TGR Financial Inc. and Subsidiary

Financial Report
12.31.2013

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

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Independent Auditor's Report

To the Board of Directors and Stockholders
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, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), 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 audit as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America. We conducted our audit as of and for the year ended December 31, 2012, in accordance with standards of the Public Company Accounting Oversight Board (United States). 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. These procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the 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, 2013 and 2012, 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 24, 2014

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, 2013	December 31, 2012
Assets:		
Cash and due from banks	$ 4,979	$ 12,735
Interest earning balances due from banks	11,488	32,928
Total cash and cash equivalents	16,467	45,663
Securities available-for-sale	179,592	188,636
Federal Reserve Bank stock	2,219	1,991
Federal Home Loan Bank stock	2,806	1,448
Loans, net of allowance for loan losses $6,560 and $5,082, respectively	482,759	346,554
Loans held for sale	8,219	-
Premises and equipment, net	20,375	18,483
Other real estate owned, net	656	2,685
Accrued interest receivable	1,756	1,777
Goodwill and other intangibles	5,256	5,283
Bank owned life insurance	10,007	-
Deferred tax asset, net	11,486	-
Other assets	996	540
Total assets	$ 742,594	$ 613,060
Liabilities and Stockholders' Equity:		
Liabilities:		
Noninterest-bearing demand deposits	$ 77,177	$ 49,263
Interest-bearing liabilities:		
Money market	149,908	146,805
NOW	94,213	65,858
Savings	52,929	63,785
Certificates of deposit $100,000 or more	131,201	110,263
Certificates of deposit under $100,000	36,942	33,263
Total deposits	542,370	469,237
Securities sold under agreements to repurchase	76,616	57,206
Short term borrowings	10,000	-
Long term borrowings	36,000	16,000
Total borrowings	122,616	73,206
Other liabilities	4,261	2,875
Total liabilities	669,247	545,318
Stockholders' Equity:		
Common stock, $1 par value; 500,000,000 shares authorized, 14,333,620 and 14,333,570, issued and outstanding, respectively	14,334	14,333
Preferred stock, Nonvoting Series A Convertible, $1 par value (liquidation preference $0.01); 7,050,000 shares authorized, 126,573 issued and outstanding	127	127
Additional paid-in capital	75,614	75,614
Accumulated deficit	(13,180)	(24,274)
Accumulated other comprehensive income/(loss), net of tax	(3,548)	1,942
Total stockholders' equity	73,347	67,742
Total liabilities and stockholders' equity	$ 742,594	$ 613,060

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, 2013	2012
Interest income:		
Loans	$ 20,249	$ 13,960
Investment securities	3,763	4,340
Interest bearing balances due from banks	94	165
Total interest income	24,106	18,465
Interest expense:		
Deposits	2,874	2,924
Customer repurchase agreements	209	177
Other borrowed funds	109	51
Total interest expense	3,192	3,152
Net interest income	20,914	15,313
Provision for loan losses	1,528	2,302
Net interest income after provision for loan losses	19,386	13,011
Non-interest income:		
Service charges and fees on deposit accounts	654	433
Title and closing services revenue	472	248
Gain/(loss) on loans held for sale	-	9
Gain/(loss) on sale of other real estate owned	(53)	10
Gains on sale of securities, net	584	2,009
Bank owned life insurance	7	-
Bargain purchase gain	-	724
Other non-interest income	210	115
	1,874	3,548
Non-interest expense:		
Salaries and employee benefits	11,274	8,808
Occupancy and equipment	2,912	2,689
Professional fees	545	488
Data processing	672	495
Advertising, marketing, and business development	590	296
Collection and other real estate owned expense	293	169
FDIC and OCC assessments	620	566
Merger and acquisition related expense	-	720
Reorganization expense	-	802
Other non-interest expense	2,014	1,366
	18,920	16,399
Income before income taxes	2,340	160
Provision/(benefit) for income taxes	(8,754)	-
Net income	$ 11,094	$ 160
Basic income per common share	$ 0.77	$ 0.01
Diluted income per common share	$ 0.77	$ 0.01
Basic weighted average number of shares outstanding	14,333,570	14,122,150
Diluted weighted average number of shares outstanding	14,460,143	14,150,854

See Notes to Consolidated Financial Statements.

TGR Financial, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands, except per share data)

	For the Year Ended December 31,	
	2013	2012
Net income	$ 11,094	$ 160
Other comprehensive income/(loss), net of tax:		
Unrealized holding gains/(losses) arising during the period	(4,906)	2,837
Less: Reclassification adjustment for gains recognized in earnings	(584)	(2,009)
Other comprehensive income/(loss), net of tax:	(5,490)	828
Total comprehensive income	$ 5,604	$ 988

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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, 2011	**14,060,143**	**$ 14,060**	**$ -**	**$ 74,014**	**$ (24,434)**	**$ 1,114**	**$ 64,754**
Stock sale:							
Pursuant to private placement	273,427	273	127	1,600			2,000
Net income					160		160
Change in net unrealized gain (loss) on securities, net of reclassification and income tax						828	828
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**

See Notes to Consolidated Financial Statements.

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

(dollars in thousands)	For the Years Ended December 31, 2013	2012
Cash Flows From Operating Activities		
Net income	$ 11,094	$ 160
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Provision for loan losses	1,528	2,302
Premium amortization and discount accretion on securities, net	1,665	1,537
Depreciation and amortization of premises and equipment	1,239	1,134
Amortization of net deferred loan costs	497	443
Origination of loans held for sale	-	(4,193)
Proceeds from sales of loans held for sale	-	4,439
(Gain)/loss on sales of loans held for sale	-	(9)
(Gain)/loss on sales of other real estate owned	53	(10)
Gain on sales of securities available for sale	(584)	(2,009)
Deferred income tax (benefit)/expense	(8,848)	-
Increase in bank owned life insurance cash surrender value	(7)	-
Amortization of purchase accounting adjustments	(3,365)	(768)
Amortization of other intangibles	27	15
Bargain purchase gain recorded with Royal Palm acquisition	-	(724)
Net change in:		
Accrued interest receivable	21	(692)
Other assets	(954)	216
Other liabilities	1,386	546
Net cash provided by operating activities	3,752	2,387
Cash Flows From Investing Activities		
Cash and equivalents received in Royal Palm acquisition(net of gain, including FDIC)	-	34,816
Purchase of premises and equipment	(3,131)	(1,074)
Purchase of Federal Home Loan and Federal Reserve Bank stock	(3,341)	(1,008)
Redemption of Federal Home Loan and Federal Reserve Bank stock	1,755	93
Purchase of bank owned life insurance	(10,000)	-
Purchase of securities available for sale	(66,419)	(171,924)
Proceeds from maturities, calls and principal repayments of securities available for sale	19,860	35,358
Proceeds from the sale of securities available for sale	46,892	81,639
Proceeds from the sale of other real estate	2,032	1,184
Originations and principal collections on loans, net	(143,195)	(128,850)
Net cash used in investing activities	(155,547)	(149,766)
Cash Flows From Financing Activities		
Net increase in deposits	73,188	100,916
Net increase in securities sold under agreements to repurchase	19,410	18,626
Net increase in short term borrowings	10,000	-
Net increase in long term borrowings	20,000	16,000
Net proceeds from exercise of warrants	1	-
Net proceeds from private placement sale of stock	-	2,000
Net cash provided by financing activities	122,599	137,542
Net decrease in cash and cash equivalents	(29,196)	(9,837)
Cash and cash equivalents:		
Beginning of period	45,663	55,500
End of period	$ 16,467	$ 45,663
Supplemental Disclosures of Cash Flow Information		
Cash: Cash payments for interest	$ 3,299	$ 2,803
Non-cash: Loans transferred to held for sale	$ 8,219	$ -
Non-cash: Loans transferred to other real estate owned	$ 56	$ 313

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.

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, 2013 and 2012. The financial statements include the accounts of TGR Financial, Inc. and its wholly owned subsidiary, First National Bank of the Gulf Coast 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, 2013 and 2012, were $0 and $0 million, respectively. 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 our 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 our 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. Our 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. 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 management 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 management 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, 2013, 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, that 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 Bank estimates the fair value of stock options using a lattice 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 15 for further disclosure about fair value measurements.

<u>Income/(loss) per share</u>: 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 Bank include convertible preferred stock and outstanding stock options and warrants.

<u>Comprehensive income</u>: 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.

<u>Recent accounting pronouncements</u>: 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.

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 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.

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: On October 8, 2013, the Company and the Bank entered into an Agreement and Plan of Merger (the "Merger"), as amended on December 16, 2013, with Shamrock Bank of Florida ("Shamrock"). The Merger provides that all outstanding Shamrock common stock will be 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. As of February 28, 2014, Shamrock had approximately $91 million in assets, $56 million in loans and $79 million in deposits. The Office of the Comptroller of the Currency approved the Merger on January 6, 2014. The Merger was approved by a majority vote of Shamrock shareholders on February 18, 2014. The Merger closed on March 14, 2014 with the issuance to Shamrock shareholders of a right to receive 1,242,244 shares. The value, before contingent consideration, assigned to the transaction was approximately $6.5 million.

NOTE 2. SECURITIES

The amortized cost and fair value of securities available for sale at December 31, 2013 and 2012, respectively, are summarized as follows (dollars in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
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
December 31, 2012:				
Securities Available for Sale				
U.S. Government agencies and				
government sponsored entities	$ 78,365	$ 1,081	$ 19	$ 79,427
Agency mortgage backed securities	42,492	740	-	43,232
Agency collateralized mortgage obligations	9,065	96	-	9,161
State, county and municipal	52,467	425	448	52,444
Corporate bonds	4,305	67	-	4,372
Total	$ 186,694	$ 2,409	$ 467	$ 188,636

Information pertaining to securities available for sale with gross unrealized losses at December 31, 2013 and 2012, 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		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
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
December 31, 2012:						
U.S. Government agencies and						
government sponsored entities	$ 19	$ 6,193	$ -	$ -	$ 19	$ 6,193
State, county and municipal	448	27,786	-	-	448	27,786
	$ 467	$ 33,979	$ -	$ -	$ 467	$ 33,979

As of December 31, 2013, a total of 82 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. Pursuant to the Bank's Other Than Temporary Assessment ("OTTI") Policy, management performed several OTTI assessments, however no OTTI was concluded. The reason for this determination is primarily because the Bank does not intend to sell, nor is the Bank more likely than not to be required to sell these securities. Unrealized losses, by security type, as of December 31, 2013, are further described below:

As of December 31, 2013, 21 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 eight months. The remaining 20 bonds were issued by the Small Business Administration ("SBA"). One of these bonds had remained in a loss position for 18 consecutive months, triggering an OTTI assessment. The bond credit rating is implicit AAA. The bond's small unrealized loss of only -0.67%, combined with the fact the issuer has not defaulted and carried the unconditional full faith and credit guarantee of the U.S. Government, led management to conclude that the unrealized loss within this security was not other-than-temporary. Since the remaining SBA bonds were AAA rated and no bond had remained in a loss position longer than 10 consecutive months, management concluded that the unrealized losses within the agency securities were not other-than-temporary.

As of December 31, 2013, 17 mortgage-backed securities were in unrealized loss positions. The longest any of these bonds had remained in a loss position was 11 months. Management concluded that the unrealized losses within the MBS securities were not other-than-temporary.

One collateralized mortgage obligation bond issued by the Federal Home Loan Mortgage Corporation ("FHLMC") had remained in a loss position for only two months. Management concluded that the unrealized loss within this fixed rate CMO was not other-than-temporary.

As of December 31, 2013, six corporate bonds were in unrealized loss positions. The longest any of these bonds had remained in a loss position was 10 months. Management concluded that the unrealized losses within the corporate bond portfolio were not other-than-temporary.

As of December 31, 2013, 37 taxable municipal bonds were in unrealized loss positions, and seven of these bonds had remained in unrealized loss positions for 12 months or longer. Management performed OTTI assessments on 10 municipal bonds, concluding that the unrealized losses within the taxable municipal securities were not other-than-temporary. Management employed multiple techniques to assess the underlying credit quality of the bonds in the municipal portfolio. Pre-purchase, the bonds were analyzed geographically to avoid regions of the country which concern management, e.g., California. Post-purchase, management checks credit ratings by issue to detect downgrades. Next, management reviews the most recent financial statements of each municipal issue. Finally, the Credit department performs an annual review of the demographics of each state or municipality to reveal negative trends. These assessments revealed no credit quality concerns.

The amortized cost and fair value of securities at December 31, 2013 by contractual maturities are shown below (dollars in thousands).

	Securities Available for Sale	
December 31, 2013:	**Amortized Cost**	**Fair Value**
Due within one year	$ 1,298	$ 1,302
Due after one year through five years	47,638	47,543
Due after five years through ten years	88,117	85,328
Due over ten years	48,227	45,419
Total	$ 185,280	$ 179,592

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. During the year ended December 31, 2012, the Bank sold securities with gross gains of $2.3 million and gross losses of $266,000.

At December 31, 2013 and December 31, 2012, respectively, securities with a carrying value of $53.4 million and $54.4 million were pledged to the State of Florida as collateral for deposits of public entities.

At December 31, 2013 and December 31, 2012, respectively, securities with a carrying value of $75.3 million and $58.9 million were pledged as collateral for customer repurchase agreements.

NOTE 3. LOANS, ALLOWANCE AND ASSET QUALITY

The composition of net loans is as follows at December 31, 2013 and 2012, respectively (dollars in thousands).

	For the Years Ended December 31,			
	2013		2012	
Residential single and multifamily	$ 206,131	42%	$ 134,230	38%
Commercial real estate	209,559	43%	159,396	45%
Construction loans	40,399	8%	27,486	8%
Commercial and industrial	22,459	5%	18,045	5%
Consumer installment loans	10,771	2%	12,479	4%
	489,319	100%	351,636	100%
Less allowance for loan losses	(6,560)		(5,082)	
Net loans	$ 482,759		$ 346,554	

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, 2013 and 2012, 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 12/31/13:						
Allowance For Loan Losses						
Originated Loans:						
Beginning Balance	$ 828	$ 1,515	$ 789	$ 318	$ 162	$ 3,612
Provision	414	1,070	(246)	384	(12)	1,610
Charge Offs	-	-	-	-	39	39
Recoveries	-	-	-	-	25	25
Ending Balance Originated Loans:	$ 1,242	$ 2,585	$ 543	$ 702	$ 136	$ 5,208
Acquired Loans:						
Beginning balance	307	1,081	36	44	2	1,470
Provision	59	(186)	10	36	(1)	(82)
Charge Offs	-	-	-	36	-	36
Recoveries	-	-	-	-	-	-
Ending Balance Acquired Loans:	$ 366	$ 895	$ 46	$ 44	$ 1	$ 1,352
Ending Balance Total Allowance:	$ 1,608	$ 3,480	$ 589	$ 746	$ 137	$ 6,560
The Bank's activity in the allowance for loan losses is summarized below for the year ended 12/31/12:						
Allowance For Loan Losses						
Originated Loans:						
Beginning Balance	$ 398	$ 485	$ 604	$ 221	$ 135	$ 1,843
Provision	430	1,030	185	97	87	1,829
Charge Offs	-	-	-	-	109	109
Recoveries	-	-	-	-	49	49
Ending Balance Originated Loans:	$ 828	$ 1,515	$ 789	$ 318	$ 162	$ 3,612
Acquired Loans:						
Beginning balance	219	922	43	23	7	1,214
Provision	166	161	110	21	15	473
Charge Offs	100	2	117	-	20	239
Recoveries	22	-	-	-	-	22
Ending Balance Acquired Loans:	$ 307	$ 1,081	$ 36	$ 44	$ 2	$ 1,470
Ending Balance Total Allowance:	$ 1,135	$ 2,596	$ 825	$ 362	$ 164	$ 5,082

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 year ended December 31, 2013.

The following tables illustrate certain information with respect to our allowance for loan losses and the composition of impaired loans as of December 31, 2013 and 2012, 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, 2013:						
Individually evaluated for impairment	$ 38	$ 903	$ 37	$ 437	$ -	$ 1,415
Collectively evaluated for impairment	1,419	2,285	547	300	137	4,688
Acquired with deteriorated credit quality	151	292	5	9	-	457
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 Bank's allowance for loan losses impairment evaluation at December 31, 2012:						
Individually evaluated for impairment	$ 95	$ 337	$ -	$ 115	$ -	$ 547
Collectively evaluated for impairment	1,025	2,259	825	247	164	4,520
Acquired with deteriorated credit quality	15	-	-	-	-	15
Ending Balance Total Allowance:	$ 1,135	$ 2,596	$ 825	$ 362	$ 164	$ 5,082
The Bank's loan balances based on impairment evaluation at December 31, 2012:						
Individually evaluated for impairment	$ 1,296	$ 5,486	$ 441	$ 1,263	$ 45	$ 8,531
Collectively evaluated for impairment	127,373	143,688	26,161	16,770	12,434	326,426
Acquired with deteriorated credit quality	5,561	10,222	884	12	-	16,679
Ending Balance Total Loans:	$ 134,230	$ 159,396	$ 27,486	$ 18,045	$ 12,479	$ 351,636

The below tables represent the loan portfolio, segmented by risk factors, as of December 31, 2013 and 2012, respectively (dollars in thousands). Categories with no assigned loans have been omitted from this table.

As of December 31, 2013	Residential Single & Multifamily	Commercial Real Estate	Construction Loans	Commercial and Industrial	Consumer and Other	Total Loans
Originated Loans:						
Risk Free	$ -	$ -	$ -	$ 1,953	$ 142	$ 2,095
Excellent	-	-	-	675	1,743	2,418
Good	7,229	39,777	8,534	2,812	77	58,429
Satisfactory	181,984	143,781	29,098	11,152	8,711	374,726
OLEM	-	-	785	3,150	37	3,972
Substandard	939	3,823	-	1,737	-	6,499
Sub-total	190,152	187,381	38,417	21,479	10,710	448,139
Acquired Loans:						
Satisfactory	12,011	15,849	407	937	61	29,265
OLEM	2,426	823	411	21	-	3,681
Substandard	1,542	5,506	1,164	22	-	8,234
Sub-total	15,979	22,178	1,982	980	61	41,180
Total	**$ 206,131**	**$ 209,559**	**$ 40,399**	**$ 22,459**	**$ 10,771**	**$ 489,319**

As of December 31, 2012	Residential Single & Multifamily	Commercial Real Estate	Construction Loans	Commercial and Industrial	Consumer and Other	Total Loans
Originated Loans:						
Risk Free	$ -	$ -	$ -	$ 319	$ 202	$ 521
Excellent	-	726	-	675	1,404	2,805
Good	4,920	23,097	3,536	2,906	118	34,577
Satisfactory	100,419	92,723	22,334	11,771	10,456	237,703
OLEM	-	4,965	-	1,263	11	6,239
Substandard	-	-	-	-	18	18
Sub-total	105,009	120,489	25,870	16,934	11,845	280,147
Acquired Loans:						
Excellent	-	-	-	319	-	319
Good	14,293	23,962	1,175	619	114	40,163
Satisfactory	14,292	9,130	-	83	122	23,627
OLEM	306	3,241	441	39	34	4,061
Substandard	-	1,552	-	51	-	1,603
Sub-total	28,891	37,885	1,616	1,111	270	69,773
Total	**$ 134,230**	**$ 159,396**	**$ 27,486**	**$ 18,045**	**$ 12,479**	**$ 351,636**

The Bank applies internal risk ratings to all loans on a scale of 1 to 9. A description of the general characteristics of the nine risk grades are as follows:

1-Risk Free – Loans are of the highest quality. Very sound financial position, high liquidity, little or no leverage, strong capital position and cash flow, superior management, seasoned stable industry, unqualified audits. Refinancing is easily available at virtually any bank. Any loan fully secured by short term government or cash deposits.

2-Excellent – Excellent loans run from the upper end to the middle of the high quality range. Sound financial position, good liquidity, modest leverage, good cash flow, experienced management and good trends in established business. Generally receive unqualified audits. Refinancing available at most banks. Real estate loans with strong loan to value and debt service coverage ratios. Marketable collateral values substantiated, strong and liquid.

3-Good – Good financial condition, liquidity and a history of earnings with indications that the trend will continue, typical of industry. Working capital or cash flow sufficient to repay debt as scheduled. Handles credit needs in a satisfactory manner. Real estate loans with acceptable loan to value and debt service coverage ratios. Marketable collateral values substantiated and adequate. Secured loans granted to high net worth individuals with adequate liquidity to support the loans. Adequate liquidity will be calculated as cash and or marketable securities equal to the amount of the loan granted to the borrower. Secured loans granted to high net worth individuals with adequate liquidity to support the loans. Adequate liquidity will be calculated as cash and or marketable securities equal to the amount of the loan granted to the borrower.

4-Satisfactory – An established borrower that represents a reasonable credit risk. Satisfactory loans run from medium to lower medium quality range. Financial condition and performance is acceptable, but may be subject to significant fluctuations. During periods of economic downturn, the financial condition may become unstable. May include borrowers growing rapidly with high leverage. Secondary sources of repayment require significant attention and may include close monitoring of a borrowing base or comprehensive loan covenant protection. This category will frequently include loans that:

- Require special monitoring of any kind, such as wholesale auto financing (floor plans).
- Are guaranteed by an agency of the U.S. government such as the SBA.
- Involve speculative construction of the collateral.
- Involve an average borrower in a highly cyclical industry such as machine shops or construction.

5-Watch – Watch Loans identify borrowers who are significantly uncertain in their ability to maintain or improve their financial performance. Loans are of minimum acceptable quality. Financial condition is unstable and shows minimally acceptable support for credit accommodation. Historic financial performance may be inconsistent or uncertain. Borrower has demonstrated the ability to meet all contractual obligations; however, payments may at times be delayed. Secondary sources of repayment are adequate, but weakened somewhat by lack of liquidity or properly documented value.

This category will frequently include loans that:

- Lack adequate successor management. Also, management expertise is limited to technical areas, while demonstrated weaknesses are found in finance or administration.
- Involve administrative and handling costs which may be above average for the portfolio.
- Have no current financial statements and which are not fully secured by cash or marketable securities. Since an accurate assessment of an appropriate loan risk rating cannot be determined, the rating of 5 may be applied by default.
- Liquidity is acceptable, but concentration in non-cash assets puts stress on solvency.
- Infrequent overdrafts are quickly corrected.
- Temporary documentation or collateral weaknesses, such as failure to be named as lender loss payee on insurance.

A specific action plan including measurable benchmarks will be developed by the responsible lender and his supervisor for review. Progress is monitored on an interim basis by the Loan Officer and reported at subsequent reviews as scheduled.

6-OLEM (Other Loans Especially Mentioned) – 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.

OLEM assets have potential weaknesses that may, if not checked or corrected, weaken the asset or inadequately protect the institution's position at some future date. These assets pose elevated risk, but their weakness does not yet justify a substandard classification. Borrowers may be experiencing adverse operating trends:

- Declining revenues or margins
- An ill-proportioned balance sheet
  - Example: increasing inventory without an increase in sales, high leverage, tight liquidity).
- Adverse economic or market conditions,
  - Such as interest rate increases or entry of new competitor, may also support a OLEM rating

- Non-financial reasons:
    - Management problems
    - Pending litigation,
    - An ineffective loan agreement
    - other material structural weakness

The OLEM rating is designed to identify a specific level of risk and concern about asset quality. Although an OLEM asset has a higher probability of default than a pass asset, its default is not imminent.

7-Substandard – A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so, classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Substandard assets have a high probability of payment default, or they have other well-defined weaknesses. They require more intensive supervision by bank management.

Substandard assets are generally characterized by:

- current or expected unprofitable operations
- inadequate debt service coverage
- inadequate liquidity
- marginal capitalization

Repayment may depend on collateral or other credit risk mitigates. For some substandard assets, the likelihood of full collection of interest and principal may be in doubt; such assets should be placed on nonaccrual. Although substandard assets in the aggregate will have a distinct potential for loss, an individual asset's loss potential does not have to be distinct for the asset to be rated substandard.

8-Doubtful – An asset classified doubtful has all the weaknesses inherent in one 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.

A doubtful asset has a high probability of total or substantial loss, but because of specific pending events that may strengthen the asset, its classification as loss is deferred. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity. Pending events can include:

- Mergers
- Acquisitions
- Liquidations
- Capital injections
- The perfection of liens on additional collateral
- The valuation of collateral
- Refinancing

Generally, pending events should be resolved within a relatively short period and the ratings will be adjusted based on the new information. Because of high probability of loss, nonaccrual accounting treatment is required for doubtful assets.

9-Loss – Assets classified loss are considered uncollectible and such little value that their continuance as bankable assets is not warranted. This classification does not mean that the assets has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

With loss assets, the underlying borrowers are often in bankruptcy, have formally suspended debt repayments, or have otherwise ceased normal business operations. Once an asset is classified loss, there is little prospect of collecting either its principal or interest. When access to collateral, rather than value of collateral, is the problem, a less severe classification may be appropriate. However, banks should not maintain an asset on the balance sheet it

realizing its value would require long-term litigation or other lengthy recovery efforts. Losses are to be recorded in the period an obligation becomes uncollectible.

Below are the statistics for past due and non-accrual loans, by portfolio segment, as of December 31, 2013 and 2012, respectively (dollars in thousands).

As of December 31, 2013	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	$ 213	$ -	$ -	$ -	$ 213	$ 189,939	$ 190,152	$ -
Commercial real estate	-	-	-	3,823	3,823	183,558	187,381	1,926
Construction loans	-	-	-	-	-	38,417	38,417	-
Commercial and industrial	-	-	-	1,737	1,737	19,742	21,479	1,178
Consumer and other	156	39	-	-	195	10,515	10,710	-
Acquired Loans:								
Commercial real estate	-	-	-	2,267	2,267	19,911	22,178	2,258
Residential, consumer and other	1,337	-	-	750	2,087	16,915	19,002	650
Total Loans	**$ 1,706**	**$ 39**	**$ -**	**$ 8,577**	**$ 10,322**	**$ 478,997**	**$ 489,319**	**$ 6,012**
As of December 31, 2012								
Originated Loans:								
Residential single & multifamily	$ -	$ -	$ -	$ -	$ -	$ 105,339	$ 105,339	$ -
Commercial real estate	-	-	-	-	-	121,511	121,511	1,298
Construction loans	-	-	-	-	-	25,870	25,870	-
Commercial and industrial	-	-	-	2,561	2,561	14,373	16,934	1,263
Consumer and other	191	10	-	18	219	11,990	12,209	-
Acquired Loans:								
Commercial real estate	-	-	-	3,134	3,134	34,751	37,885	3,134
Residential, consumer and other	-	-	-	441	441	31,447	31,888	441
Total Loans	**$ 191**	**$ 10**	**$ -**	**$ 6,154**	**$ 6,355**	**$ 345,281**	**$ 351,636**	**$ 6,136**

The following is a summary of information pertaining to impaired loans for the years ended December 31, 2013 and 2012, respectively (dollars in thousands).

	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	$ 10,081	$ 97

	As of December 31, 2012			For the Year Ended December 31, 2012	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance Recorded:					
Residential single & multifamily	$ 866	$ 866	$ -	$ 910	$ 10
Commercial real estate	1,827	2,685	-	1,864	7
Construction loans	441	558	-	406	-
Commercial and industrial	1,263	1,263	-	1,338	-
Consumer and other	45	45	-	64	4
With An Allowance Recorded:					
Residential single & multifamily	430	430	95	429	14
Commercial real estate	3,659	3,659	452	3,702	-
Construction loans	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total:					
Residential single & multifamily	1,296	1,296	95	1,339	24
Commercial real estate	5,486	6,344	452	5,566	7
Construction loans	441	558	-	406	-
Commercial and industrial	1,263	1,263	-	1,338	-
Consumer and other	45	45	-	64	4
	$ 8,531	$ 9,506	$ 547	$ 8,713	$ 35

The following is a summary of information pertaining to loans modified as troubled debt restructurings for the periods listed below (dollars in thousands).

Troubled Debt Restructurings	**As of December 31, 2013**	**2012**
Commercial Real Estate:		
Number of loans	-	3
Pre-modification balances outstanding	$ -	$ 3,860
Post-modification balances outstanding	$ -	$ 3,359
Commercial and Industrial		
Number of loans	-	1
Pre-modification balances outstanding	$ -	$ 1,429
Post-modification balances outstanding	$ -	$ 1,263
Single and Multi-Family Residential		
Number of loans	-	3
Pre-modification balances outstanding	$ -	$ 2,021
Post-modification balances outstanding	$ -	$ 2,018
Construction Loans:		
Number of loans	-	1
Pre-modification balances outstanding	$ -	$ 580
Post-modification balances outstanding	$ -	$ 441
Consumer Loans:		
Number of loans	-	1
Pre-modification balances outstanding	$ -	$ 30
Post-modification balances outstanding	$ -	$ 30
Total Loans:		
Number of loans	-	9
Pre-modification balances outstanding	$ -	$ 7,920
Post-modification balances outstanding	$ -	$ 7,111

There were no troubled debt restructings during the year ended December 31, 2013. The Bank restructured nine loans during the period ended December 31, 2012. Five commercial loans with carrying balances totaling $5 million were modified with terms that included rate reductions between 100 to 150 basis points, forbearance agreements and one loan was restructured from amortizing to interest only. Three loans secured by 1-4 residential properties totaling $2 million were modified by forbearance agreements and renewals extending terms between 36 to 42 months. Lastly, a forbearance agreement was imposed upon a small consumer loan totaling $30,000 held by a borrower with an impaired residential loan.

There were no loans classified as troubled debt restructurings that re-defaulted during the period of 12 months from their modification date.

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

	December 31, 2013	December 31, 2012
Commercial real estate	$ 540	$ 1,434
Construction and land loans	116	1,251
Total	$ 656	$ 2,685

	December 31, 2013	December 31, 2012
Balance at January 1	$ 2,685	$ 799
Transfers of loans	56	313
Fair value of other real estate owned acquired	-	2,852
Write downs	(154)	(105)
(Loss)/gain on sale	(53)	10
Dispositions	(1,878)	(1,184)
Balance at December 31	$ 656	$ 2,685

Loans Acquired with Deteriorated Credit Quality

Loans acquired in business combinations 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, 2013	December 31, 2012
Commercial real estate	$ 8,434	$ 10,222
Construction loans	1,295	884
Commercial and industrial	115	12
Residential single & multifamily	4,255	5,561
	$ 14,099	$ 16,679

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, 2013	December 31, 2012
Contractually required principal and interest	$ 23,914	$ 28,711
Nonaccretable difference	(3,867)	(5,482)
Cash flows expected to be collected	20,047	23,229
Accretable yield	(5,948)	(6,550)
Fair value	$ 14,099	$ 16,679

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

	December 31, 2013	December 31, 2012
Balance at beginning of year	$ 6,550	$ -
Additions through acquisition		1,698
Reclassification from non-accretable difference	2,104	5,198
Accretion	(2,124)	(200)
Other net activity (1)	(582)	(146)
Balance at end of year	$ 5,948	$ 6,550

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

NOTE 4. 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 segment. Fair value of the Bank's single reporting segment 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, 2013.

Intangible assets subject to amortization include the Bank's trademarked logo and core deposit intangibles recorded with the acquisition of Royal. The carrying amount of these assets was $180,000 at December 31, 2013. The trademarked logo is being amortized over a period of 20 years. The core deposit intangible is being amortized over five years.

NOTE 5. 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 $102 million in remaining credit availability at December 31, 2013. All borrowings must be fully secured with eligible collateral. The Bank had $138 and $76 million, respectively, in eligible loans pledged as collateral for advances listed in the schedules below at December 31, 2013 and 2012 (dollars in thousands).

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	**Term**	**Maturity Date**	**Interest Rate**	**Advance Amount**
Fixed rate advance	6 months	03/20/14	0.21%	$ 10,000
Average weighted rate			0.21%	$ 10,000

As of December 31, 2012

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	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%	$ 16,000

The Bank had total available credit of $43 million under unsecured federal funds lines of credit with three correspondent banks at December 31, 2013. On February 6, 2014, a fourth correspondent bank issued an unsecured

federal funds line of credit for $10 million, increasing the total available credit to $53 million. There were no borrowings outstanding under the agreements at December 31, 2013 or 2012.

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 $77 million and $57 million in such accounts as of December 31, 2013 and 2012, respectively.

NOTE 6. INCOME PER SHARE

Basic income per share represents the net loss 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 is no dilutive effect from stock options or warrants. There were a total of 1,884,193 and 1,884,243 outstanding warrants and options at December 31, 2013 and 2012, respectively, excluded from the calculation of diluted income per share because the effect would be anti-dilutive.

	For the Years Ended December 31,	
Income Per Common Share	**2013**	**2012**
Basic		
Weighted average number of shares of common stock outstanding - basic:	14,333,570	14,122,150
Basic income per share	$ 0.77	$ 0.01
Diluted		
Weighted average number of shares of common stock outstanding:	14,333,570	14,122,150
Effect of dilutive convertible preferred shares	126,573	28,704
Weighted average number of shares of common stock outstanding - diluted:	14,460,143	14,150,854
Diluted income per share	$ 0.77	$ 0.01

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 126,573 preferred shares outstanding at December 31, 2013 and 2012, 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 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 7. PREMISES AND EQUIPMENT

The major classes of premises and equipment and total accumulated depreciation and amortization at December 31, 2013 and 2012, respectively, are as follows (dollars in thousands).

	As of December 31,	
	2013	2012
Land	$ 3,034	$ 3,034
Buildings and improvements	14,432	12,026
Leasehold improvements	2,425	2,183
Furniture, fixtures and office equipment	2,066	1,946
Computer equipment	1,338	1,157
Computer software	1,252	1,059
Automobiles	161	131
Signs	68	57
	24,776	21,593
Less accumulated depreciation and amortization	4,607	3,368
Plus construction in progress	206	258
Premises and equipment, net	$ 20,375	$ 18,483

NOTE 8. COMMITMENTS AND CONTINGENCIES

The Bank leases certain branch facilities under non-cancelable operating leases expiring from 2014 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, 2013 were as follows (dollars in thousands).

Year Ending December 31,	Amount
2014	$ 478
2015	437
2016	461
2017	476
2018	492
Thereafter	544
	$ 2,888

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, 2013		December 31, 2012	
Commitments to extend credit	$	87,366	$	45,088
Letters of credit	$	160	$	181

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, 2013.

NOTE 9. TIME DEPOSITS

At December 31, 2013 and 2012, respectively, the scheduled maturities of time deposits are as follows (dollars in thousands).

December 31, 2013:		≤ 3 Mths		3-6 Mths		6 Mths-1 Yr		1-3 Yrs		> 3 Yrs		Total
Time deposits < $100,000	$	8,021	$	5,877	$	20,492	$	1,694	$	858	$	36,942
Time deposits ≥ $100,000		32,914		12,973		62,393		18,844		4,077		131,201
Total	$	40,935	$	18,850	$	82,885	$	20,538	$	4,935	$	168,143

December 31, 2012:		< 3 Mths		3-6 Mths		6 Mths-1 Yr		1-3 Yrs		> 3 Yrs		Total
Time deposits < $100,000	$	4,257	$	4,996	$	12,829	$	10,414	$	767	$	33,263
Time deposits ≥ $100,000		10,801		6,065		39,285		49,931		4,181		110,263
Total	$	15,058	$	11,061	$	52,114	$	60,345	$	4,948	$	143,526

NOTE 10. 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, 2013 was concentrated in loans secured by real estate. Residential first mortgages and home equity lines of credit represent 39% of gross loans or approximately $195 million. Commercial real estate comprises 43% of gross loans or approximately $209 million.

At December 31, 2013, the Bank had no significant concentrations of credit risk with any individual counterparty.

At December 31, 2013, deposits and/or repurchase agreements of two customers individually exceeded 5% of total deposits. These deposits totaled approximately $87 million or 14% of total deposits and repurchase agreements. Of the $87 million, $45 million is represented by term CDs with the State of Florida. These deposits are deemed to be core relationships, as these accounts are all with the State and local community based businesses. Management does not view this concentration as a liquidity risk. The interest rate paid on these deposits ranges between 0.40% and 0.65%.

NOTE 11. EMPLOYEE BENEFITS

The Bank 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 expense recorded for the years ended December 31, 2013 and 2012, related to this plan were $378,000 and $313,000, respectively.

NOTE 12. STOCK OPTIONS AND WARRANTS

Under the terms of the plans, employees' options generally vest over a period of three years and have a life of ten years. The directors' options generally vest over five years and have a life of ten years. New shares will be issued upon the exercise of options.

The Company has two stock option plans, one for (i) directors and one for (ii) officers and employees, with options outstanding at December 31, 2013 of 185,856 and 64,944, respectively. 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 1,195,219 options available for grant between the plans. With the closing of the reorganization on September 25, 2012, the Company adopted both of the stock option plans (which had formerly been plans of the Bank), and issued Company stock options (and warrants) on a one-for-one basis to option and warrant holders of the Bank.

As of December 31, 2013, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the two plans.

No stock based compensation awards were granted during the periods ended December 31, 2013 or 2012, respectively.

The following table presents the activity of the Company's outstanding stock options and warrants, for the periods ended December 31, 2013 and 2012, respectively.

	For the Years Ended December 31,			
	2013		2012	
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	254,496	$ 7.58
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options repurchased	-	-	-	-
Options expired	-	-	(3,696)	7.58
Options outstanding, end of period	250,800	$ 7.58	250,800	$ 7.58
Exercisable at end of period	250,800	$ 7.58	250,800	$ 7.58
Weighted Average Remaining Contractual Term		4.29 years		5.29 years
STOCK WARRANTS:				
Warrants outstanding, beginning of period	1,633,443	$ 10.00	1,633,443	$ 10.00
Warrants exercised	(50)	10.00	-	-
Warrants repurchased	-	-	-	-
Warrants expired	-	-	-	-
Warrants outstanding, end of period	1,633,393	$ 10.00	1,633,443	$ 10.00
Exercisable at end of period	1,633,393	$ 10.00	1,633,443	$ 10.00
Weighted Average Remaining Contractual Term		3.73 years		4.73 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 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.

NOTE 13. 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, 2013, 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, 2013.

At December 31, 2013, 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, 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 National Bank of the Gulf Coast						
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
As of December 31, 2012:						
TGR Financial, Inc.						
Total capital (to risk weighted assets):	$ 65,034	18.02 %	$ 28,867	8.00 %	N/A	N/A %
Tier I capital (to risk weighted assets):	60,517	16.77	14,434	4.00	21,651	6.00
Tier I capital (to average assets):	60,517	10.33	23,436	4.00	29,295	5.00
First National Bank of the Gulf Coast						
Total capital (to risk weighted assets):	$ 63,975	17.73 %	$ 28,866	8.00 %	$ 36,083	10.00 %
Tier I capital (to risk weighted assets):	59,458	16.48	14,433	4.00	21,650	6.00
Tier I capital (to average assets):	59,458	10.15	23,436	4.00	29,295	5.00

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 14. 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 $36.2 million and $40.7 million at December 31, 2013 and 2012, respectively.

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

	For the Years Ended December 31,	
	2013	**2012**
Beginning balance	$ 2,321	$ 3,201
New originations	-	-
Paydowns	(196)	(880)
Ending balance	$ 2,125	$ 2,321

NOTE 15. 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, 2013 and 2012, 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, 2013:	**Level 1**	**Level II**	**Level III**	
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
December 31, 2012:				
Assets				
U.S. Government agencies and				
government sponsored entities	$ -	$ 79,427	$ -	$ 79,427
Agency mortgage backed securities	-	43,232	-	43,232
Agency collateralized mortgage obligations	-	9,161	-	9,161
State, county and municipal	-	52,444	-	52,444
Corporate bonds	-	4,372	-	4,372
Total Assets	$ -	$ 188,636	$ -	$ 188,636

There were transfers of 18 taxable municipal securities from Level III to Level II during the year ended December 31, 2012. It has been concluded the assumptions used to price these securities, (the taxable municipals transferred into Level III during the year ended December 31, 2011), included quoted prices for similar assets, therefore representing observable inputs. The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level III) for the periods indicated (dollars in thousands).

	December 31, 2013	December 31, 2012
Beginning balance of recurring Level III assets	$ -	$ 14,780
Total realized and unrealized gains (losses):		
Included in earnings - realized	-	244
Included in earnings - unrealized	-	-
Included in other comprehensive income	-	176
Proceeds from maturities and payments, net	-	-
Level III assets sold, net of realized gains (losses)	-	(3,165)
Transfers into Level III	-	-
Transfers out of Level III	-	(12,035)
Total Assets	$ -	$ -

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, 2013 and 2012, 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, 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			
December 31, 2012:				
Collateral dependent impaired loans	$ 8,531	Appraisal of collateral	Appraisal and liquidation adjustments	0% to -10% (-10%)
Other real estate owned	2,685	Appraisal of collateral	Appraisal and liquidation adjustments	0% to -30% (-30%)
Total Assets	$ 11,216			

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Bank's financial instruments at December 31, 2013 and 2012, 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, 2013			
Financial assets:	**Carrying Amount**	**Level I**	**Level II**	**Level III**	**Total**
Cash and interest bearing balances due from banks	$ 12,902	$ 12,902			$ 12,902
Bank certificates of deposit	3,565		3,565		3,565
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		534,283		534,283
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

		Fair Value Measurements at December 31, 2012			
Financial assets:	**Carrying Amount**	**Level I**	**Level II**	**Level III**	**Total**
Cash and interest bearing balances due from banks	$ 36,733	$ 36,733	$ -	$ -	$ 36,733
Bank certificates of deposit	8,930		8,930		8,930
Federal Reserve Bank and Federal Home Loan Bank stock	3,439			3,439	3,439
Loans, net	346,554		326,926	16,679	343,605
Loans held for sale	-		-		-
Accrued interest receivable	1,777		1,777		1,777
Financial liabilities:					
Deposits	469,237		467,198		467,198
Securities sold under agreements to repurchase	57,206		57,207		57,207
Borrowings	16,000		15,893		15,893
Accrued interest payable	604		604		604

NOTE 16. 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, 2013 and 2012, respectively, are as follows (dollars in thousands).

	For the Years Ended December 31,					
	2013			2012		
Income tax (benefit) at statutory rate	$	792	34.0%	$	54	34.0%
Increase (decrease) in tax resulting from:						
State income taxes, net of Federal tax benefit		88	3.8%		12	7.6%
Prior year true up adjustment		(32)	-1.4%		-	
Permanent differences		33	1.4%		60	37.3%
Change in valuation allowance not related to other comprehensive income		(9,635)	-413.7%		(126)	-60.2%
Total income taxes	**$**	**(8,754)**	**-375.9%**	**$**	**-**	**18.7%**

The components of the provision for income taxes for the years ended December 31, 2013 and 2012 are as follows:

	For the Years Ended December 31,			
	2013		2012	
Current:				
Federal	$	94	$	-
State		-		-
Current income tax expense/(benefit)	$	94	$	-
Deferred:				
Federal	$	(7,995)	$	-
State		(853)		-
Deferred income tax expense/(benefit)	**$**	**(8,848)**	**$**	**-**
Total income tax expense/(benefit)	**$**	**(8,754)**	**$**	**-**

The Company had net deferred tax assets totaling $11 million as of December 31, 2013. At December 31, 2012, the Company maintained a full valuation reserve for its net deferred tax assets. The valuation reserve was released in full during 2013 based upon the conclusion that it was more likely than not that the Company would be able to fully utilize 100% of its net deferred tax assets. A tax benefit of approximately $9 million was recorded when the valuation allowance was released. 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, 2013 and 2012, respectively, follow:

	As of December 31,	
Deferred tax assets:	**2013**	**2012**
Net operating loss	$ 5,451	$ 5,432
Start-up and organizational costs	2,623	2,911
Allowance for loan losses	2,357	1,793
Branch closing costs	191	417
Stock-based compensation	25	28
Non-accrual loan interest	260	42
Unrealized losses on securities available for sale	2,141	-
Other	275	157
Total deferred tax assets	**13,323**	**10,780**
Valuation allowance	-	(8,904)
Net deferred tax asset	**13,323**	**1,876**
Deferred tax liabilities:		
Premises and equipment	(377)	(271)
Net deferred loan origination costs	(1,449)	(698)
Net unrealized gains on securities	-	(731)
Net purchase price adjustments	(11)	(176)
Total deferred tax liabilities	**(1,837)**	**(1,876)**
Net deferred tax assets	**$ 11,486**	**$ -**

At December 31, 2013, the Company and its subsidiary had federal and Florida net operating losses of approximately $12.7 and $12 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 2026.

The Company and its subsidiary file income tax returns in the U.S. Federal jurisdiction and the state of Florida. The Bank is subject to U.S. Federal or state income tax examinations by tax authorities for tax years 2010-2012.

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, 2013.

The Company and its wholly owned subsidiary will file a consolidated return for both federal and Florida purposes effective September 25, 2012, the date the Reorganization was completed. Prior to September 25, 2012, the Bank and its wholly owned subsidiary filed a consolidated federal and Florida return.

NOTE 17. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Below presented are the parent company only financial statements as of and for the periods ended December 31, 2013 and 2012.

Condensed Statement of Financial Condition

(dollars in thousands)	December 31, 2013	December 31, 2012
Assets:		
Interest bearing balances with affiliate	$ 469	$ 1,066
Equity investment in affiliate	72,840	66,683
Other assets	304	14
Total assets	$ 73,613	$ 67,763
Liabilities and Stockholders' Equity:		
Liabilities:		
Other liabilities	$ 266	$ 21
Shareholders' equity	73,347	67,742
Total liabilities and stockholders' equity	$ 73,613	$ 67,763

Condensed Statement of Operations

(dollars in thousands)	December 31, 2013	December 31, 2012
Income:		
Affiliate interest income	$ 3	$ 1
Total income	3	1
Expense:		
Intercompany salaries and services	250	107
Reorganziation expense	-	802
Other expenses	634	32
Total expense	884	941
Income before income taxes	(881)	(940)
Provision for income taxes	(328)	-
Income before equity in undistributed affiliate earnings	(553)	(940)
Equity in undistributed affiliate earnings	11,647	1,100
Net income	$ 11,094	$ 160

Condensed Statement of Cash Flows

(dollars in thousands)	December 31, 2013	December 31, 2012
Cash Flows From Operating Activities		
Net income	$ 11,094	$ 160
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed affiliate earnings	(11,647)	(1,100)
Net change in other assets	(290)	(14)
Net change in other liabilities	245	20
Net cash used in operating activities	(598)	(934)
Cash Flows From Financing Activities		
Net proceeds from private placement sale of stock	-	2,000
Net proceeds from warrant exercises	1	-
Net cash provided by financing activities	1	2,000
Net increase in cash and cash equivalents	(597)	1,066
Cash and cash equivalents:		
Beginning of period	1,066	-
End of period	$ 469	$ 1,066