capital requirements as well as certain savings and loan holding companies. The rule strengthens the definition of regulatory capital, increases risk-based capital requirements, and makes selected changes to the calculation of risk-weighted assets. The rule becomes effective January 1, 2015, for the Bank and most banking organizations, subject to a transition period for several aspects of the rule, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions. Under the final rules, the minimum capital requirements will be a common equity Tier 1 (CET1) ratio of 4.5%; Tier 1 capital ratio of 6%; Total capital ratio of 8%; and leverage ratio of 4%. When fully phased-in on January 1, 2019, the new rules include a capital conservation buffer of 2.5% that is added on top of the minimum risk-based capital ratios. Additionally, the new rules also revise the "prompt corrective action" regulations pursuant to Section 38 of the Federal Deposit Insurance Act, with the following requirements for well-capitalized status: Common equity Tier 1 (CET1) ratio of 6.5%; Tier 1 capital ratio of 8% (as compared to the current 6%); Total capital ratio of 10%; and leverage ratio of 5%.

The Bank is additionally required to maintain reserve requirements based on its specified deposit liabilities with the Federal Reserve Bank. The reserve requirements can be satisfied in the form of vault cash or average deposit balances with the Federal Reserve Bank.

NOTE 15. RELATED PARTY TRANSACTIONS

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, significant stockholders, principal officers and their immediate families (commonly referred to as related parties). In management's opinion, such transactions have been made on the same terms as those for comparable transactions with unrelated parties.

Deposits and customer repurchase agreements with related parties and their interests totaled $34.1 million and $36.2 million at December 31, 2014 and 2013, respectively.

Related party loan activity is depicted below (dollars in thousands).

	For the Years Ended December 31,	
	2014	**2013**
Beginning balance	$ 2,125	$ 2,321
New originations	-	-
Paydowns	(67)	(196)
Ending balance	$ 2,058	$ 2,125

NOTE 16. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For additional information regarding the levels of inputs, please refer to Note 1 - Description of Business and Summary of Significant Accounting Policies.

Securities available for sale: Fair value measurements are obtained from an outside pricing service. Fair values are generally estimated using matrix pricing techniques, incorporating observable data that may include reported trades of similar securities, dealer quotes, benchmark yield curves, issuer spreads, new issue data, market consensus prepayment speeds, the bonds' terms and conditions, and other relevant factors. Matrix pricing is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level II inputs).

The following table sets forth the Bank's investments which are measured at fair value on a recurring basis as of December 31, 2014 and 2013, respectively (dollars in thousands). Changes in fair value are recorded through other comprehensive income (loss), net of tax.

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total at Fair Value
December 31, 2014:	**Level 1**	**Level II**	**Level III**	
Assets				
U.S. Government agencies and government sponsored entities	$ -	$ 156,693	$ -	$ 156,693
Agency mortgage backed securities	-	85,908	-	85,908
Agency collateralized mortgage obligations	-	6,738	-	6,738
State, county and municipal	-	-	-	-
Corporate bonds	-	11,474	-	11,474
Total Assets	$ -	$ 260,813	$ -	$ 260,813
December 31, 2013:				
Assets				
U.S. Government agencies and government sponsored entities	$ -	$ 66,908	$ -	$ 66,908
Agency mortgage backed securities	-	45,709	-	45,709
Agency collateralized mortgage obligations	-	3,841	-	3,841
State, county and municipal	-	48,817	-	48,817
Corporate bonds	-	14,317	-	14,317
Total Assets	$ -	$ 179,592	$ -	$ 179,592

There were no transfers of investments in or out of Level III for the years ended December 31, 2014 and 2013, respectively.

Nonrecurring Fair Value Measurements

The following table sets forth the Bank's assets which are measured at fair value on a non-recurring basis as of December 31, 2014 and 2013, respectively (dollars in thousands).

Impaired loans: Loans, measured for impairment are based upon externally prepared estimates of the current fair value of the underlying collateral less estimated costs to sell. The Bank uses external appraisals to estimate fair value, which generally include Level III inputs which are not identifiable. The fair value includes qualitative adjustments by management and estimated liquidation expenses.

Other real estate owned: Other real estate owned consists of property acquired through, or in lieu of, loan foreclosure. The Bank uses external appraisals to estimate fair value. The valuation of other real estate owned represents the fair value less estimated selling costs.

	Quantitative Information about Level III Fair Value Measurements			
December 31, 2014:	**Fair Value Estimate**	**Valuation Techniques**	**Unobservable Input**	**Range (Weighted Average)**
Collateral dependent impaired loans	$ 1,289	Appraisal of collateral	Appraisal and liquidation adjustments	0% to -10% (-10%)
Other real estate owned	75	Appraisal of collateral	Appraisal and liquidation adjustments	0% to -30% (-30%)
Total Assets	$ 1,364			

December 31, 2013:	**Fair Value Estimate**	**Valuation Techniques**	**Unobservable Input**	**Range (Weighted Average)**
Collateral dependent impaired loans	$ 9,175	Appraisal of collateral	Appraisal and liquidation adjustments	0% to -10% (-10%)
Other real estate owned	656	Appraisal of collateral	Appraisal and liquidation adjustments	0% to -30% (-30%)
Total Assets	$ 9,831			

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Bank's financial instruments at December 31, 2014 and 2013, respectively, including those assets and liabilities that are not measured and reported at fair value on a recurring or nonrecurring basis, are illustrated in the table below (in thousands). The fair value estimates presented are based on pertinent information available to management at the close of each period. Although management is not aware of any factors that would significantly affect the estimated fair values, they have not been comprehensively revalued for purposes of these financial statements since the statement of financial condition date. Current estimates of fair value may differ significantly from the amounts disclosed.

Loans: The fair values of residential loans are estimated using discounted cash flow analyses, based upon available market benchmarks for rates and prepayment assumptions. The fair values of commercial and consumer loans are estimated using discounted cash flow analyses, based upon interest rates current offered for loans with similar terms and credit quality. The fair values of loans held for sale are determined based upon contractual prices for loans with similar characteristics.

Deposits: The fair values of deposit accounts are estimated using a discounted cash flow based on currently effective interest rates for similar types of deposits. These deposits are classified within Level II of the fair value hierarchy.

Securities sold under agreements to repurchase: The fair value of these instruments approximates the carrying value of the amounts reported in the Consolidated Statements of Condition given the short-term nature of the liabilities.

Borrowings: Borrowings are comprised of Federal Home Loan Bank ("FHLB") advances. The fair value of FHLB advances is determined by discounting the expected future cash outflows using current market rates for similar borrowings, or Level II inputs.

		Fair Value Measurements at December 31, 2014			
Financial assets:	**Carrying Amount**	**Level I**	**Level II**	**Level III**	**Total**
Cash and interest bearing balances due from banks	$ 18,783	$ 8,783	$ 10,000		$ 18,783
Federal Reserve Bank and Federal Home Loan Bank stock	6,221			6,221	6,221
Loans, net	645,175		627,254	16,330	643,584
Accrued interest receivable	1,929		1,929		1,929
Financial liabilities:					
Deposits	751,730		753,420		753,420
Securities sold under agreements to repurchase	70,259		70,259		70,259
Borrowings	68,625		68,644		68,644
Accrued interest payable	384		384		384

		Fair Value Measurements at December 31, 2013			
Financial assets:	**Carrying Amount**	**Level I**	**Level II**	**Level III**	**Total**
Cash and interest bearing balances due from banks	$ 16,467	$ 12,902	$ 3,565		$ 16,467
Federal Reserve Bank and Federal Home Loan Bank stock	5,025			5,025	5,025
Loans, net	482,759		445,167	14,099	459,266
Loans held for sale	8,219		8,219		8,219
Accrued interest receivable	1,756		1,756		1,756
Financial liabilities:					
Deposits	542,370		542,453		542,453
Securities sold under agreements to repurchase	76,616		76,616		76,616
Borrowings	46,000		45,899		45,899
Accrued interest payable	496		496		496

NOTE 17. INCOME TAXES

Income taxes for financial reporting purposes differed from the amount computed by applying the statutory federal income tax rate to the pre-tax net loss for the years ended December 31, 2014 and 2013, respectively, are as follows (dollars in thousands).

	For the Years Ended December 31,			
	2014		**2013**	
Federal statutory rate times financial statement income	$ 510	34.0%	$ 792	34.0%
State tax (net of federal benefit)	40	2.6%	88	3.8%
Prior year true-up adjustment	(508)	-33.8%	(32)	-1.4%
Nondeductible transaction costs	119	7.9%	-	-
Bargain purchase gain	(167)	-11.1%	-	-
Cash surrender value of life insurance	(176)	-11.7%	-	-
Change in valuation allowance not related to OCI	-	-	(9,635)	-413.7%
Other	84	5.6%	33	1.4%
Total income taxes	**$ (98)**	**-6.5%**	**$ (8,754)**	**-375.9%**

The components of the provision for income taxes for the years ended December 31, 2014 and 2013 are as follows:

	For the Years Ended December 31,	
Current	**2014**	**2013**
Federal	$ 9	$ 94
State	$ -	$ -
Current income tax expense/(benefit)	$ 9	$ 94
Deferred		
Federal	$ (94)	$ (7,995)
State	$ (13)	$ (853)
Deferred income tax expense/(benefit)	$ (107)	$ (8,848)
Total	**$ (98)**	**$ (8,754)**

The Company had net deferred tax assets totaling $11.5 million as of December 31, 2014. During 2013, the Company released its full valuation allowance on net deferred tax assets and recorded a benefit of approximately $9 million. Net deferred tax assets are included in other assets in the accompanying balance sheets. The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities at December 31, 2014 and 2013, respectively, follow:

Deferred tax assets:	2014	2013
Net operating loss	$ 6,555	$ 5,451
Start-up and organizational costs	2,583	2,623
Allowance for loan losses	2,815	2,357
Branch closing costs	139	191
Stock-based compensation	134	25
Non-accrual loan interest	227	260
Net unrealized loss on securities	-	2,141
Net purchase price adjustments	790	-
Other	331	275
Total deferred tax assets	13,574	13,323
Deferred tax liabilities:		
Premises and equipment	(365)	(377)
Deferred loan costs	(1,531)	(1,449)
Net purchase price adjustments	-	(11)
Net unrealized gain on securities	(139)	-
Other	(5)	-
Total deferred tax liabilities	(2,040)	(1,837)
Net deferred tax assets	$ 11,534	$ 11,486

At December 31, 2014, the Company and its subsidiary had federal and Florida net operating losses of approximately $17.5 and $16.3 million, respectively. Some of the Company's net operating losses are subject to the Section 382 limitations for offsetting current and future taxable income. Both the federal and Florida net operating losses will expire beginning in 2029.

The Company and its subsidiary file income tax returns in the U.S. Federal jurisdiction and the state of Florida. The Company is no longer subject to U.S. Federal or state income tax examinations by tax authorities for tax years prior to 2011.

The Company periodically evaluates our income tax positions based on tax laws and regulations as well as financial reporting requirements. Based on the evaluation, the Company did not have any uncertain tax positions at December 31, 2014.

NOTE 18. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Below presented are the parent company only financial statements as of and for the periods ended December 31, 2014 and 2013.

Condensed Statement of Financial Condition

(dollars in thousands)	December 31, 2014	December 31, 2013
Assets:		
Interest bearing balances with affiliate	**$ 899**	**$ 469**
Equity investment in affiliate	**93,930**	**72,840**
Other assets	**271**	**304**
Total assets	**$ 95,100**	**$ 73,613**
Liabilities and Stockholders' Equity:		
Liabilities:		
Other liabilities	**$ 31**	**$ 266**
Shareholders' equity	**95,069**	**73,347**
Total liabilities and stockholders' equity	**$ 95,100**	**$ 73,613**

Condensed Statement of Operations

(dollars in thousands)	December 31, 2014	December 31, 2013
Income:		
Affiliate interest income	**$ 4**	**$ 3**
Total income	**4**	**3**
Expense:		
Intercompany salaries and services	**250**	**250**
Other expenses	**454**	**634**
Total expense	**704**	**884**
Income (loss) before income taxes	**(700)**	**(881)**
Provision (benefit) for income taxes	**(267)**	**(328)**
Income (loss) before equity in undistributed affiliate earnings	**(433)**	**(553)**
Equity in undistributed affiliate earnings	**2,032**	**11,647**
Net income	**$ 1,599**	**$ 11,094**

Condensed Statement of Cash Flows

(dollars in thousands)	December 31, 2014	December 31, 2013
Cash Flows From Operating Activities		
Net income	**$ 1,599**	**$ 11,094**
Adjustments to reconcile net income to net cash provided by operating activities:		
Investment in affiliate	**(8,500)**	**-**
Stock based compensation	**30**	**-**
Equity in undistributed affiliate earnings	**(2,032)**	**(11,647)**
Net change in other assets	**33**	**(290)**
Net change in other liabilities	**(235)**	**245**
Net cash used in operating activities	**(9,105)**	**(598)**
Cash Flows From Financing Activities		
Net proceeds from private placement sale of stock	**9,524**	**-**
Net proceeds from warrant exercises	**11**	**1**
Net cash provided by financing activities	**9,535**	**1**
Net increase (decrease) in cash and cash equivalents	**430**	**(597)**
Cash and cash equivalents:		
Beginning of period	**469**	**1,066**
End of period	**$ 899**	**$ 469**
Supplemental Disclosures of Cash Flow Information		
Non-cash: Stock issued in acquisition	**$ 6,522**	**$ -**