FIRST FEDERAL BANCORP, MHC

Parent Company for

First Federal
BANK of FLORIDA

Audited Consolidated Financial Statements

**December 31, 2013 and 2012 and
the Years then Ended**

(Together with Independent Auditors' Report)

HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Orlando
Tampa

Certified Public Accountants

Independent Auditors' Report

The Board of Directors
First Federal Bancorp, MHC
Lake City, Florida:

We have audited the accompanying consolidated financial statements of First Federal Bancorp, MHC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive income, equity and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
March 31, 2014

FIRST FEDERAL BANCORP, MHC AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands)

	At December 31,	
Assets	**2013**	**2012**
Cash and due from banks	$ 19,964	11,705
Interest-bearing deposits with banks	69,722	37,088
Total cash and cash equivalents	89,686	48,793
Time deposits	9,959	10,851
Securities available for sale	219,644	162,144
Securities held to maturity	290	290
Loans held for sale, net	71,815	109,248
Loans, net of allowance for loan losses of $6,854 and $9,079	472,042	481,290
Covered loans, net of discount	25,157	38,425
FDIC loss share receivable	4,111	8,283
Accrued interest receivable	4,946	4,476
Premises and equipment, net	28,457	27,090
Federal Home Loan Bank stock, at cost	1,231	1,603
Foreclosed real estate	3,615	4,795
Income taxes receivable	-	84
Cash surrender value of bank-owned life insurance	27,014	21,801
Mortgage servicing rights, net	21,485	18,146
Other assets	11,590	11,521
Total	$ 991,042	948,840
Liabilities and Equity		
Liabilities:		
Noninterest-bearing demand deposits	189,859	163,824
Interest checking and money-market deposits	412,751	419,417
Savings deposits	48,986	38,425
Time deposits	195,410	179,200
Total deposits	847,006	800,866
Federal Home Loan Bank advances	1,000	3,000
Other borrowings	5,000	5,000
Deferred income taxes	2,126	4,271
Income taxes payable	628	-
Other liabilities	8,614	16,760
Total liabilities	864,374	829,897
Commitments and contingencies (Notes 8, 14 and 21)		
Retained earnings	126,249	115,452
Accumulated other comprehensive income	419	3,491
Total	$ 991,042	948,840

See accompanying Notes to Consolidated Financial Statements.

FIRST FEDERAL BANCORP, MHC AND SUBSIDIARIES

Consolidated Statements of Earnings
(In thousands)

	Year Ended December 31, 2013	2012
Interest income:		
Loans	$ 24,077	26,453
Securities	5,939	6,424
Other	1,092	1,375
Total interest income	31,108	34,252
Interest expense:		
Deposits	1,950	2,624
Borrowings	218	1,099
Total interest expense	2,168	3,723
Net interest income	28,940	30,529
(Credit) provision for loan losses	(200)	8,255
Net interest income after (credit) provision for loan losses	29,140	22,274
Noninterest income:		
Bargain purchase gain on acquisition	2,787	-
Service charges on deposit accounts	4,055	3,834
Other service charges and fees	14,860	13,699
Mortgage banking revenue	3,057	13,173
Gain on sale of securities available for sale	1,022	2,223
Other than temporary impairment of securities available for sale	(97)	(269)
Income from bank-owned life insurance	984	586
Debit card interchange income	2,541	2,404
Other	763	370
Total noninterest income	29,972	36,020
Noninterest expense:		
Salaries and employee benefits	27,278	24,980
Occupancy and equipment	5,766	5,196
Debit card interchange expense	985	805
Printing and office supplies	446	411
Telephone and data communications	1,323	959
Prepayment penalties	-	3,271
Other	7,785	7,409
Total noninterest expense	43,583	43,031
Earnings before income taxes	15,529	15,263
Income taxes	4,732	5,106
Net earnings	10,797	10,157
Less: Dividends paid and declared to noncontrolling interest holders	-	45
Net earnings available to members	$ 10,797	10,112

See accompanying Notes to Consolidated Financial Statements.

FIRST FEDERAL BANCORP, MHC AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended December 31, 2013	2012
Net earnings	$ 10,797	10,157
Other comprehensive (loss) income:		
Change in unrealized gain on securities available for sale:		
Unrealized gain (loss) arising during the period	(4,192)	6,834
Reclassification adjustment for realized gains	(1,022)	(2,223)
Reclassification adjustment for other-than-temporary impairment losses recognized	97	269
Net change in unrealized gain	(5,117)	4,880
Net change in fair value of cash flow hedges	199	117
Total other comprehensive (loss) income before taxes (benefit)	(4,918)	4,997
Deferred income taxes (benefit) on above change	(1,846)	1,871
Total other comprehensive (loss) income	(3,072)	3,126
Comprehensive income	$ 7,725	13,283

See accompanying Notes to Consolidated Financial Statements.

FIRST FEDERAL BANCORP, MHC AND SUBSIDIARIES

Consolidated Statements of Equity

Years Ended December 31, 2013 and 2012
(In thousands)

	Noncontrolling Interest	Retained Earnings	Accumulated Other Compre-hensive Income	Total
Balance at December 31, 2011	$ 20,000	105,340	365	125,705
Net earnings available to members	-	10,112	-	10,112
Net change in unrealized gain on securities available for sale, net of tax liability of $1,830	-	-	3,050	3,050
Net change in unrealized loss on derivative instrument, net of tax liability of $41	-	-	76	76
Retirement of preferred stock to noncontrolling interest holders	(20,000)	-	-	(20,000)
Balance at December 31, 2012	-	115,452	3,491	118,943
Net earnings available to members	-	10,797	-	10,797
Net change in unrealized gain on securities available for sale, net of tax of $1,915	-	-	(3,202)	(3,202)
Net change in unrealized loss on derivative instrument, net of tax of $69	-	-	130	130
Balance at December 31, 2013	$ -	126,249	419	126,668

See accompanying Notes to Consolidated Financial Statements.

FIRST FEDERAL BANCORP, MHC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31, 2013	2012
Cash flows from operating activities:		
Net earnings	$ 10,797	10,157
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
(Credit) provision for loan losses	(200)	8,255
Depreciation	1,983	1,808
Deferred income tax benefit	(299)	(409)
Net amortization of premiums and discounts on securities	2,075	2,717
Net amortization of deferred loan cost	46	68
Gain on sale of securities available for sale	(1,022)	(2,223)
Other than temporary impairment on securities available for sale	97	269
Net loss on sale of foreclosed real estate	211	421
Write-down of foreclosed real estate	550	126
Origination of loans held for sale, net	(793,356)	(1,004,731)
Proceeds from sale of loans held for sale and loan securitizations	831,059	949,018
Mortgage banking revenue	(3,057)	(13,173)
Income from bank-owned life insurance	(984)	(586)
Increase in accrued interest receivable	(470)	(393)
Net increase in mortgage servicing rights	(3,339)	(2,977)
Decrease (increase) in other assets	1,045	(1,421)
Decrease (increase) in income tax receivable	84	(84)
Increase (decrease) in income taxes payable	628	(776)
(Decrease) increase in other liabilities	(8,671)	136
Net cash provided by (used in) operating activities	37,177	(53,798)
Cash flows from investing activities:		
Purchases of securities available for sale	(105,396)	(36,541)
Principal repayments of securities available for sale	31,293	45,392
Maturities and calls of securities available for sale	3,331	500
Net proceeds from sales of securities available for sale	15,872	55,026
Purchase of time deposits	(249)	-
Proceeds from sale of time deposits	-	1,336
Maturities of time deposits	1,141	-
Net decrease (increase) in loans	36,041	(75,743)
Net decrease in covered loans	9,759	10,089
Purchases of premises and equipment, net	(2,145)	(1,795)
Proceeds from sale of foreclosed real estate	5,873	5,740
Redemption of Federal Home Loan Bank stock	372	649
Net cash proceeds received for FDIC loss share receivable	4,172	3,684
Cash proceeds from FDIC assisted transactions	23,900	-
Purchase of bank owned life insurance	(5,000)	-
Proceeds from bank owned life insurance claim	771	-
Net cash provided by investing activities	19,735	8,337
Cash flows from financing activities:		
(Decrease) increase in deposits	(14,019)	41,051
Repayment of Federal Home Loan Bank advances	(2,000)	(9,000)
Decrease in other borrowings	-	(53,313)
Dividends paid to noncontrolling interest holders	-	(45)
Retirement of preferred stock sold to noncontrolling interest	-	(20,000)
Net cash used in financing activities	(16,019)	(41,307)
Net increase (decrease) in cash and cash equivalents	40,893	(86,768)
Cash and cash equivalents at beginning of year	48,793	135,561
Cash and cash equivalents at end of year	$ 89,686	48,793

(continued)

FIRST FEDERAL BANCORP, MHC AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued

(In thousands)

	Year Ended December 31, 2013	2012
Supplemental disclosure of cash flow information –		
Cash paid during the year for:		
Income taxes	$ 3,297	5,297
Interest	$ 2,106	3,743
Noncash transactions:		
Covered loans reclassified to foreclosed real estate	$ 3,509	410
Loans reclassified to foreclosed real estate	$ 1,945	3,093
Net change in unrealized gain on securities available for sale, net of taxes	$ (3,202)	3,050
Net change in unrealized loss on derivative instruments, net of taxes	$ 130	76
Securitization of loans held for sale	$ 859,593	865,751
In connection with the acquisitions the following assets were acquired and liabilities assumed (at fair value):		
Securities available for sale	$ 8,867	-
Loans	$ 28,584	-
Premises and equipment	$ 1,205	-
Other assets	$ 915	-
Deposits	$ 60,159	-
Other liabilities	$ 525	-

See accompanying Notes to Consolidated Financial Statements.

(1) Organization and Summary of Significant Accounting Policies

Organization. First Federal Bancorp, MHC is a federally-chartered, mutual holding company. This company through its subsidiary First Federal Bancorp, Inc. (a federal corporation) ("FFBI") owns a subsidiary First Federal Bank of Florida (the "Bank") which provides a variety of community banking services to individuals and businesses through twenty full-service banking offices in Baker, Columbia, Hamilton, Holmes, Jackson, Lafayette, Manatee, Nassau, Sarasota, Suwannee and Washington Counties, Florida. There is also a retail wholesale loan production office that operates in Duval County. The Bank's deposits are insured up to the applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). Subsidiaries include First Federal Financial Services Corporation ("FFFSC"), an investment advisor, Suwannee Valley Service Corporation, a real estate development company, and Community Tax Stabilization Fund, Inc., formerly FF Purchasing Corporation, a company that invests in tax liens. Collectively the entities are referred to as the "Company."

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP"). The following summarizes the more significant of these policies and practices:

Subsequent Events. Management has evaluated all significant events occurring subsequent to the balance sheet date through March 31, 2014, which is the date the consolidated financial statements were available to be issued, determining no events require additional disclosure in the consolidated financial statements.

Principles of Consolidation. The consolidated financial statements include the accounts of First Federal Bancorp, MHC and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in its near term relate to the determination of whether a security is other-than-temporarily impaired, the allowance for loan losses, valuation of foreclosed real estate and the determination of the FDIC loss share receivable.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Acquisitions. The Company accounted for all its acquisitions using the acquisition method of accounting. The acquisition method of accounting requires the Company to estimate the fair value of the tangible assets and identifiable assets acquired and liabilities assumed. The estimated fair values are based on available information and current economic conditions at the date of acquisition. Fair value may be obtained from independent appraisers, discounted cash flow present value techniques, management valuation models, quoted prices on national markets or quoted market prices from brokers. These fair value estimates will affect future earnings through the disposition or amortization of the underlying assets and liabilities. While management believes the sources utilized to arrive at the fair value estimates are reliable, different sources or methods could have yielded different fair value estimates. Such different value estimates could affect future earnings through different values being utilized for the disposition or amortization of the underlying assets and liabilities acquired.

Cash and Cash Equivalents. For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash, due from banks and interest-bearing deposits with banks, all of which have original maturities of less than ninety days.

The Company may be required under Federal Reserve Board regulations to maintain reserves, generally consisting of cash or noninterest-earning accounts, against its transaction accounts. Required reserves were met by cash on hand at December 31, 2013 and 2012.

Securities. The Company may classify its securities as either trading, held to maturity or available for sale. Trading securities are held principally for resale and recorded at their fair values. Unrealized gains and losses on trading securities are included immediately in earnings. Held-to-maturity securities are those which the Company has the positive intent and ability to hold to maturity and are reported at amortized cost. Available-for-sale securities consist of securities not classified as trading securities nor as held-to-maturity securities. Unrealized holding gains and temporary losses, net of tax, on available-for-sale securities are excluded from earnings and reported in accumulated other comprehensive income. Gains and losses on the sale of securities are determined using the specific-identification method. Premiums and discounts on securities available for sale and held to maturity are recognized in interest income using the interest method over the period to maturity.

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(1) Organization and Summary of Significant Accounting Policies, Continued

Securities, Continued. The Company views the determination of whether an investment security is temporarily or other-than-temporarily impaired as a critical accounting policy, as the estimate is susceptible to significant change from period to period because it requires management to make significant judgments, assumptions and estimates in the preparation of its consolidated financial statements. Management considers whether an investment security is other-than-temporarily impaired. The Company assesses individual securities in its investment securities portfolio for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. An investment is impaired if the fair value of the security is less than its carrying value at the financial statement date. When a security is impaired, the Company then determines whether this impairment is temporary or other-than-temporary. In estimating other-than-temporary impairment ("OTTI") losses, management assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive loss. Management utilizes cash flow models to segregate impairments to distinguish between impairment related to credit losses and impairment related to other factors. To assess for OTTI, management considers, among other things, (i) the severity and duration of the impairment; (ii) the ratings of the security; (iii) the overall transaction structure (the Company's position within the structure, the aggregate, near-term financial performance of the underlying collateral, delinquencies, defaults, loss severities, recoveries, prepayments, cumulative loss projections, and discounted cash flows); and (iv) the timing and magnitude of a break in modeled cash flows.

Loans Held for Sale, Net. Mortgage loans originated and intended for sale in the secondary market are carried at market value in the aggregate. Net unrealized gains and (losses), if any, are recognized through a valuation allowance to earnings.

Loans. Loans management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs.

Loan origination fees are deferred and certain direct origination costs are capitalized. Both are recognized as an adjustment of the yield of the related loan.

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(1) Organization and Summary of Significant Accounting Policies, Continued

Loans, Continued. The accrual of interest on all portfolio classes is discontinued at the time the loan is ninety days delinquent unless the loan is well collateralized and in process of collection. Guaranteed loans that are 90+ days past due and accruing are well secured by guarantees from the U.S. Government and are in the process of collection or being rehabilitated to be held for sale. Guarantees cover the principal basis in these loans and interest will be paid by the guarantor through the claim payment date. Loans which are guaranteed through U.S. Government programs that are in the process of foreclosure are placed on nonaccrual as recovery of the contract interest is no longer covered by the guarantee. Generally claims on guaranteed student loans cannot be filed until the loan has been delinquent more than 270 days. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. There were no changes in the Company's accounting policies or methodology during the years ended December 31, 2013 or 2012.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans, an allowance is established when the discounted cash flows or the collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired and is based on historical loss experience, adjusted for qualitative factors.

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(1) Organization and Summary of Significant Accounting Policies, Continued

Allowance for Loan Losses, Continued. The historical loss component of the allowance is determined by losses recognized by portfolio segment over the preceding two years. This is supplemented by the risks for each portfolio segment. Risk factors impacting loans in each of the portfolio segments include any deterioration of property values, reduced consumer and business spending as a result of continued high unemployment and reduced credit availability and lack of confidence in a sustainable recovery. The historical experience is adjusted for qualitative factors including, economic conditions, industry specific factors, portfolio and other trends or uncertainties that could affect management's estimate of probable losses.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial, commercial real estate and real estate construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer deposit account loans and residential loans for impairment disclosures.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

FDIC Loss Share Receivable. Because the FDIC will reimburse the Company for certain acquired loans should the Company experience a loss, an indemnification asset is recorded at fair value at the acquisition date. The indemnification asset is recognized at the same time as the indemnified loans, and measured on the same basis, subject to collectability or contractual limitations. The shared loss agreements on the acquisition date reflect the reimbursements expected to be received from the FDIC, using an appropriate discount rate, which reflects counterparty credit risk and other uncertainties.

The shared loss agreements continue to be measured on the same basis as the related indemnified loans, and the loss share receivable is impacted by changes in estimated cash flows associated with these loans. Deterioration in the credit quality on expected cash flows of the loans (immediately recorded as an adjustment to the allowance for loan losses) would immediately increase the loss share receivable, with the offset recorded through the consolidated statement of earnings. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the remaining life of the loans) decrease the basis of the shared loss agreements, with such decrease being amortized into income over 1) the life of the loan or 2) the life of the shared loss agreements, whichever is shorter. Loss assumptions used in the basis of the indemnified loans are consistent with the loss assumptions used to measure the indemnification asset.

The shared-loss agreements covered approximately $130.0 million of the loans ("covered loans") and $2.4 million foreclosed real estate acquired by the Bank as of the acquisition date. Under these agreements, the FDIC will cover up to 80% of losses and related costs on the first $51.0 million of losses and 95% of any excess over that amount. Single-family residential real estate loans have a ten year term for losses and nonresidential real estate loans have five year term for losses. Both agreements have a three year recovery period after the term for losses has expired. As of December 31, 2013 and 2012, the amount of net loans covered was $25.2 million and $38.4 million, respectively.

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(1) Organization and Summary of Significant Accounting Policies, Continued

Servicing. Servicing assets are recognized as separate assets when rights are acquired through sale of financial assets. Capitalized servicing rights are amortized in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights compared to amortized cost. Fair value is determined using prices for similar assets with similar characteristics. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the capitalized amount.

Premises and Equipment. Land is carried at cost. Building and improvements and furniture and equipment are carried at cost, less accumulated depreciation computed using the straight-line method over the estimated life of the assets. Interest costs are capitalized in connection with the construction of new banking offices.

Foreclosed Real Estate. Real estate acquired through, or in lieu of, foreclosure, is initially recorded at fair value less selling costs establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the foreclosed real estate is carried at the lower of the new cost basis or fair value less selling costs. Revenue and expenses from operations and changes in the valuation allowance are included in earnings.

Goodwill and Core Deposit Intangibles. Goodwill represents the excess of the acquisition cost over the fair value of the net assets acquired in branch acquisitions or whole bank acquisitions. GAAP requires goodwill to be tested for impairment on an annual basis and between annual tests in certain circumstances, and written down when impaired. Management has internally evaluated goodwill in accordance with GAAP and determined, based on a qualitative assessment, that it is not more-likely-than-not that the fair value of the reporting unit is less than its carrying value as of December 31, 2013 and 2012 and therefore has determined that there was no impairment of goodwill during the years ended December 31, 2013 and 2012. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings. As of December 31, 2013 and 2012 the Company had goodwill in the amount of $1.73 million which is included in other assets in the accompanying consolidated balance sheets.

The core deposit intangibles ("CDI") are intangible assets arising from either branch acquisitions or whole bank acquisitions. CDI are initially measured at fair value and then amortized up to ten years on a straight-line basis using projected decay rates of the underlying core deposits. The principal factors considered when valuing the CDI consist of the following: (1) the rate and maturity structure of the interest bearing liabilities, (2) estimated retention rates for each deposit liability category, (3) the current interest rate environment and (4) estimated noninterest income potential of the acquired relationship. The CDI is evaluated periodically for impairment. As of December 31, 2013 and 2012, the Company determined the CDI was not impaired.

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(1) Organization and Summary of Significant Accounting Policies, Continued

Transfer of Financial Assets. Transfers of financial assets or a participating interest in an entire financial asset 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 Company, (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 (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. A participating interest is a portion of an entire financial asset that (1) conveys proportionate ownership rights with equal priority to each participating interest holder (2) involves no recourse (other than standard representations and warranties) to, or subordination by, any participating interest holder, and (3) does not entitle any participating interest holder to receive cash before any other participating interest holder.

Securities Commissions and Fees. The Bank had a third party marketing contract with Raymond James Financial Services ("Raymond James") for the providing of bank financial services to customers. A company owned by a director of the Company provided staffing and management services to the Bank. Certain employees of this company were dual employees of Raymond James. Raymond James accounted for the revenues, maintained customer account records and provided the Company with a monthly settlement. For the years ended December 31, 2013 and 2012, the Bank received securities commissions and fees of $99,000 and $1,869,000, respectively, and paid $21,000 and $1,759,000, respectively, to the company owned by a director for services rendered as provided by the Management Services Agreement between the Bank and the company. In July of 2013, the Company sold the business unit to a related party resulting in a $500,000 gain on sale which appears in other noninterest income.

Mortgage Banking Revenue. Mortgage banking revenue includes gains on the sale of loans originated for sale, gains on the sale of loans originated for securitization and sale and the fair market value adjustment on loans held for sale at fair value. The Company recognizes mortgage banking revenue from mortgage loans originated and securitized in the consolidated statement of earnings upon sale of the loans.

Income Taxes. There are two components of income taxes: current and deferred. Current income taxes reflect taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income taxes result from changes in deferred tax assets and liabilities between periods.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Income Taxes, Continued. Deferred tax assets 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. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. As of December 31, 2013, management is not aware of any uncertain tax positions that would have a material effect on the Company's consolidated financial statements.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Holding Companies and the Bank file consolidated income tax returns. Income taxes are allocated proportionately to the Holding Company and the Bank as though separate income tax returns were filed.

Off-Balance-Sheet Financial Instruments. In the ordinary course of business the Company has entered into off-balance-sheet financial instruments consisting of unused lines of credit, undisbursed loans in process, commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Derivative Financial Instruments. Derivative financial instruments are recognized as assets or liabilities in the accompanying consolidated balance sheets and measured at fair value.

Interest-Rate Swap Agreements. For asset/liability management purposes, the Company uses interest-rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Such derivatives are used as part of the asset/liability management process and are linked to specific assets or liabilities, and have high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period.

The Company utilizes interest-rate swap agreements to convert a portion of its variable-rate debt to a fixed rate (cash flow hedge). Interest-rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Interest-Rate Swap Agreements, Continued. Interest-rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest- rate risk arising from the assets and liabilities identified as exposing the Company to risk. Those derivative financial instruments that do not meet the hedging criteria discussed below would be classified as trading activities and would be recorded at fair value with changes in fair value recorded in earnings. Derivative hedge contracts must meet specific effectiveness tests (i.e., over time the change in their fair values due to the designated hedge risk must be within 80 to 125 percent of the opposite change in the fair values of the hedged assets or liabilities). Changes in fair value of the derivative financial instruments must be effective at offsetting changes in the fair value of the hedged items due to the designated hedge risk during the term of the hedge. Further, if the underlying financial instrument differs from the hedged asset or liability, there must be a clear economic relationship between the prices of the two financial instruments. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivatives contracts would be closed out and settled or classified as a trading activity.

Hedges of variable-rate debt are accounted for as cash flow hedges, with changes in fair value recorded in derivative assets or liabilities and other comprehensive (loss) income. The net settlement (upon close out or termination) that offsets changes in the value of the hedged debt is deferred and amortized into net interest income over the life of the hedged debt. Hedges of fixed-rate liabilities are accounted for as fair value hedges, with changes in fair value recorded in derivative liabilities and interest income. The net settlement (upon close out or termination) that offsets changes in the value of the liabilities adjusts the basis of the liabilities and is deferred and amortized to interest income over the life of the liability. The portion, if any, of the net settlement amount that did not offset changes in the value of the hedged asset or liability is recognized immediately in noninterest income.

The Company has purchased a swaption which gives the Company the right to enter into an interest rate swap agreement by December 12, 2014. The swaption is considered to be a derivative. Accordingly, the swaption, along with the fees paid are recorded at fair value in derivative assets, with changes in fair value recorded in earnings.

Rate-Lock Commitments and Forward Loan Sale Contracts. The Company enters into commitments to originate loans whereby the interest-rate on the loan is determined prior to funding (rate lock commitments). Rate-lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments, the difference between current levels of interest rates and the committed rates is also considered.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Rate-Lock Commitments and Forward Loan Sale Contracts, Continued. The Company utilizes forward loan sale contracts to mitigate the interest rate risk inherent in the Company's mortgage loan pipeline or rate lock commitments and held-for-sale portfolio. Forward loan sale contracts are contracts for delayed delivery of mortgage loans. The Company agrees to deliver on a specified future date, a specified instrument, at a specified price or yield. However, the contract may allow for cash settlement. The credit risk inherent to the Company arises from the potential inability of counterparties to meet the terms of their contracts. In the event of nonacceptance by the counterparty, the Company would be subject to the credit risk of the loans retained. Such contracts are accounted for as derivatives and, along with related fees paid to investors, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on the estimated amounts that the Company would receive or pay to terminate the commitment at the reporting date.

Fair Value Measurements. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued. The following describes valuation methodologies used for assets and liabilities measured at fair value:

Securities Available for Sale. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include certain residual interests in securitizations and other less liquid securities.

Derivatives. Exchange-traded derivatives that are valued using quoted prices are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of the Company's derivative positions are valued by the Company's investment banker using their models and are classified within Level 2 of the valuation hierarchy. Such derivatives are interest rate swaps and swaptions. Derivatives that are valued based upon models with significant unobservable market parameters and that are normally traded less actively or have trade activity that is one way are classified within Level 3 of the valuation hierarchy and are also valued by the Company's investment banker.

Impaired Loans. The Company's impaired loans are normally collateral dependent and, as such, are carried at the lower of the Company's net recorded investment in the loan or the estimated fair value of the collateral less estimated selling costs. Estimates of fair value are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, fair value estimates for impaired loans is classified as Level 3.

Loans Held for Sale, Net. Loans held for sale, net primarily consist of loans that are valued based on traded market prices of similar assets, a Level 2 measurement.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued.

Foreclosed Real Estate. The Company's foreclosed real estate is recorded at the lower of cost or fair value less estimated selling costs. Estimates of fair values are determined based on a variety of information, including the use of available appraisals, estimates of market value by licensed appraisers or local real estate brokers and the knowledge and experience of the Company's management related to values of properties in the Company's market areas. Management takes into consideration the type, location and occupancy of the property as well as current economic conditions in the area the property is located in assessing estimates of fair value. Accordingly, the fair values estimates for foreclosed real estate are classified as Level 3.

Mortgage Servicing Rights. The fair value of mortgage servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Company is able to compare the valuation model inputs and results to widely available published industry data for reasonableness. Mortgage servicing rights were valued using Level 3 inputs.

Acquired Assets and Assumed Liabilities. All assets acquired and liabilities assumed through acquisitions were recorded at estimated fair value at the date of acquisition. Estimates of fair values were determined based on a variety of information. Acquired assets and assumed liabilities were valued based on estimated cash flows and other unobservable inputs and are classified as Level 3, with the exception of acquired securities which were classified as a Level 2.

Fair Values of Financial Instruments. The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash and Cash Equivalents. The carrying amounts of cash and cash equivalents approximates fair values.

Time Deposits. The carrying amounts of time deposits approximates fair values.

Securities. Fair values for securities held to maturity and available for sale are based on the framework for measuring fair value. The carrying values of Federal Home Loan Bank stock approximates fair value.

Loans Held for Sale, Net. The fair value of loans held for sale, net is based on the framework for measuring fair value.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Fair Values of Financial Instruments, Continued.

Loans and Covered Loans. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for fixed-rate mortgage loans (for example, fixed-rate one-to-four family residential) and consumer loans are estimated by discounting the estimated future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities. Fair values for impaired loans are based on the framework for measuring fair value.

FDIC Loss Share Receivable. The fair value is determined to be projected cash flows from the covered assets based on expected reimbursements for losses at the applicable loss sharing percentages based on the terms of the loss share agreements. Cash flows are discounted to reflect the timing and receipt of the loss sharing reimbursements from the FDIC.

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

Deposits. The fair value estimated for demand deposits (e.g., interest and noninterest-bearing NOW accounts, passbook savings, and money-market accounts) is, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregate expected monthly time deposit maturities.

Federal Home Loan Bank Advances. Fair values of Federal Home Loan Bank advances are estimated by discounting the estimated future cash flows using current rates at which similar advances are offered.

Other Borrowings. These short term liabilities are estimated by discounting the estimated future cash flows using current rates at which similar borrowings are offered.

Derivative Financial Instruments. Fair values for interest rate swap and swaption agreements are based upon the amounts required to settle the contracts. Fair values for commitments to originate loans held for sale, net and forward loan sale contracts are based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considered the difference between current levels of interest rates and the commitment rates.

Off-Balance Sheet Instruments. Fair values of off-balance sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

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

The components of accumulated other comprehensive income are as follows (in thousands):

	At December 31,	
	2013	**2012**
Unrealized gain on securities available for sale	$ 996	6,113
Unrealized loss on fair value of cash flow hedges	(308)	(507)
Gross unrealized amount	688	5,606
Income taxes	269	2,115
Net unrealized amount	$ 419	3,491

Reclassifications. Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 presentation.

Recent Pronouncements. In January 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which limits the scope of the new balance sheet offsetting disclosures in ASU 2011-11 to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement. The adoption of this guidance had no effect on the Company's consolidated financial statements.

In February 2013, the FASB Issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires entities to present information about reclassification adjustments from accumulated other comprehensive income in their annual financial statements in a single note or on the face of the financial statements. This guidance is effective prospectively January 1, 2014. Upon adoption, this guidance is not expected to impact the Company's consolidated financial statements.

In February 2013, the FASB Issued ASU No. 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for obligations within the scope of this ASU, which is effective January 1, 2014. Upon adoption, this guidance is not expected to impact the Company's consolidated financial statements.

(continued)

(1) Organization and Summary of Significant Accounting Policies, Continued

Recent Pronouncements, Continued. In July 2013, the FASB issued ASU No. 2013-10, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes.* ASU No. 2013-10 permits the use of the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge account purposes. The amendment is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of this guidance had no effect on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists,* which among other things, require an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as denoted within the ASU. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Upon adoption, this guidance is not expected to impact the Company's consolidated financial statements.

Recent Regulatory Developments

Basel III Rules. On July 2, 2013, the Federal Reserve Board ("FRB") approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. Under the final rules, minimum requirements will increase for both the quantity and quality of capital held by the Bank. The rules include a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The final rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and require a minimum leverage ratio of 4.0%. The final rules also implement strict eligibility criteria for regulatory capital instruments. On July 9, 2013, the FDIC also approved, as an interim final rule, the regulatory capital requirements for U.S. banks, following the actions of the FRB. The FDIC's rule is identical in substance to the final rules issued by the FRB.

The phase-in period for the final rules will begin for the Bank on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule. The Bank is currently evaluating the provisions of the final rules and their expected impact on the Bank.

(continued)

(2) Acquisitions

During the years ended December 31, 2013 and 2012, the Company and the Bank completed the following acquisitions:

On April 19, 2013, the Bank entered into a purchase and assumption agreement with the FDIC, as a receiver of Chipola Community Bank ("Chipola"), Marianna, Florida. The Bank assumed $36.1 million in liabilities and purchased $29.7 million of Chipola Community Bank's assets and received $6.4 million in cash from the FDIC, which resulted in a bargain purchase gain of $1.7 million. The Bank acquired these assets and assumed these liabilities in order to enhance its branch network. The Bank incurred approximately $10,000 in acquisition expenses which are included in other noninterest expenses.

On October 30, 2013, the Bank entered into a purchase and assumption agreement with the FDIC, as a receiver of The Bank of Jackson County ("Jackson"), Marianna, Florida. The Bank assumed $24.1 million in liabilities and purchased $20.5 million of Jackson's assets and received $3.6 million in cash from the FDIC, which resulted in a bargain purchase gain of $1.1 million. The Bank acquired these assets and assumed these liabilities in order to enhance its branch network. The Bank incurred approximately $10,000 in acquisition expenses which are included in other non-interest expenses.

The table below summarizes the fair value of the assets and liabilities assumed on the date of the acquisitions (in thousands):

	Chipola	Jackson	Total
Assets acquired:			
Cash and due from banks	$ 14,096	9,804	23,900
Securities available for sale	7,867	1,000	8,867
Loans	14,427	14,157	28,584
Premise and equipment	1,205	-	1,205
Other assets	188	727	915
Total assets acquired	37,783	25,688	63,471
Liabilities assumed:			
Deposits	36,069	24,090	60,159
Other liabilities	22	503	525
Total liabilities assumed	36,091	24,593	60,684
Bargain purchase gain	1,692	1,095	2,787
Net assets acquired	$ -	-	-

The Chipola and Jackson acquisition resulted in no purchased credit impaired loans.

(continued)

(3) Securities

Securities have been classified according to management's intention. The carrying amounts of securities and their fair value are summarized as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
At December 31, 2013:				
U.S. Government agency bonds	$ 6,145	-	(208)	5,937
Corporate bonds	1,000	-	(11)	989
Municipal securities	136,953	2,192	(2,758)	136,387
Preferred stock	1	95	-	96
Collateralized mortgage obligations	47,887	2,407	(765)	49,529
SBA pool securities	12,167	17	(42)	12,142
Mortgage-backed securities	14,495	124	(55)	14,564
	$ 218,648	4,835	(3,839)	219,644
At December 31, 2012:				
U.S. Government agency bonds	5,989	3	-	5,992
Municipal securities	72,659	4,494	-	77,153
Preferred stock	1	5	-	6
Collateralized mortgage obligations	60,265	2,516	(935)	61,846
SBA pool securities	7,160	14	(13)	7,161
Mortgage-backed securities	9,957	77	(48)	9,986
	$ 156,031	7,109	(996)	162,144
Securities Held to Maturity:				
At December 31, 2013-				
Corporate bonds	$ 290	-	-	290
At December 31, 2012-				
Corporate bonds	$ 290	130	-	420

(continued)

(3) Securities, Continued

The following summarizes sales of securities (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012
Proceeds	$ 15,872	55,026
Gross gains	1,034	2,553
Gross losses	(12)	(330)
Net gain	$ 1,022	2,223

The scheduled maturities of securities at December 31, 2013 are as follows (in thousands):

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due before one year	$ 3,034	3,063	-	-
Due after one year through five years	21,894	23,093	-	-
Due after five through ten years	105,593	104,088	-	-
Due thereafter	13,577	13,069	290	290
Preferred stock	1	96	-	-
Collateralized mortgage obligations	47,887	49,529	-	-
SBA pools	12,167	12,142	-	-
Mortgage-backed securities	14,495	14,564	-	-
	$ 218,648	219,644	290	290

At December 31, 2013 and 2012, the Company pledged, as collateral for state and municipal deposits and treasury tax and loan accounts, securities with a carrying value of $88,724,000 and $55,357,000, respectively.

(continued)

(3) Securities, Continued

The Company's thirty-one securities available for sale with gross unrealized losses at December 31, 2013, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows (in thousands):

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
U.S. Government agency bonds	$ 208	3,643	-	-
Corporate bonds	11	989	-	-
Municipal securities	2,758	70,261	-	-
Collateralized mortgage obligations	296	19,119	469	11,534
SBA pool securities	15	1,901	27	2,867
Mortgage-backed securities	36	4,158	19	2,635
Total	$ 3,324	100,071	515	17,036

The unrealized losses on investment securities available for sale were caused by market conditions. It is expected that the securities would not be settled at a price less than the par value of the investments. Because the decline in fair value is attributable to changes in market conditions and not credit quality, and because the Company has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

The following tables provide various information regarding the Company's securities deemed other-than-temporarily impaired (in thousands):

	Year Ended December 31,			
	2013		2012	
	Impairment Losses	Fair Value	Impairment Losses	Fair Value
Securities Available for Sale-				
Collateralized mortgage obligations	$ 97	1,045	219	1,170
Securities Held to Maturity-				
Corporate bonds	$ -	-	50	420

(continued)

(3) Securities, Continued

The Company invests in residential Collateralized Mortgage Obligations ("CMO's") included in securities available for sale and corporate bonds held to maturity. The CMO's are, at origination, investment grade, generally AAA. Quarterly, management stress tests all CMO's and corporate bonds via a third party resource that takes into account housing price appreciation (depreciation), interest rates, expected loss trends, both nationally and in geographic areas represented by the CMO and future cash flows of the corporate bonds. These stress tests are done, where data is available, at the individual loan level, as opposed to using averages from services such as Bloomberg. If these stress tests indicate, on a present value basis, the Company will not receive the contracted cash flows; the Company makes an other-than-temporary impairment charge through the consolidated statements of earnings. Based on the lack of an active market and the results of the Company's continuing valuation of the underlying collateral and cash flows of these securities, these securities have been deemed as other-than-temporarily impaired. Based on current accounting policies, the portion of losses deemed as credit losses is charged against earnings and the portion deemed as non-credit losses is included in other comprehensive (loss) income. As of December 31, 2013, the Company's management does not intend to sell these securities, nor is it more likely than not that the Company will be required to sell the securities for liquidity or other reasons.

The table below provides a cumulative roll forward of credit losses recognized in earnings relating to the Company's debt securities deemed other-than-temporarily impaired (in thousands):

	Year Ended December 31, 2013	2012
Estimated credit losses, beginning balance	$ 4,412	4,143
Additions for credit losses not previously recognized	97	269
Estimated credit losses, ending balance	$ 4,509	4,412

The Company will continue to evaluate the investment ratings in the securities portfolio, severity in pricing declines, market price quotes along with timing and receipt of amounts contractually due. Based upon these and other factors, the securities portfolio may experience further impairment.

(continued)

(4) Loans

The components of loans are summarized as follows (in thousands):

	At December 31, 2013	2012
Real estate mortgage loans:		
Commercial real estate	$ 152,174	167,132
Residential real estate	168,072	165,612
Construction and land	59,789	49,253
Total real estate mortgage loans	380,035	381,997
Commercial loans	90,262	112,420
Consumer loans	41,957	41,824
Subtotal	512,254	536,241
Less (add):		
Discount on covered loans	5,639	7,784
Allowance for loan losses	6,854	9,079
Loan premium and (discount)	2,550	(315)
Net deferred loan origination fees (costs)	12	(22)
Loans and covered loans, net	$ 497,199	519,715
Consolidated balance sheets:		
Loans, net of allowance for loan losses of $6,854 and $9,079	472,042	481,290
Covered loans, net	25,157	38,425
	$ 497,199	519,715

(continued)

(4) Loans, Continued

An analysis of the change in the allowance for loan losses follows (in thousands):

	Real Estate Mortgage Loans	Commercial Loans	Consumer Loans	Total
Year Ended December 31, 2013:				
Beginning balance	$ 5,936	2,740	403	9,079
Provision (credit) for loan losses	985	(1,413)	228	(200)
Charge-offs	(1,982)	(135)	(275)	(2,392)
Recoveries	265	47	55	367
Ending balance	$ 5,204	1,239	411	6,854
Year Ended December 31, 2012:				
Beginning balance	3,791	1,544	1,074	6,409
Provision for loan losses	6,224	1,939	92	8,255
Charge-offs	(4,381)	(779)	(792)	(5,952)
Recoveries	302	36	29	367
Ending balance	$ 5,936	2,740	403	9,079

(continued)

(4) Loans, Continued

	Real Estate Mortgage Loans	Commercial Loans	Consumer Loans	Total
Year Ended December 31, 2013:				
Balance in allowance for loan losses:				
Individually evaluated for impairment	$ 853	-	-	853
Collectively evaluated for impairment	4,351	1,239	411	6,001
Covered loans acquired with deteriorated credit quality	-	-	-	-
Covered loans acquired and collectively evaluated	-	-	-	-
Total ending allowance balance	$ 5,204	1,239	411	6,854
Recorded investment:				
Individually evaluated for impairment	14,681	295	2,959	17,935
Collectively evaluated for impairment	341,098	89,131	38,933	469,162
Covered loans acquired with deteriorated credit quality	5,245	-	-	5,245
Covered loans acquired and collectively evaluated	19,011	836	65	19,912
Total ending loan balance	$ 380,035	90,262	41,957	512,254
Year Ended December 31, 2012:				
Balance in allowance for loan losses:				
Individually evaluated for impairment	941	103	-	1,044
Collectively evaluated for impairment	4,995	2,637	403	8,035
Covered loans acquired with deteriorated credit quality	-	-	-	-
Covered loans acquired and collectively evaluated	-	-	-	-
Total ending allowance balance	$ 5,936	2,740	403	9,079
Recorded investment:				
Individually evaluated for impairment	15,530	158	1,189	16,877
Collectively evaluated for impairment	329,389	111,095	40,455	480,939
Covered loans acquired with deteriorated credit quality	12,130	-	-	12,130
Covered loans acquired and collectively evaluated	24,948	1,167	180	26,295
Total ending loan balance	$ 381,997	112,420	41,824	536,241

(continued)

(4) Loans, Continued

The Company has divided the loan portfolio into three portfolio segments, each with different risk characteristics and methodologies for assessing risk. The portfolio segments identified by the Company are as follows:

Real Estate Mortgage Loans. Real estate mortgage loans are typically segmented into three classes: Commercial real estate, Residential real estate and Construction and Land. Commercial real estate loans are secured by the subject property and are underwritten based upon standards set forth in the policies approved by the Company's board of directors (the "Board"). Such standards include, among other factors, loan to value limits, cash flow coverage and general creditworthiness of the obligors. Residential real estate loans are underwritten in accordance with policies set forth and approved by the Board, including repayment capacity and source, value of the underlying property, credit history and stability. Construction loans to borrowers are to finance the construction of owner occupied and lease properties. These loans are categorized as construction loans during the construction period, later converting to commercial or residential real estate loans after the construction is complete and amortization of the loan begins. Construction loans are approved based on an analysis of the borrower and guarantor, the viability of the project and on an acceptable percentage of the appraised value of the property securing the loan. Construction loan funds are disbursed periodically based on the percentage of construction completed. The Company carefully monitors these loans with on-site inspections and requires the receipt of lien waivers on funds advanced. Construction loans are typically secured by the properties under development or construction, and personal guarantees are typically obtained. Further, to assure that reliance is not placed solely on the value of the underlying property, the Company considers the market conditions and feasibility of proposed projects, the financial condition and reputation of the borrower and guarantors, the amount of the borrower's equity in the project, independent appraisals, costs estimates and pre-construction sale information. The Company also makes loans on occasion for the purchase of land for future development by the borrower. Land loans are extended for the future development for either commercial or residential use by the borrower. The Company carefully analyzes the intended use of the property and the viability thereof.

Commercial Loans. Commercial loans are primarily underwritten on the basis of the borrowers' ability to service such debt from income. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. As a general practice, the Bank take as collateral a security interest in any available equipment, or other chattel, although loans may also be made on an unsecured basis. Collateralized working capital loans typically are secured by short-term assets whereas long-term loans are primarily secured by long-term assets.

(continued)

(4) Loans, Continued

Consumer Loans. Consumer loans and are extended for various purposes, including purchases of automobiles, recreational vehicles, and boats. The Company also offers lines of credit, personal loans, and deposit account collateralized loans. Consumer loans include guaranteed student loans purchased at approximately 99% of principal balance outstanding and the principal balance of such loans is approximately 98% guaranteed by the U.S. Department of Education. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Loans to consumers are extended after a credit evaluation, including the creditworthiness of the borrower(s), the purpose of the credit, and the secondary source of repayment. Consumer loans are made at fixed and variable interest rates and may be made on terms of up to ten years. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The following summarizes the loan credit quality (in thousands):

	Real Estate Mortgage Loans					
	Commercial Real Estate	Residential Real Estate	Construction and Land	Commercial Loans	Consumer Loans	Total
Credit Risk Profile by Internally Assigned Grade:						
At December 31, 2013:						
Grade:						
Pass	$ 112,386	160,601	59,789	89,709	37,266	459,751
Special mention	10,484	788	-	125	1,273	12,670
Substandard	29,304	6,683	-	428	3,418	39,833
Total	$ 152,174	168,072	59,789	90,262	41,957	512,254
At December 31, 2012:						
Grade:						
Pass	109,182	156,284	49,217	110,982	38,695	464,360
Special mention	20,868	1,430	-	943	730	23,971
Substandard	37,082	7,898	36	495	2,399	47,910
Total	$ 167,132	165,612	49,253	112,420	41,824	536,241

At December 31, 2013 and 2012, substandard loans included $13.8 million and $16.0 million, respectively, of covered loans and special mention loans included $680,000 and $4.5 million, respectively, of covered loans.

(continued)

(4) Loans, Continued

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on at least an annual basis.

Loans excluded from the review process above are generally classified as pass credits until: (a) they become past due; (b) management becomes aware of a deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as to special mention, substandard or even charged-off. The Company uses the following definitions for risk ratings:

Pass – A Pass loan's primary source of loan repayment is satisfactory, with secondary sources very likely to be realized if necessary.

Special Mention – A Special Mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard – A Substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans 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 Company will sustain some loss if the deficiencies are not corrected.

Doubtful – A loan classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – A loan classified Loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

(continued)

(4) Loans, Continued

An analysis of past-due loans is as follows (in thousands):

	Accruing Loans						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Nonaccrual Loans[3]	Total Loans
At December 31, 2013:							
Real estate mortgage loans:							
Commercial real estate	$ 528	384	-	912	145,277	5,985	152,174
Residential real estate	5,945	699	9,914[2]	16,558	137,435	14,079	168,072
Construction and land	98	56	-	154	55,975	3,660	59,789
Commercial loans	25	31	-	56	89,954	252	90,262
Consumer loans [1]	2,053	7	-	2,060	39,847	50	41,957
Total	$ 8,649	1,177	9,914	19,740	468,488	24,026	512,254
At December 31, 2012:							
Real estate mortgage loans:							
Commercial real estate	1,481	502	-	1,983	154,619	10,530	167,132
Residential real estate	6,631	1,351	16	7,998	137,712	19,902	165,612
Construction and land	680	308	123	1,111	46,232	1,910	49,253
Commercial loans	207	266	-	473	111,815	132	112,420
Consumer loans [1]	2,177	550	5,295	8,022	33,727	75	41,824
Total	$ 11,176	2,977	5,434	19,587	484,105	32,549	536,241

(1) At December 31, 2013 and 2012, guaranteed student loans were $25.3 million and $23.0 million, respectively. Guaranteed student loans of $0 million and $5.4 million at December 31, 2013 and 2012 that are 90+ days past due and accruing are well secured by guarantees from the U.S. Government and are in the process of collection. Guarantees cover the principal basis in these loans and interest will be paid by the guarantor through the claim payment date. Generally claims on guaranteed student loans cannot be filed until the loan has been delinquent more than 270 days. As of December 31, 2013 and 2012, there were $0 million and $1.5 million, respectively, of student loans 270+ days past due and accruing.

(2) Guaranteed loans in the process of collection or being rehabilitated to be held for sale.

(3) At December 31, 2013 and 2012, nonaccrual loans include $13.5 million and $17.0 million in residential real estate loans and $615,000 and $7.3 million in commercial real estate loans that are guaranteed by the U.S. Government and as such are not considered impaired.

At December 31, 2013 and 2012, nonaccrual loans above include $5.2 million and $8.6 million, respectively, which were covered loans.

(continued)

(4) Loans, Continued

The following summarizes the amount of impaired loans excluding covered loans (in thousands):

	With No Related Allowance Recorded		With an Allowance Recorded			Total		
	Recorded Investment	Unpaid Contractual Principal Balance	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance
December 31, 2013:								
Real estate mortgage loans:								
Commercial real estate	$ 6,588	7,499	4,571	4,571	853	11,159	12,070	853
Residential real estate	3,522	4,465	-	-	-	3,522	4,465	-
Commercial loans	295	295	-	-	-	295	295	-
Consumer loans	2,959	3,705	-	-	-	2,959	3,705	-
	$ 13,364	15,964	4,571	4,571	853	17,935	20,535	853
December 31, 2012:								
Real estate mortgage loans:								
Commercial real estate	9,189	13,796	2,677	2,677	941	11,866	16,473	941
Residential real estate	3,627	5,345	-	-	-	3,627	5,345	-
Construction and land	37	105	-	-	-	37	105	-
Commercial loans	55	61	103	103	103	158	164	103
Consumer loans	1,189	1,963	-	-	-	1,189	1,963	-
	$ 14,097	21,270	2,780	2,780	1,044	16,877	24,050	1,044

The average net investment in impaired loans and interest income recognized and received on impaired loans excluding covered loans are as follows (in thousands):

	Average Recorded Investment	Interest Income Recognized	Interest Income Received
Year Ended December 31, 2013:			
Real estate mortgage loans:			
Commercial real estate	$ 11,930	335	538
Residential real estate	3,782	51	130
Commercial loans	335	1	13
Consumer loans	3,023	34	113
	$ 19,070	421	794
Year Ended December 31, 2012:			
Real estate mortgage loans:			
Commercial real estate	12,498	398	435
Residential real estate	4,108	47	62
Construction and land	34	-	-
Commercial loans	160	4	4
Consumer loans	1,228	25	42
	$ 18,028	474	543

(continued)

(4) Loans, Continued

Troubled debt restructurings ("TDR") excluding covered loans during the years ended December 31, 2013 and 2012 are as follows (dollars in thousands):

	2013			2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:						
Real estate mortgage loans:						
Commercial real estate:						
Modified amortization	-	$ -	-	4	$ 1,062	1,062
Modified amortization, interest and principal	1	142	99	1	82	92
Modified interest rate	-	-	-	1	17	17
Modified interest rate and amortization	3	3,613	3,613	2	206	206
Residential real estate:						
Modified amortization and principal	3	534	417	2	372	250
Modified interest rate	5	517	517	4	484	484
Modified interest rate, and amortization	1	90	40	-	-	-
Commercial loans-						
Modified interest rate and amortization	1	21	21	1	9	9
Consumer loans:						
Modified amortization and principal	-	-	-	1	20	10
Modified interest rate	-	-	-	2	97	97
Modified interest rate and amortization	1	54	54	2	131	131
Modified interest rate, principal and amortization	-	-	-	3	239	109
	15	$ 4,971	4,761	23	$ 2,719	2,467

The allowance for loan losses on all classes or loans that have been restructured and are considered TDRs is included in the Company's specific reserve. The specific reserve is determined on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral-dependent. TDR's that have subsequently defaulted are considered collateral-dependent. There were no TDRs modified during the year ended December 31, 2013, that subsequently defaulted during the same period. Two commercial real estate loans with a total recorded investment of $483,000 were modified during the year ended December 31, 2012, became TDRs and subsequently defaulted during the same period.

(continued)

(4) Loans, Continued

Net Deferred Loan Origination Fees (Costs). The following is an analysis of the change in the net deferred loan origination fees (costs) (in thousands):

	Year Ended December 31, 2013	2012
Beginning balance	$ (22)	77
Deferred loan origination fees	116	153
Capitalized direct underwriting costs	(36)	(184)
Net amortization	(46)	(68)
Ending balance	$ 12	(22)

Related Party Loans. All loans from the Company involving directors and executive officers were made in the ordinary course of business. Such loans were made on substantially the same terms, including interest rate and collateral, if any, as those prevailing at the time for comparable transactions with unaffiliated persons and did not involve more than normal risk of collectability or present other unfavorable features. An analysis of the change in related party loans follows (in thousands):

	Year Ended December 31, 2013	2012
Beginning balance	$ 5,332	5,481
Principal additions	730	478
Principal payments	(1,311)	(627)
Ending balance	$ 4,751	5,332

Concentrations of Credit Risk. The Company grants the majority of its loans to borrowers throughout the Florida counties of Baker, Columbia, Hamilton, Holmes, Jackson, Lafayette, Manatee, Nassau, Sarasota, Suwanee, and Washington. Although the Company has a diversified loan portfolio, a significant portion of its borrowers' ability to honor their contracts is dependent upon the economy in the North Central Florida area. The Company does not have significant concentrations to any one industry or customer. Nor does the Company have any significant loan exposure outside of this area. The Company does have loans, generally with original terms of 10 years or less, aggregating $7.0 million at December 31, 2013 and loans aggregating $8.6 million at December 31, 2012, for which the primary source of repayment is the sale of the related collateral or the conversion of the existing debt into debt at another financial institution. Additionally, most of these loans have contractual secondary repayment sources, such as guarantees from parties deemed by the Company to have the financial strength to carry the projects to completion independent of the liquidation of the underlying collateral pledged by the primary borrower. The majority of these loans are located in Columbia and Suwannee Counties.

(continued)

(4) Loans, Continued

With the uncertain real estate market in Florida obtaining refinancing or sale of the collateral may be difficult or impossible at this time. Even though most of the projects being financed are completed and ready to market, it is likely many of these loans will be extended and may be modified to allow the developers to market the projects in an orderly manner. Management is closely monitoring these loans and believes the loan loss allowance at December 31, 2013 is adequate.

(5) FDIC Loss Share Receivable

The activity in the FDIC loss share receivable which resulted from the October 23, 2009 acquisition of Flagship National Bank is as follows (in thousands):

	At December 31,	
	2013	2012
Balance, beginning of the year	$ 8,283	11,967
Cash proceeds from the FDIC	(4,172)	(3,684)
Balance, end of the year	$ 4,111	8,283

(6) Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans are summarized as follows (in thousands):

	At December 31,	
	2013	2012
Mortgage loan portfolios serviced for:		
Government agencies:		
FHLB	$ 20,361	25,345
FHLMC	2,011,439	1,676,184
GNMA	734,958	543,958
FNMA	6,384	7,405
All other	155,220	138,822
	$ 2,928,362	2,391,714

Custodial escrow balances maintained in connection with loans serviced for others were $14,775,000 and $12,103,000 at December 31, 2013 and 2012, respectively.

(continued)

(6) Loan Servicing, Continued

The following summarizes mortgage servicing rights activity, along with the aggregate activity in related valuation allowances (in thousands):

	Year Ended December 31, 2013	2012
Beginning balance	$ 19,019	15,819
Additions from loans originated and sold	8,855	8,786
Amortization	(5,830)	(5,586)
Ending balance	22,044	19,019
Allowance	(45)	(223)
Discount	(514)	(650)
Mortgage servicing rights, net	$ 21,485	18,146
Allowance for impairment beginning balance	223	-
Additions	-	223
Reductions	(178)	-
Allowance for impairment ending balance	$ 45	223

The fair value of mortgage servicing rights was determined using discount rates ranging from 7.50% to 15.00% for all loans serviced and prepayment speeds ranging from 210.00% to 605.00%, depending on the stratification of the specific rights.

Loan servicing income has been recognized as follows (in thousands):

	Year Ended December 31, 2013	2012
Servicing fees received from investors	$ 5,892	4,497
Less amortization of mortgage servicing rights	(5,830)	(5,586)
Gain (loss) from servicing	$ 62	(1,089)

(continued)

(7) Foreclosed Real Estate

At December 31, 2013 and 2012, foreclosed real estate of $3,615,000 and $4,795,000 included $2,070,000 and $2,846,000, respectively, of foreclosed real estate acquired in the Flagship acquisition or from loans acquired in the Flagship acquisition that were subsequently foreclosed and which are covered by the Shared-Loss Agreements.

Expenses applicable to foreclosed real estate follows (in thousands):

	Year Ended December 31, 2013	2012
Net loss on sales of foreclosed real estate	$ 211	421
Write-down of foreclosed real estate	550	126
Operating expenses	172	79
Total included in other noninterest expenses	$ 933	626

(8) Premises and Equipment

The components of premises and equipment are summarized as follows (in thousands):

	At December 31, 2013	2012
Land	$ 8,914	8,814
Buildings and improvements	21,192	19,476
Furniture and equipment	13,294	12,004
Total, at cost	43,400	40,294
Less accumulated depreciation	14,943	13,204
Premises and equipment, net	$ 28,457	27,090

The Company leased office space for its operations under noncancellable leases which expire in 2014 and beyond. Rent expense was approximately $426,000 and $371,000 for the years ended December 31, 2013 and 2012, respectively. Future minimum rental commitments under these leases are $218,000 in 2014, $180,000 for 2015 and $179,000 for 2016.

(continued)

(9) Core Deposit Intangible

On October 23, 2009, the Bank entered into a purchase and assumption agreement with the FDIC, as a receiver of Flagship Bank, N.A., Sarasota, Florida. On May 7, 2010, such an agreement was reached for The Bank of Bonifay, Bonifay, Florida. On April 19, 2013, Chipola Community Bank, Marianna, Florida, was acquired through agreement with the FDIC. And on October 30, 2013, Bank of Jackson County, Marianna, Florida was acquired also through agreement with the FDIC.

Asset acquired through each of the above agreements included intangible assets consisting of CDI are as follows (dollars in thousands):

Acquisition	Core Deposit Intangible Acquired	Period of Amortization	Amortization Recognized in 2013	2012	Remaining Core Deposit Intangible at December 31, 2013	2012
Flagship Bank, N.A.	353	93 months	$ 45	45	160	205
The Bank of Bonifay..........	777	90 months	103	103	399	502
Chipola Community...........	6	33 months	1	-	5	-
Bank of Jackson County	556	48 months	-	-	556	-
			$ 149	148	1,120	707

The CDI is included in Other Assets.

The future expected amortization of CDI with determinable useful lives as of December 31, 2013 are as follows (in thousands):

Year Ending December 31,	Amount
2014	$ 290
2015	290
2016	288
2017	252
	$ 1,120

(10) Deposits

The aggregate amount of time deposits with a minimum denomination of $100,000 was approximately $99.1 million and $100.8 million at December 31, 2013 and 2012, respectively.

(continued)

(10) Deposits, Continued

A schedule of maturities of time deposits at December 31, 2013 is as follows (in thousands):

Year Ending December 31,	
2014	$ 112,898
2015	26,829
2016	35,188
2017	2,105
2018 and thereafter	18,390
	$ 195,410

In the ordinary course of business, the Company accepts deposits from various governmental agencies and public institutions. The aggregate amount of these deposits was approximately $207.4 million and $221.8 million at December 31, 2013 and 2012, respectively.

(11) Federal Home Loan Bank Advances

The maturity and interest rate on the advances from the Federal Home Loan Bank of Atlanta ("FHLB") are as follows ($ in thousands):

Maturing in the Year Ending December 31,	Fixed or Variable Rate	Interest Rate	December 31, 2013	2012
2013	Adjustable	0.36%	$ -	2,000
2016	Adjustable	1.22%	1,000	1,000
			$ 1,000	3,000

The collateral agreement with FHLB includes a blanket lien covering qualifying loans such as first mortgage, one-to-four family residential loans, and home equity lines of credit owned by the Company with a carrying value of $68,788,000. In addition, the Company may pledge additional marketable securities as collateral where the qualifying loans are insufficient. At December 31, 2013 and 2012, securities with a fair value of $20,830,000 and $22,307,000, respectively, were pledged as collateral for FHLB advances. At December 31, 2013, the Company had remaining available credit if additional collateral were pledged of $236.3 million.

(continued)

(12) Other Borrowings

The following summarizes the Company's other borrowings (in thousands):

Name	Borrowings Outstanding at December 31, 2013	2012
Securities sold under repurchase agreements- JP Morgan Chase	$ 5,000	5,000

Securities sold under repurchase agreements were delivered to the broker-dealers who arranged the transactions. Securities collateralizing retail repurchase agreements are held by a third party. Information concerning retail repurchase agreements is summarized as follows ($ in thousands):

	Year Ended December 31, 2013	2012
Average balance during the year	$ 5,000	37,883
Average interest rate during the year	4.52%	0.15%
Maximum month-end balance during the year	$ 5,000	41,762

Information concerning securities sold under repurchase agreements is as follows ($ in thousands):

		At December 31,			
		2013		2012	
	Matures	Rate	Balance	Rate	Balance
JP Morgan	June 3, 2015	4.52%	$ 5,000	4.52%	$ 5,000

Securities sold under repurchase agreements had a carrying value of $5,138,000 and $6,081,000 at December 31, 2013 and 2012, respectively.

The Company may also enter into retail repurchase agreements with its customers. These agreements mature daily and require the Company to pledge securities and time deposits as collateral for the balance in the accounts. There were no outstanding retail repurchase agreements with customers at December 31, 2013 and 2012.

(continued)

(13) Income Taxes

Allocation of Federal and state income taxes between current and deferred portions is as follows (in thousands):

	Year Ended December 31, 2013	2012
Current:		
Federal	$ 4,190	4,644
State	841	871
Total current	5,031	5,515
(Benefit) deferred:		
Federal	(256)	(351)
State	(43)	(58)
Total (benefit) deferred	(299)	(409)
Income taxes	$ 4,732	5,106

The effective income tax rate differs from the statutory Federal income tax rate for the following reasons (dollars in thousands):

	Year Ended December 31, 2013 Amount	%	2012 Amount	%
Income taxes at statutory Federal rate	$ 5,435	35.0%	$ 5,342	35.0%
Increase (decrease) in taxes resulting from:				
State taxes, net of Federal tax benefit	519	3.3	528	3.5
Income from bank-owned life insurance	(350)	(2.3)	(210)	(1.4)
Tax-exempt interest income	(1,088)	(7.0)	(786)	(5.2)
Other	216	1.5	232	1.5
Total	$ 4,732	30.5%	$ 5,106	33.4%

(continued)

(13) Income Taxes, Continued

The components of the net deferred tax (liability) asset are as follows (in thousands):

	At December 31, 2013	At December 31, 2012
Deferred tax assets:		
Allowance for loan losses	$ 2,644	3,416
Deferred compensation	1,318	1,206
Nonaccrual interest income	463	414
Unrealized loss on derivative instrument	108	177
Charitable contributions	82	75
Impaired securities	473	683
Accrued expenses	629	471
Other	352	423
Total gross deferred tax assets	6,069	6,865
Deferred tax liabilities:		
Deferred gain on FDIC-assisted transactions	(1,617)	(3,824)
Deferred loan costs	(238)	(316)
Mortgage servicing rights	(4,284)	(3,199)
Unrealized gain in securities available for sale	(377)	(2,292)
Depreciation	(1,216)	(1,185)
Prepaid expenses	(463)	(320)
Total gross deferred tax liabilities	(8,195)	(11,136)
Net deferred tax liability	$(2,126)	(4,271)

The Company files consolidated income tax returns in the U.S. federal jurisdiction and the State of Florida. The Company is no longer subject to U.S. federal, or state and local income tax examinations by taxing authorities for years before 2010.

(continued)

(14) Off-Balance-Sheet Financial Instruments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are unused lines of credit, undisbursed loans in process, commitments to extend credit and standby letters of credit and involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated balance sheet. The contract amounts of these instruments reflect the extent of involvement the Company has in these financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, unused lines of credit, undisbursed loans in process and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet loans instruments.

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. All outstanding letters of credit expire in the next twelve months. The Company had no collateral securing these agreements at December 31, 2013, however in some cases the Company has obtained guarantees.

A summary of the amounts of the Company's off-balance-sheet financial instruments at December 31, 2013 follows (in thousands):

	Contract Amount
Unused lines of credit	$ 21,780
Undisbursed loans in process	$ 39,090
Commitments to extend credit	$ 129,578
Standby letters of credit	$ 1,848

(continued)

(15) Derivative Financial Instruments

Interest-Rate Risk Management-Cash Flow Hedging Instruments. The information pertaining to outstanding interest-rate swap agreement used to hedge variable rate debt is as follows ($ in thousands):

	December 31, 2013	December 31, 2012
Notional amount	$ 5,000	5,000
Pay rate fixed	4.52%	4.52%
Weighted-average receive rate variable	0.347%	0.443%
Maturity in years	1.43	2.43
Unrealized loss relating to interest-rate swaps	$ (308)	(507)

These agreements provide for the Company to receive payments at a variable rate determined by a specified index (three month LIBOR plus seven basis points) in exchange for making payments at a fixed-rate.

Risk management results for the years ended December 31, 2013 and 2012 related to the balance sheet hedging of debt indicate that the hedges were 100% effective and that there was no component of the derivative instruments' gain or loss which was excluded from the assessment of hedge effectiveness.

Swaption. The fair value of the swaption at December 31, 2013 and 2012 was $839,000 and $0, respectively, and are included in other assets in the accompanying consolidated balance sheets.

Rate-Lock Commitments. The total outstanding rate-lock commitments at December 31, 2013 and 2012 were approximately $73.2 million and $129.1 million, respectively. The fair value of rate-lock commitments at December 31, 2013 and 2012 were $934,000 and $2.4 million, respectively, and are included in other assets in the accompanying consolidated balance sheets.

Forward Loan Sale Contracts. The notional amounts of forward loan sale contracts outstanding at December 31, 2013 and 2012 were $128.5 million and $192.5 million, respectively. The fair value of forward loan sale commitments were $1.2 million and $(497,000) at December 31, 2013 and 2012, respectively, are included in other assets and other liabilities, respectively, in the accompanying consolidated balance sheets.

(continued)

(16) Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	At December 31,			
	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 89,686	89,686	48,793	48,793
Time deposits	9,959	9,959	10,851	10,851
Securities available for sale	219,644	219,644	162,144	162,144
Securities held to maturity	290	290	290	420
Loans held for sale, net	71,815	71,815	109,248	109,248
Loans and covered loans	497,199	497,518	519,715	519,138
FDIC loss share receivable	4,111	4,111	8,283	8,283
Accrued interest receivable	4,946	4,946	4,476	4,476
Federal Home Loan Bank stock	1,231	1,231	1,603	1,603
Mortgage servicing rights	21,485	21,485	18,146	18,146
Derivative assets	3,033	3,033	2,413	2,413
Financial liabilities:				
Deposits	847,006	778,266	800,866	772,815
Federal Home Loan Bank advances	1,000	1,017	3,000	3,027
Other borrowings	5,000	4,694	5,000	4,785
Derivative liabilities	360	360	1,005	1,005
Off-balance-sheet financial instruments	-	-	-	-

(continued)

(17) Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes, as of December 31, 2013 and 2012, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2013 and 2012, the most recent notification from regulatory authorities 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 percentages as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual regulatory capital amounts and percentages are presented in the table (dollars in thousands).

	Actual		For Capital Adequacy Purposes		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
As of December 31, 2013:						
Total capital to Risk-Weighted assets	$ 125,519	18.63%	$ 53,908	8.00%	$ 67,385	10.00%
Tier I Capital to Risk-Weighted Assets	117,730	17.47	26,954	4.00	40,431	6.00
Tier I Capital to Total Assets	117,730	11.97	39,346	4.00	49,182	5.00
As of December 31, 2012:						
Total capital to Risk-Weighted assets	115,413	17.26	53,504	8.00	66,880	10.00
Tier I Capital to Risk-Weighted Assets	107,038	16.00	26,752	4.00	40,128	6.00
Tier I Capital to Total Assets	107,038	11.34	37,744	4.00	47,181	5.00

(continued)

(18) Profit Sharing Plan

The Company sponsors a Section 401(k) profit sharing plan (the "Plan") which is available to all employees electing to participate after meeting certain length-of-service requirements. The Company's contributions to the Plan are discretionary and are determined annually. Expenses relating to the Company's contributions to the Plan, included in the accompanying consolidated financial statements, were $1,204,000 and $1,018,000 for the years ended December 31, 2013 and 2012, respectively.

(19) Deferred Compensation Plans

Officers. The Company provides deferred compensation for certain officers through two nonqualified benefit plans (the "Officers' Plan"). The terms of the first Officers' Plan provide for accrual of a lump sum of $200,000 every year and will be paid in a lump sum around retirement. The Company has purchased life insurance policies on the participants in the Officers' Plan which although not formally linked, have future cash values that approximate the estimated future benefits. At December 31, 2013 and 2012, $550,000 and $350,000, respectively, was accrued under this plan.

The terms of the second plan allow the participants to receive a cash payment equal to the appreciation of the Company's equity accounts as determined by the Board of Directors. The term of the plan is twenty years with periodic payments every five years. The Company records the expense relating to the plan over the term of the plan. At December 31, 2013 and 2012, $576,000 and $523,000, respectively, was accrued under this plan.

The Company recognizes a liability for postretirement death benefits provided under endorsement split-dollar agreements. An endorsement split-dollar agreement is an arrangement whereby a Company owns a life insurance policy that covers the life of an employee and, pursuant to a separate agreement, endorses a portion of the policy's death benefits to the insured employee's beneficiary. The Company has entered into Supplemental Death Benefit Agreements with certain of its executive officers pursuant to which the Company has agreed to pay a portion of the death benefit payable under certain life insurance policies owned by the Company to the executives' beneficiaries upon their death. At December 31, 2013 and 2012, $440,000 and $415,000, respectively, was accrued under this plan.

In addition, the Company has a Key Employee Deferred Compensation Plan. All employees with key responsibilities are eligible for participation. The amount of accrual on this plan is discretionary. Determination of the amount and participant are made annually in the month of March. Annual benefit payments are made within sixty days of April 1st of each succeeding year, and said payments will equal to 16.667% of the value of the key employee's account assets as of the preceding April 1st. Balance on key employee's account assets is disbursed upon vesting. At December 31, 2013 and 2012, $289,000 and $332,000, respectively, was accrued under this plan.

During the years ended December 31, 2013 and 2012, $271,000 and $306,000, respectively, was expensed under these plans.

(continued)

(20) Noncontrolling Interest and Senior Non-Cumulative Perpetual Preferred Stock

On August 23, 2011, FFBI entered into a Securities Purchase Agreement with the Secretary of the Treasury, pursuant to which FFBI issued and sold to the Treasury 20,000 shares (authorized and outstanding) of its Senior Non-Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of $1,000 per share (the "Series A Preferred Stock"), for aggregate proceeds of $20,000,000.

FFBI redeem the shares of Series A Preferred Stock, in whole on December 31, 2012 for $20,045,000 which included unpaid dividends of $45,000.

(21) Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management of the Company, will not have a material effect on the Company's consolidated financial statements.

(22) Fair Value Measurements

Assets and (liabilities) measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2013:				
Available-for-Sale Securities:				
U.S. Government agency bonds	$ 5,937	-	5,937	-
Corporate bonds	989	-	989	-
Municipal securities	136,387	-	136,387	-
Preferred stock	96	-	96	-
Collateralized mortgage obligations	49,529	-	49,529	-
SBA pool securities	12,142	-	12,142	-
Mortgage-backed securities	14,564	-	14,564	-
Total	$ 219,644	-	219,644	-
Loans held for sale, net	$ 71,815	-	71,815	-
Rate-lock commitments, net	$ 934	-	-	934
Forward loan sale contracts, net	$ 1,207	-	-	1,207
Interest rate swaps	$ (308)	-	(308)	-
Swaption	$ 839	-	839	-

(continued)

(22) Fair Value Measurements, Continued

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2012:				
Available-for-Sale Securities:				
U.S. Government agency bonds	$ 5,992	-	5,992	-
Municipal securities	77,153	-	77,153	-
Preferred stock	6	-	6	-
Collateralized mortgage obligations	61,846	-	61,846	
SBA pool securities	7,161		7,161	
Mortgage-backed securities	9,986	-	9,986	-
Total	$ 162,144	-	162,144	-
Loans held for sale, net	$ 109,248	-	109,248	-
Rate-lock commitments, net	$ 2,413	-	-	2,413
Forward loan sale contracts, net	$ (497)	-	-	(497)
Interest rate swaps	$ (507)	-	(507)	-

The table below presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Year Ended December 31,			
	2013		2012	
	Rate-Lock Commitments, Net	Forward Loan Sale Contracts, Net	Rate-Lock Commitments, Net	Forward Loan Sale Contracts, Net
Balance at beginning of year	$ 2,413	(497)	1,063	(211)
Total gains or losses (realized/unrealized)-				
Purchases, issuances and net settlements	(1,479)	1,704	1,350	(286)
Balance at end of year	$ 934	1,207	2,413	(497)

(continued)

(22) Fair Value Measurements, Continued

Gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in earnings for Level 3 assets are as follows (in thousands):

	Classification of Gains and Losses (Realized/ Unrealized) Included in Earnings Year Ended December 31,	
	2013 Net Derivatives	2012 Net Derivatives
Mortgage-banking income	$ 225	1,065

Assets and liabilities measured at fair value on a nonrecurring basis are summarized below (in thousands):

	At Year or Period End					Losses Absorbed by ALLL the Year Ended
	Fair Value	Level 1	Level 2	Level 3	Total Losses	
At December 31, 2013:						
Impaired loans:						
Commercial real estate	$ 4,968	-	-	4,968	1,354	285
Residential real estate	1,537	-	-	1,537	763	551
Consumer loans	736	-	-	736	533	432
Total	$ 7,241 (1)	-	-	7,241	2,650	1,268
Foreclosed real estate	$ 3,615	-	-	3,615	550	550
Mortgage servicing rights	$ 21,485	-	-	21,485	(178)	(178)
Acquired assets:						
Securities	$ 8,867	-	-	8,867	-	-
Loans	$ 28,584	-	-	28,584	-	-
All other acquired assets	$ 2,120	-	-	2,120	-	-
Deposits	$ 60,159	-	-	60,159	-	-
Assumed liabilities	$ 525	-	-	525	-	-
At December 31, 2012:						
Impaired loans:						
Commercial real estate	6,657	-	-	6,657	5,555	4,569
Residential real estate	2,220	-	-	2,220	1,518	1,131
Construction and land	37	-	-	37	68	68
Consumer loans	616	-	-	616	726	699
Total	$ 9,530 (1)	-	-	9,530	7,867	6,467
Foreclosed real estate	$ 4,795	-	-	4,795	126	126
Mortgage servicing rights	$ 18,146	-	-	18,146	223	223

(1) Excludes covered loans.

(continued)

(23) Consolidating Financial Statements

Consolidating Balance Sheet

At December 31, 2013
(In thousands)

	First Federal Bancorp, MHC	First Federal Bancorp, Inc. Consolidation: First Federal Bancorp, Inc.	First Federal Bancorp, Inc. Consolidation: First Federal Bank of Florida Consolidated	First Federal Bancorp, Inc. Consolidation: Consolidating Entries Debit (Credit)	First Federal Bancorp, Inc. Consolidation: Consolidated	Consolidating Entries Debit (Credit)	Consolidated
Assets							
Cash and due from banks	$ 10	863	19,716	(615)[a]	19,964	(10)[a]	19,964
Interest-bearing deposits	-	-	69,722	-	69,722	-	69,722
Time deposits	-	-	9,959	-	9,959	-	9,959
Securities	-	4,688	215,246	-	219,934	-	219,934
Investment in subsidiaries	126,658	121,076	-	(121,076)[b]	-	(126,658)[b]	-
Loans, net	-	-	543,857	-	543,857	-	543,857
Covered loans, net	-	-	25,157	-	25,157	-	25,157
FDIC loss share receivable	-	-	4,111	-	4,111	-	4,111
Accrued interest receivable	-	5	4,941	-	4,946	-	4,946
Premises and equipment, net	-	-	28,457	-	28,457	-	28,457
Federal Home Loan Bank stock, at cost	-	-	1,231	-	1,231	-	1,231
Foreclosed real estate	-	-	3,615	-	3,615	-	3,615
Income taxes receivable	-	-	-	-	-	-	-
Cash surrender value of bank-owned life insurance	-	-	27,014	-	27,014	-	27,014
Mortgage servicing rights, net	-	-	21,485	-	21,485	-	21,485
Other assets	-	-	11,590	-	11,590	-	11,590
Total assets	$ 126,668	126,632	986,101	(121,691)	991,042	(126,668)	991,042
Liabilities, Capital Stock and Retained Earnings and Accumulated Other Comprehensive Income							
Liabilities:							
Deposits	-	-	847,631	(615)[a]	847,016	(10)[a]	847,006
Federal Home Loan Bank advances	-	-	1,000	-	1,000	-	1,000
Other borrowings	-	-	5,000	-	5,000	-	5,000
Deferred income taxes	-	(43)	2,169	-	2,126	-	2,126
Other liabilities	-	17	9,225	-	9,242	-	9,242
Total liabilities	-	(26)	865,025	(615)	864,384	(10)	864,374
Capital stock	-	-	1	(1)	-	-	-
Retained earnings and accumulated other comprehensive income	126,668	126,658	121,075	(121,075)	126,658	(126,658)	126,668
Total liabilities, capital stock and retained earnings and accumulated other comprehensive income	$ 126,668	126,632	986,101	(121,691)	991,042	(126,668)	991,682

(continued)

(a) Elimination of intercompany accounts.
(b) Elimination of investment in subsidiaries.

FIRST FEDERAL BANCORP, MHC AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(23) Consolidating Financial Statements, Continued

Consolidating Statement of Earnings

Year Ended December 31, 2013
(In thousands)

	First Federal Bancorp, MHC	First Federal Bancorp, Inc. Consolidation: First Federal Bancorp, Inc.	First Federal Bank of Florida Consolidated	Consolidating Entries Debit (Credit)	Consolidated	Consolidating Entries Debit (Credit)	Consolidated
Interest income:							
Loans	$ -	-	24,077	-	24,077	-	24,077
Securities	-	48	5,891	-	5,939	-	5,939
Other	-	-	1,092	-	1,092	-	1,092
Total interest income	-	48	31,060	-	31,108	-	31,108
Interest expense:							
Deposits	-	-	1,950	-	1,950	-	1,950
Borrowings	-	-	218	-	218	-	218
Total interest expense	-	-	2,168	-	2,168	-	2,168
Net interest income	-	48	28,892	-	28,940	-	28,940
Credit for loan losses	-	-	(200)	-	(200)	-	(200)
Net interest income after credit for loan losses	-	48	29,092	-	29,140	-	29,140
Noninterest income:							
Bargain purchase gain on FDIC assisted transactions	-	-	2,787	-	2,787	-	2,787
Service charges on deposit accounts	-	-	4,055	-	4,055	-	4,055
Other service charges and fees	-	-	14,860	-	14,860	-	14,860
Gain on sale of loans and securitizations	-	-	3,057	-	3,057	-	3,057
Gain on sale of securities available for sale	-	-	1,022	-	1,022	-	1,022
Other than temporary impairment on securities available for sale	-	-	(97)	-	(97)	-	(97)
Income from bank-owned life insurance	-	-	984	-	984	-	984
Debit card interchange income	-	-	2,541	-	2,541	-	2,541
Other	10,797	10,758	763	(10,758)[a]	763	(10,797)[a]	763
Total noninterest income	10,797	10,758	29,972	(10,758)	29,972	(10,797)	29,972
Noninterest expenses:							
Salaries and employee benefits	-	-	27,278	-	27,278	-	27,278
Occupancy and equipment	-	-	5,766	-	5,766	-	5,766
Debit card interchange expense	-	-	985	-	985	-	985
Printing and office supplies	-	-	446	-	446	-	446
Telephone and communications	-	-	1,323	-	1,323	-	1,323
Other	-	-	7,785	-	7,785	-	7,785
Total noninterest expenses	-	-	43,583	-	43,583	-	43,583
Earnings before income taxes	10,797	10,806	15,481	(10,758)	15,529	(10,797)	15,529
Income tax	-	9	4,723	-	4,732	-	4,732
Net earnings	$ 10,797	10,797	10,758	(10,758)	10,797	(10,797)	10,797

(a) Elimination of income of subsidiaries.