



NOBLEBANK & TRUST

May 7, 2015

Dear Shareholder,

In last year's letter to you, I said 2014 would be a "new beginning year for NobleBank & Trust, and we believe it truly was. We were indeed "able to get back to the business of banking," and we "changed our focus to one that is more external, including being aggressive with our business development efforts." We believe the results for the year attest to this change in mindset and focus.

We have previously communicated that we have worked to change the asset mix of the Bank, primarily getting more of our liquidity invested in loans. For the second consecutive year, we have increased loans by 10+%; we think that is a result of our proactive business development efforts as we haven't seen a significant improvement in the local economic conditions. While we are pleased with the loan growth, we are even more so with the year we had relative to credit quality. Past dues (30+ days) averaged .36% for the year, loans charged off were less than \$30,000 and our level of classified loans to capital ended the year at less than 14%. These results will certainly be hard to duplicate in 2015, but we will continue to be diligent in our focus on a high quality loan portfolio.

Your Bank remains very well capitalized with a continued strong liquidity position; we are positioned for good future growth. Below is a brief summary of our historical performance:

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Total Deposits	\$149,984,492	\$143,532,236	\$148,660,919	\$149,674,018	\$152,971,640
Total Loans	\$95,635,907	\$86,128,189	\$85,546,893	\$94,864,765	\$104,551,159
Total Assets	\$169,596,498	\$165,987,420	\$171,778,733	\$171,904,651	\$177,701,440
Net Income	\$446,853	\$857,631	\$724,791	\$1,024,294	\$1,200,557

We had two exciting developments in 2014, both of which will be important factors to profitable growth and to increase the franchise value of NobleBank. We have successfully entered the Birmingham market with an office in Cahaba Heights (next to The Summit); Paul Rogers and his team are working daily to attain and grow relationships. If you are in Birmingham, stop by for a visit; I think you will like the "branch of the future" concept we used in that office. We also reentered the mortgage business as Scott Nelson, an experienced and excellent mortgage lender joined us; we are now making plans to grow this line of business even further in 2015 and beyond.

We believe 2014 was a good year; however, we are still not performing at the level we all desire. The strategic moves we have made, and will make, will help us with our goal of being a truly high performing bank.

Thank you for your continued support!

Sincerely,

Anthony Humphries
President & CEO

MAIN OFFICE

1509 Quintard Avenue, Anniston, AL 36201
PO Box 998, Anniston, AL 36202

Welcome To Personal Banking

www.noblebank.com

256-741-1800

OFFICE LOCATIONS

Alexandria - Birmingham - Oxford - Piedmont

NOBLE BANK AND TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

**NOBLE BANK AND TRUST
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DECEMBER 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Noble Bank and Trust

We have audited the accompanying statements of financial condition of Noble Bank and Trust as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Noble Bank and Trust as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warren Averett, LLC

Anniston, Alabama
March 8, 2015

NOBLE BANK AND TRUST
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2014 AND 2013

ASSETS	2014	2013
CASH AND CASH EQUIVALENTS		
Cash and due from banks	\$ 4,655,075	\$ 4,511,187
Interest bearing deposits in banks	2,272,318	5,643,159
Federal funds sold	-	600,000
TOTAL CASH AND CASH EQUIVALENTS	6,927,393	10,754,346
SECURITIES AVAILABLE-FOR-SALE	52,761,460	51,727,166
SECURITIES RESTRICTIVE INVESTMENTS	1,364,200	1,414,750
INVESTMENT IN ANNUITIES	1,552,990	1,306,264
LOANS, NET OF ALLOWANCE FOR LOAN LOSSES	103,296,859	94,864,765
ACCRUED INTEREST RECEIVABLE	512,694	577,250
PREPAID EXPENSES	307,391	352,525
OTHER REAL ESTATE OWNED	879,224	967,947
PREMISES AND EQUIPMENT, NET	6,618,591	6,472,716
BANK OWNED LIFE INSURANCE	3,269,057	3,172,679
DEFERRED TAX	75,772	293,900
OTHER ASSETS	493	343
TOTAL ASSETS	\$ 177,566,124	\$ 171,904,651

See notes to the financial statements.

NOBLE BANK AND TRUST
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2014 AND 2013

	2014	2013
LIABILITIES AND STOCKHOLDERS' EQUITY		
DEPOSITS		
Interest-bearing	\$ 129,961,674	\$ 127,781,174
Noninterest-bearing	23,009,967	21,892,844
TOTAL DEPOSITS	152,971,641	149,674,018
BORROWINGS	5,000,000	5,000,000
FEDERAL FUNDS PURCHASED	575,000	-
ACCRUED INTEREST PAYABLE	63,284	65,564
DEFERRED COMPENSATION	105,913	39,692
OTHER LIABILITIES	199,199	130,517
TOTAL LIABILITIES	158,915,037	154,909,791
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value; 5,000,000 shares authorized; 1,461,025 and 1,456,025 shares issued and outstanding for the years ended December 31, 2014 and 2013, respectively	1,461,025	1,456,025
Additional paid-in capital	14,140,795	14,093,431
Accumulated other comprehensive income (loss)	262,672	(577,440)
Retained earnings	2,786,595	2,022,844
TOTAL STOCKHOLDERS' EQUITY	18,651,087	16,994,860
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 177,566,124	\$ 171,904,651

See notes to the financial statements.

NOBLE BANK AND TRUST
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
INTEREST INCOME		
Interest and fees on loans	\$ 5,154,547	\$ 4,845,297
Interest on investment securities	1,154,888	1,152,711
Interest on due from accounts	<u>45,706</u>	<u>60,936</u>
Total interest income	<u>6,355,141</u>	<u>6,058,944</u>
INTEREST EXPENSE		
Interest on money market and checking	317,833	252,537
Interest on savings	2,549	2,730
Interest on certificates of deposit	104,020	129,323
Interest on borrowed funds	<u>142,982</u>	<u>143,019</u>
Total interest expense	<u>567,384</u>	<u>527,609</u>
NET INTEREST INCOME	5,787,757	5,531,335
PROVISION FOR LOAN LOSSES	<u>218,663</u>	<u>357,452</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>5,569,094</u>	<u>5,173,883</u>

See notes to the financial statements.

NOBLE BANK AND TRUST
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
NONINTEREST INCOME		
Service charges, fees, and commissions	\$ 1,342,377	\$ 1,297,480
Bank owned life insurance income	96,379	106,778
Realized gain on sale of securities	132,831	10
Miscellaneous noninterest income	25,861	5,234
Total noninterest income	<u>1,597,448</u>	<u>1,409,502</u>
NONINTEREST EXPENSES		
Salaries and employee benefits	2,915,187	2,602,177
Occupancy expense	488,924	476,835
Equipment expense	122,525	138,628
Business development expense	135,227	145,048
Communication expense	73,555	95,468
Data processing expense	871,499	722,094
Insurance expense	179,478	251,920
Professional fees	234,317	317,673
Teller outages and other losses	32,073	95,073
Supplies expense	127,737	119,830
Travel expense	50,906	36,550
Deferred compensation expense	66,221	39,692
Other expenses	325,098	253,277
Total noninterest expenses	<u>5,622,747</u>	<u>5,294,265</u>
INCOME BEFORE INCOME TAXES	1,543,795	1,289,120
INCOME TAX PROVISION	<u>343,236</u>	<u>264,826</u>
NET INCOME	<u>\$ 1,200,559</u>	<u>\$ 1,024,294</u>

See notes to the financial statements.

NOBLE BANK AND TRUST
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
NET INCOME	\$ 1,200,559	\$ 1,024,294
OTHER COMPREHENSIVE INCOME (LOSS)		
Net change in unrealized gain (loss) on available-for-sale securities, net of deferred tax of \$(298,184) and \$404,984 as of December 31, 2014 and 2013, respectively	<u>840,112</u>	<u>(1,435,850)</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 2,040,671</u>	<u>\$ (411,556)</u>

See notes to the financial statements.

NOBLE BANK AND TRUST
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
BALANCE AT DECEMBER 31, 2012	\$ 1,453,525	\$ 14,068,567	\$ 858,410	\$ 1,361,931	\$ 17,742,433
Dividends declared and paid	-	-	-	(363,381)	(363,381)
Net income	-	-	-	1,024,294	1,024,294
Other comprehensive loss	-	-	(1,435,850)	-	(1,435,850)
Exercise of stock warrant	2,500	22,500	-	-	25,000
Options/warrants expense	-	2,364	-	-	2,364
BALANCE AT DECEMBER 31, 2013	1,456,025	14,093,431	(577,440)	2,022,844	16,994,860
Dividends declared and paid	-	-	-	(436,808)	(436,808)
Net income	-	-	-	1,200,559	1,200,559
Other comprehensive income	-	-	840,112	-	840,112
Exercise of stock warrant / options	5,000	45,000	-	-	50,000
Options/warrants expense	-	2,364	-	-	2,364
BALANCE AT DECEMBER 31, 2014	<u>\$ 1,461,025</u>	<u>\$ 14,140,795</u>	<u>\$ 262,672</u>	<u>\$ 2,786,595</u>	<u>\$ 18,651,087</u>

See notes to the financial statements.

NOBLE BANK AND TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,200,559	\$ 1,024,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	218,663	357,452
Net amortization of securities	271,798	270,697
Depreciation of premises and equipment	305,977	306,892
Write-down of other real estate	47,382	45,575
(Gain) loss on sale of other real estate	6,607	(10,532)
Realized gain on sale of securities, net	(132,831)	(10)
Change in deferred tax	(80,056)	(56,977)
Change in prepaid expenses	45,134	239,786
Change in accrued interest receivable	64,556	(36,965)
Change in other assets	(150)	15,056
Change in accrued interest payable	(2,280)	(8,638)
Change in deferred compensation	66,221	39,692
Change in other liabilities	68,682	(2,601)
Net cash provided by operating activities	<u>2,080,262</u>	<u>2,183,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Purchases	(17,239,408)	(18,148,306)
Sales	12,651,721	3,005,796
Maturities, paydowns, and calls	4,552,722	5,944,122
Purchases of securities restrictive investments	(850)	(1,800)
Proceeds from sales of other investment securities	51,400	44,700
Purchases of annuities	-	(1,306,264)
Net change in annuities value	(246,726)	-
Net change in loans receivable	(8,880,054)	(10,762,349)
Proceeds from the sale of ORE	264,031	240,035
Purchases of premises and equipment	(451,852)	(544,853)
Change in bank owned life insurance	(96,378)	(106,778)
Net cash used by investing activities	<u>(9,395,394)</u>	<u>(21,635,697)</u>

See notes to the financial statements.

NOBLE BANK AND TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	\$ 3,297,623	\$ 1,013,099
Exercise of stock warrant	50,000	25,000
Allocation from granting of warrants/options	2,364	2,364
Net change in federal funds purchased	575,000	-
Cash dividends	<u>(436,808)</u>	<u>(363,381)</u>
Net cash provided by financing activities	<u>3,488,179</u>	<u>677,082</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,826,953)	(18,774,894)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,754,346</u>	<u>29,529,240</u>
CASH AND CASH EQUIVALENTS AT END OF YEAF	<u>\$ 6,927,393</u>	<u>\$ 10,754,346</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 569,664</u>	<u>\$ 536,247</u>
NONCASH DISCLOSURES		
Loans transferred to other real estate owned	<u>\$ 229,297</u>	<u>\$ 1,271,525</u>
Proceeds from sales of foreclosed real estate financed through loans	<u>\$ -</u>	<u>\$ 184,500</u>
Net change in unrealized gain (loss) on securities available-for-sale, net of taxes	<u>\$ 840,112</u>	<u>\$ (1,435,850)</u>

See notes to the financial statements.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Noble Bank and Trust (the Bank) was formed on October 5, 2005, by national charter and currently operates four branches in Alabama. The main branch is located in Anniston, and the other branches are located in Oxford, Piedmont, and Alexandria. On June 27, 2013, the Bank was permitted to change its charter from a national bank to a state bank. They will now be examined by the State of Alabama and/or the Federal Reserve.

Major Services and Principal Markets

The Bank's main line of business consists of providing banking services for its customers, most of whom are located in Calhoun County, Alabama.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral. The Bank's loans are generally secured by specific items of collateral, including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management used available information to recognize losses on loans, further reduction in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Cash Equivalents

The Bank considers cash and due from banks, federal funds sold, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. The Bank maintains cash and cash equivalents in various correspondent bank accounts and, at times, may exceed that which is federally insured.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Securities Available-for-Sale

Securities available-for-sale represent those securities intended to be held for an indefinite period of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold in response to changes in interest rates, changes in prepayment risk, the need to increase regulatory capital, or other similar factors. Securities available-for-sale are recorded at market value with unrealized gains and losses, net of any tax effect, and are reported as other comprehensive income (loss) in a separate component of stockholders' equity until realized. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount on the securities sold, using the specific identification method. The estimated values are provided by security dealers who have obtained quoted prices.

Purchase premiums and discounts are recognized in interest income using a method which approximates the interest method over the terms of the securities. Declines in the fair value of available-for-sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery of fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Securities Restrictive Investments

Securities restrictive investments represent those securities whose sale is restricted to approved other organizations or the issuing company. Those securities are carried at cost, and their value is determined by the ultimate recoverability of par value.

Annuities

The Company has purchased annuity contracts on certain key employees. These contracts are recorded at their cash surrender value or the amount that can be realized. Income from these contracts and changes in the cash surrender value are recorded in noninterest income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future are reported at their outstanding principal balances net of any unearned income, charge-offs, and unamortized fees and costs. Loan origination and commitment fees, as well as certain origination costs, when material, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method or the straight-line method.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Troubled Debt Restructurings (TDRs)

Modifications to a borrower's debt agreement are considered troubled debt restructurings (TDRs) if a concession is granted for economic or legal reasons related to a borrower's financial difficulties that otherwise would not be considered. TDRs are undertaken in order to improve the likelihood of recovery on the loan and may take the form of modifications made with the stated interest rate lower than the current market rate for new debt with similar risk, other modifications to the structure of the loan that fall outside of normal underwriting policies and procedures, or in certain limited circumstances, forgiveness of principal or interest. TDRs can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower.

Impaired and Nonaccrual Loans

Loans, including impaired loans, are generally classified as nonaccrual if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well-collateralized and in the process of collection. If a loan or a portion of a loan is classified as doubtful or is partially charged off, the loan is generally classified as nonaccrual.

Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt. Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms of interest and principal.

While a loan is classified as nonaccrual, and the future collectability of the recorded loan balance is doubtful, collections of principal and interest are generally applied as a reduction to principal outstanding, except in the case of loans with scheduled amortizations where the payment is generally applied to the oldest payment due. When the future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a nonaccrual loan has been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered. Interest income recognized on a cash basis was immaterial for the years ended December 31, 2014 and 2013.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable and reasonably estimable credit losses inherent in loans as of the balance sheet date. The estimate of the allowance is based on a variety of factors including an evaluation of the loan portfolio, past loss experience, adverse situations that have occurred but are not yet known that may affect the borrower's ability to repay, the estimated value of underlying collateral, and current economic conditions.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

For purposes of determining the allowance for loan losses, the Company has segmented loans into the following segments: commercial, financial and agricultural; real estate – construction, land development, and other land; real estate – mortgage; and consumer. Significant judgment is used to determine the estimation method that fits the credit risk characteristics of each portfolio segment. The Company uses internally developed models in this process. Management must use judgment in establishing input metrics for the modeling processes. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as information becomes available and as economic conditions change.

Loans considered to be uncollectible are charged-off against the allowance. The amount and timing of charge-offs on loans includes consideration of the loan type, length of delinquency, insufficiency of collateral value, lien priority, and the overall financial condition of the borrower. Recoveries on loans previously charged-off are credited back to the allowance. Loans that have been charged-off against the allowance are periodically monitored to evaluate whether further adjustments to the allowance are necessary.

The allowance for loan losses consists of three components: general, specific, and unallocated as follows:

- The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors, which includes trend assessments in delinquent and nonaccrual loans, unanticipated charge-offs, prevailing economic conditions, changes in lending personnel experience, changes in lending policies or procedures, and other influencing factors.
- The specific component is determined for impaired loans, including TDRs, individually based on management's evaluation of the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantors; and the realizable value of any collateral. Reserves are established for these loans based upon an estimate of probable losses for the individual loans deemed to be impaired. This estimate considers all available evidence using one of the methods provided by applicable authoritative guidance. Loans determined to be collateral dependent are measured at the fair value of collateral less disposal costs. Loans for which impaired reserves are provided are excluded from the general component reserve calculations described above to prevent duplicate reserves.
- The unallocated component is not allocated to any specific category of loans. This unallocated portion of the allowance reflects management's best estimate of the elements of imprecision and estimation risk inherent in the calculation of the overall allowance. Due to the subjectivity involved in determining the overall allowance, including the unallocated portion, the portion considered unallocated may fluctuate from period to period based on management's evaluation of the factors affecting the assumptions used in calculating the allowance, including historical loss experience, current economic conditions, industry or borrower concentrations, and the status of merged institutions.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. If management determines that the value of the impaired loan is less than the recorded investment in the loan, impairment is recognized through a charge-off to the allowance. Interest income is recognized as earned unless the loan is placed on nonaccrual status.

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 and 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. Generally, impaired loans include loans on nonaccrual status, loans that have been assigned a specific allowance for credit losses, loans that have been partially charged off, and loans designated as troubled debt restructurings.

Based on facts and circumstances available, management believes that the allowance for loan losses is adequate to cover any probable losses in the Company's loan portfolio. However, future adjustments to the allowance may be necessary, and the Company's results of operations could be adversely affected if circumstances differ substantially from the assumptions used by management in determining the allowance for loan and lease losses. Management believes that it has established the allowance in accordance with generally accepted accounting principles and has taken into account the views of its regulators and the current economic environment. There can be no assurance that in the future the Bank's regulators or its economic environment will not require further increases in the allowance.

Asset Quality

Written underwriting standards established by management govern the lending activities of the Company. An established loan policy requires appropriate documentation including borrower financial data and credit reports. For loans secured by real property, the Company generally requires property appraisals, title insurance or a title opinion, hazard insurance, and flood insurance, where appropriate. Loan payment performance is monitored and late charges are assessed on past due accounts. Legal proceedings are instituted, as necessary, to minimize loss. Commercial and residential loans of the Company are periodically reviewed through a loan review process. All other loans are also subject to loan review through a periodic sampling process.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Company uses an asset risk classification system consistent with guidelines established by the Uniform Financial Institution Ratings System (UFIRS) as part of its efforts to monitor asset quality. In connection with examinations of insured institutions, both federal and state examiners also have the authority to identify problem assets and, if appropriate, classify them. The Company has eight credit quality indicators for loans, as follows:

- Superior Quality (minimal risk) – Loans in this category are considered to be of the highest quality. The borrower is very liquid. Overall asset quality is very good. Leverage is very low and is stable or decreasing. For consumer loans, debt to income ratio should be very low and for business loans, cash flow is continually very high relative to all demands. Earnings are always very strong being stable or even increasing through economic swings. Multiple sources of financing exist and can be easily obtained by this borrower. This rating is equivalent to a UFIRS rating of “1”.
- High Quality (low risk) – Loans in this category are considered to be of above average quality. The borrower is very liquid. Overall, leverage is relatively low and is stable. Earnings are very strong and stable. For consumer loans, the debt to income ratio should be low and for business loans, cash flow is more than sufficient to meet total demands. Other sources of financing are available and are readily available to this borrower. This rating is equivalent to a UFIRS rating of “1”.
- Good Quality (normal risk) – Loans in this category are considered to be of good quality. These consumer borrowers have a history of successful credit performance and the business borrowers have successful financial performance, but could be susceptible to economic changes. Asset quality is good. The balance sheet shows decent liquidity. Overall leverage is at a normal level. Income and cash flow may fluctuate but are still sufficient to meet demands. Other sources of financing should be easily obtainable. This rating is equivalent to a UFIRS rating of “1”.
- Acceptable Quality (increased risk) – Loans in this grade are considered to be acceptable credit risk but may require more than the normal servicing. Loans should be in this category not because they are problem credits, but because they may be higher than normal risk and the Bank needs to follow their performance more closely than others. Asset quality is marginally acceptable. Overall, leverage may fluctuate and is frequently at the upper end of the range of what is considered normal. Income and cash flow may be marginal but continue to support demands. The outlook for continued improvement is good. Access to other financing sources is limited to a few banks. This rating is equivalent to a UFIRS rating of “1”.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Special Mention (high risk) – A “Special Mention” loan has potential weaknesses that deserve management close attention. Such weaknesses could be that the borrower’s ability to repay from primary (intended) sources (i.e., income or cash flow) is marginal and is threatened by a potential weakness which, if not checked or corrected, could result in deterioration of the repayment prospects for the loan and/or the Bank being inadequately protected against the risk of principal or income loss at some future date. The borrower is highly susceptible to current economic or market conditions, which may adversely affect the borrower’s ability to repay the debt. A consumer borrower may have had a reduction of income or have an unusually high level of financial leverage. A business borrower may be experiencing adverse operating trends or operating with unusually high financial leverage, thereby increasing the risk of untimely payment. A loan classified as “Special Mention” should be transitional and temporary (6 months). This rating is equivalent to a UFIRS rating of “2”.
- Classified Substandard – Loans with a rating of “Substandard” show that the borrower’s ability to repay is threatened by a clearly defined weakness which jeopardizes liquidation of the loan. The distinct possibility exists that the Bank will sustain some principal or income loss if the deficiencies are not corrected. This rating is equivalent to a UFIRS rating of “3”.
- Classified Doubtful – Loans with a rating of “Doubtful” show that the borrower’s ability to repay in full, on the basis of currently existing facts, is highly questionable and improbable. Some loss of principal or income is likely; however, the total amount of such loss cannot be determined at the present time. A “Doubtful” risk grade should be temporary; therefore, when and if loss exposure is determined, the amount of loss will be charged off or the loan should be upgraded. Loans in this category shall be immediately placed on non-accrual with all payments applied to principal until such time as the potential loss exposure is eliminated. This rating is equivalent to a UFIRS rating of “4”.
- Classified Loss – Loans classified as “Loss” are considered partially or totally uncollectible, and, of such little value that their continuation as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather, it is not practical, or desirable, to defer writing off this asset even though partial recovery may be affected in the future. This rating is equivalent to a UFIRS rating of “5”.

Loans Held-for-Sale

Loans held-for-sale consist of loans originated by the Bank’s loan department that are sold without recourse, normally within 10 working days. All of the loans are sold at face value plus any interest accrued from the date of origination. The loans are reflected at cost, which is also market value. The Bank had no loans held-for-sale as of December 31, 2014 and 2013.

Premises and Equipment

Land is carried at cost. Other premises and equipment are stated at cost less accumulated depreciation. Expenditures for additions and major improvements that significantly extend the useful life of assets are capitalized. Expenditures for repairs and maintenance are charged against income when incurred.

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Depreciation is provided generally by straight-line method based on the estimated useful lives of the respective assets, which generally range from 3 to 39 years.

Other Real Estate

Foreclosed real estate includes both formally foreclosed property and in-substance foreclosed property. In-substance foreclosed properties are those properties for which the Bank has taken physical possession, regardless of whether formal foreclosure proceedings have taken place.

At the time of foreclosure, foreclosed real estate is recorded at the fair value less estimated costs to sell, which becomes the property's new cost basis. Any write-downs based on the asset's fair value at date of acquisition are charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying value amount or fair value less cost to sell. Costs incurred in maintaining other real estate and subsequent adjustments to the carrying amount of the property are included in income (loss) on other real estate. Costs incurred to complete, repair/renovate, or make the property whole are capitalized.

Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain key employees. These policies are recorded at their cash surrender value or the amount that can be realized. Income from these policies and changes in the cash surrender value are recorded in other operating income.

Deposits

Customer deposits include public funds held on deposit under the Security for Alabama Funds Enhancement Act (SAFE) Program. The SAFE Program was established by the Alabama legislature to provide protection for public funds enrolled in the SAFE Program. Under this program, financial institutions are required to collateralize public fund deposits (Note 2).

The Bank participates in the Certificate of Deposit Account Registry Service (CDARS), which is a network of banks that offer certificates of deposit products to individual and corporate customers in such amounts that allow such deposits to qualify for Federal Deposit Insurance Corporation (FDIC) insurance coverage.

Other Borrowings

The Company records Federal Home Loan Bank advances and federal funds purchased at their principal amount. Interest expense is recognized based on the coupon rate of the obligations.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comprehensive Income

Comprehensive income or loss is generally defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Other comprehensive income (loss) is comprised of items not recorded as components of net income. The accumulated balance of other comprehensive income (loss) is reported separately from retained earnings in the equity section of the statements of financial condition.

In the calculation of comprehensive income (loss), certain reclassification adjustments are made to avoid double counting items that are displayed as part of net income for a period that also had been displayed as part of other comprehensive income (loss) in that period or earlier periods. The disclosure of the reclassification amounts and other details of other comprehensive income (loss) are as follows:

	2014	2013
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	\$ 1,269,903	\$(1,840,824)
Reclassification adjustments for gains included in net income	(131,607)	(10)
Net unrealized gains (losses)	1,138,296	(1,840,834)
Income tax related to other comprehensive income	(298,184)	404,984
Other comprehensive income (loss)	<u>\$ 840,112</u>	<u>\$(1,435,850)</u>

Stock Based Compensation

Pursuant to the provisions of the Amended and Restated 2005 Incentive Stock Compensation Plan (the Plan), the stockholders and the Board of Directors approved 180,000 shares of common stock as reserved for stock options, warrants, or restricted stock for various employees and directors. Note 13 summarizes the various grants of options, warrants, and restricted stock.

Advertising

The Bank's policy is to expense advertising costs as incurred. Advertising expense was \$21,275 and \$31,147 for the years ended December 31, 2014 and 2013, respectively.

Employee Benefit Plans

The Bank has a qualified 401(k) profit sharing plan covering substantially all employees. Eligible participating employees may elect to contribute tax-deferred contributions. Company contributions include matching annual and discretionary amounts as determined by the Board of Directors. The 401(k) plan allows participants to invest in unrelated mutual funds.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Company has also provided a deferred compensation plan for certain key employees and directors. These plans are target benefit arrangements with defined contributions based on the key employee's earned salary. The amounts are unfunded and are included in other liabilities on the Company's books. As such, the beneficiaries are general creditors of the Company.

Company contributions to these benefit plans are included in salaries and employee benefits (see Note 14 and 15).

Income Taxes

The Bank files a federal income tax return and State of Alabama excise tax return. These returns are filed using the accrual basis of accounting. Provisions for income taxes are based on amounts reported in the statements of income (after exclusion of nontaxable income, such as interest on state and municipal securities) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statement purposes.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the assets have been isolated from the Bank, put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (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 Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded. See Note 9 for a further discussion of these financial instruments.

The Bank has available as a source of short-term financing the purchase of federal funds from other commercial banks from available lines totaling \$6,300,000, all of which is available and unused.

The Bank also has a line of credit with the Federal Home Loan Bank of Atlanta (FHLB) of up to approximately \$35,200,000, of which \$29,450,000 is available and unused. The ability to utilize the remaining line is dependent on the amount of eligible collateral that is free to pledge to the FHLB. In addition, as part of the borrowing agreement, the Bank is required to purchase FHLB stock (see Note 2).

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements

The Bank adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) on fair value measurements. This standard defines fair value for financial reporting purposes as the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction between market participants at the measurement date (reporting date). Fair value is based on an exit price in the principal market or most advantageous market in which the reporting entity could execute a transaction. New fair value measurements are not required, but fair value disclosures are required for financial assets or liabilities where other accounting pronouncements require or permit fair value reporting.

For each asset and liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. The Bank measures its assets and liabilities on a stand-alone basis then aggregates assets and liabilities with similar characteristics for disclosure purposes.

The standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Bank. Unobservable inputs are inputs that reflect the Bank's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value guidance established three categories within a fair value hierarchy which are presented below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities, and default rates, and inputs that are derived principally from or corroborated by observable market data.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The adoption of this authoritative guidance had no impact on the financial statements of the Bank other than the additional disclosures included in Note 16.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements included herein to conform to the 2014 presentation. These reclassifications had no effect on the financial position, results of operations, or cash flows of the Bank.

Recently Issued Accounting Standards

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income (Topic 220): Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The amendments in this ASU do not change the current requirements for reporting net income or other comprehensive income in financial statements but require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. This ASU is effective for periods beginning after December 15, 2013. The Bank adopted the provisions of this ASU on January 1, 2014. This adoption did not have a material impact to the financial statements of the Bank.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. SECURITIES

Securities Available-for-Sale

The amortized cost and fair value of available-for-sale securities, with gross unrealized gains and losses, were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2014				
Debt securities:				
U.S. government-sponsored enterprises (GSEs)*	\$ 14,419,799	\$ -	\$ 360,641	\$ 14,059,158
State and municipal	20,980,255	605,021	51,973	21,533,303
Mortgage-backed securities:				
GSE residential	16,963,418	207,236	1,655	17,168,999
	\$ <u>52,363,472</u>	\$ <u>812,257</u>	\$ <u>414,269</u>	\$ <u>52,761,460</u>
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2013				
Debt securities:				
U.S. government-sponsored enterprises (GSEs)*	\$ 17,417,491	\$ 699	\$ 663,496	\$ 16,754,694
State and municipal	21,026,389	393,740	445,219	20,974,910
Mortgage-backed securities:				
GSE residential	14,023,594	128,787	154,819	13,997,562
	\$ <u>52,467,474</u>	\$ <u>523,226</u>	\$ <u>1,263,534</u>	\$ <u>51,727,166</u>

* Such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks.

The Bank did not classify any investments as held-to-maturity at December 31, 2014 and 2013.

Investment securities with a carrying amount of \$11,065,741 and \$11,233,504 were pledged to secure various public funds under the SAFE Program at December 31, 2014 and 2013, respectively.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. SECURITIES – CONTINUED

The amortized cost and fair value of available-for-sale securities by contractual maturity at December 31, 2014, were as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Within one year	\$ 977,171	\$ 982,293
After one year through five years	32,540,721	32,575,742
After five years through 10 years	6,961,920	6,979,167
Over 10 years	11,883,660	12,224,258
	<u>\$ 52,363,472</u>	<u>\$ 52,761,460</u>

Mortgage-backed securities have been included in the maturity tables based upon the guaranteed pay-off date of each security.

The actual maturities may differ from the contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

For the years ended December 31, 2014 and 2013, proceeds from sales, maturities, and calls of securities available-for-sale amounted to \$14,290,497 and \$5,500,796; gross realized gains were \$224,924 and \$10 and gross realized losses were \$92,093 and \$-0-.

The following table shows the gross unrealized losses and fair value of the entity's available-for-sale securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2014 and 2013.

	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>
As of December 31, 2014						
GSEs	\$ -	\$ -	\$ 14,059,158	\$ 360,641	\$ 14,059,158	\$ 360,641
State and municipal Mortgage-backed securities:	216,134	908	3,825,557	51,065	4,041,691	51,973
GSE residential	1,120,802	1,655	-	-	1,120,802	1,655
	<u>\$ 1,336,936</u>	<u>\$ 2,563</u>	<u>\$ 17,884,715</u>	<u>\$ 411,706</u>	<u>\$ 19,221,651</u>	<u>\$ 414,269</u>

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. SECURITIES – CONTINUED

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
As of December 31, 2013						
GSEs	\$ 11,967,687	\$ 474,804	\$ 3,786,308	\$ 188,692	\$ 15,753,995	\$ 663,496
State and municipal Mortgage-backed securities:	7,417,502	244,487	2,724,791	200,732	10,142,293	445,219
GSE residential	8,812,140	154,819	-	-	8,812,140	154,819
	<u>\$ 28,197,329</u>	<u>\$ 874,110</u>	<u>\$ 6,511,099</u>	<u>\$ 389,424</u>	<u>\$ 34,708,428</u>	<u>\$ 1,263,534</u>

U.S. Government-Sponsored Enterprises (GSEs)

The Bank has eight U.S. Government-sponsored enterprise securities with unrealized losses at December 31, 2014. The unrealized losses on these investments were caused by the general downturn in the economy and illiquid markets and reflected aggregate depreciation from amortized cost of 2.50%. The expected present value of future cash flows is expected to approximate the contractual cash flows. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment.

Because the decline in market value is attributable to the current economic environment and not credit quality, the Bank does not intend to sell the investments and it is not more likely than not that the Bank will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider these investments to be other-than-temporarily impaired at December 31, 2014.

State and Municipal

The Bank has 13 state and municipal securities with unrealized losses at December 31, 2014. The unrealized losses on these investments were caused by the general downturn in the economy and illiquid markets and reflected aggregate depreciation from amortized cost of 1.27%. The expected present value of future cash flows is expected to approximate the contractual cash flows. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment.

Because the decline in market value is attributable to the current economic environment and not credit quality, the Bank does not intend to sell the investments and it is not more likely than not that the Bank will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider these investments to be other-than-temporarily impaired at December 31, 2014.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. SECURITIES – CONTINUED

Mortgage-Backed Securities: Residential GSEs

The Bank had one mortgage-backed security with unrealized losses at December 31, 2014. The unrealized losses on these investments were caused by the general downturn in the economy and illiquid markets and reflected aggregate depreciation from amortized cost of 0.15%. The expected present value of future cash flows is expected to approximate the contractual cash flows. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Bank's investment.

Because the decline in market value is attributable to the current economic environment and not credit quality, the Bank does not intend to sell the investments and it is not more likely than not that the Bank will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider these investments to be other-than-temporarily impaired at December 31, 2014.

Other-than-Temporary Impairment

The Bank recognizes other-than-temporary impairment (OTTI) in accordance with ASC Topic 320, *Investments – Debt and Equity Securities*, which requires that the Bank assess whether it intends to sell or it is more likely than not that the Bank will be required to sell a security before recovery of its amortized cost basis less any current-period credit losses. For debt securities that are considered other-than-temporarily impaired and that the Bank does not intend to sell and will not be required to sell prior to anticipated recovery of the amortized cost basis, the amount of the impairment is separated into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the security's amortized cost basis and the present value of its expected future cash flows discounted at the security's effective yield. The remaining difference between the security's fair value and the present value of future expected cash flows is due to factors that are not credit related and, therefore, is not required to be recognized as a loss in the statements of income but is recognized in other comprehensive income (loss). The Bank believes that it will fully collect the carrying value of securities on which it has recorded a noncredit related impairment in other comprehensive income (loss). The Bank held no investments with an other-than-temporary impairment at December 31, 2014 and 2013.

Securities, Restrictive Investment

The aggregate carrying value of the Bank's cost-method investments totaled \$1,364,200 and \$1,414,750 at December 31, 2014 and 2013, respectively. These investments were not evaluated for impairment because (1) the Bank did not estimate the fair value of these investments in accordance with ASC Topic 825, *Financial Instruments*, and (2) the Bank did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments. As of December 31, 2014, the Bank concluded that any impairments identified were temporary with no adjustments needed.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. SECURITIES – CONTINUED

The carrying amount of securities restrictive investment at December 31 is as follows:

	<u>2014</u>	<u>2013</u>
First National Banker's Bank	\$ 518,000	\$ 518,000
Federal Home Loan Bank	379,700	431,100
Federal Reserve Bank	466,500	465,650
	<u>\$ 1,364,200</u>	<u>\$ 1,414,750</u>

3. LOANS

The composition of loans by primary loan classification and by performing and impaired loan status at December 31, 2014 and 2013, is as follows:

	<u>December 31, 2014</u>		
	<u>Performing Loans</u>	<u>Impaired Loans</u>	<u>Total</u>
Commercial, financial, and agricultural	\$ 19,566,092	\$ 52,026	\$ 19,618,118
Real estate – construction, land development, and other land	6,234,029	715,436	6,949,465
Real estate – mortgage	72,708,347	2,116,111	74,824,458
Consumer	3,083,714	75,401	3,159,115
Subtotal	101,592,182	2,958,974	104,551,156
Allowance for loan losses	1,109,340	144,957	1,254,297
Net loans	<u>\$100,482,842</u>	<u>\$ 2,814,017</u>	<u>\$103,296,859</u>

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. LOANS – CONTINUED

	December 31, 2013		
	Performing Loans	Impaired Loans	Total
Commercial, financial, and agricultural	\$ 18,416,162	\$ 533,333	\$ 18,949,495
Real estate – construction, land development, and other land	8,700,205	743,701	9,443,906
Real estate – mortgage	63,765,378	472,903	64,238,281
Consumer	3,309,825	62,064	3,371,889
Subtotal	94,191,570	1,812,001	96,003,571
Allowance for loan losses	1,052,881	85,925	1,138,806
Net loans	<u>\$ 93,138,689</u>	<u>\$ 1,726,076</u>	<u>\$ 94,864,765</u>

The changes in the allowance for loan losses for the years ended December 31, 2014 and 2013, are as follows:

	2014	2013
Balance at beginning of year	\$ 1,138,806	\$ 1,267,290
Loans charged off	(126,249)	(503,476)
Recoveries on loans previously charged off	23,077	17,540
Net charge-offs	(103,172)	(485,936)
Provision charged to operating expenses	218,663	357,452
Balance at end of year	<u>\$ 1,254,297</u>	<u>\$ 1,138,806</u>

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. LOANS – CONTINUED

The allocation and changes in the allowance for loan losses, by loan classification, as of and for the years ended December 31, 2014 and 2013, are as follows:

December 31, 2014	Commercial, Financial, and Agricultural	Real Estate – Construction, Land Development, and Other Land	Real Estate – Mortgage	Consumer	Unallocated	Total
Balance at beginning of year	\$ 244,846	\$ 150,572	\$ 690,281	\$ 50,858	\$ 2,249	\$1,138,806
Charge-offs	-	-	(6,266)	(119,983)	-	(126,249)
Recoveries	-	-	1,400	21,677	-	23,077
Net charge-offs	-	-	(4,866)	(98,306)	-	(103,172)
Provision	(120,234)	49,564	267,072	90,464	(68,203)	218,663
Ending balance	<u>\$ 124,612</u>	<u>\$ 200,136</u>	<u>\$ 952,487</u>	<u>\$ 43,016</u>	<u>\$ (65,954)</u>	<u>\$1,254,297</u>
December 31, 2013	Commercial, Financial, and Agricultural	Real Estate – Construction, Land Development, and Other Land	Real Estate – Mortgage	Consumer	Unallocated	Total
Balance at beginning of year	\$ 341,320	\$ 363,906	\$ 516,677	\$ 45,387	\$ -	\$1,267,290
Charge-offs	(44,663)	-	(415,396)	(43,417)	-	(503,476)
Recoveries	-	-	3,110	14,430	-	17,540
Net charge-offs	(44,663)	-	(412,286)	(28,987)	-	(485,936)
Provision	(51,811)	(213,334)	585,890	34,458	2,249	357,452
Ending balance	<u>\$ 244,846</u>	<u>\$ 150,572</u>	<u>\$ 690,281</u>	<u>\$ 50,858</u>	<u>\$ 2,249</u>	<u>\$1,138,806</u>

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

3. LOANS – CONTINUED

The following table outlines the amount of each loan classification based on internally assigned risk ratings as of December 31, 2014 and 2013:

December 31, 2014	Commercial, Financial, and Agricultural	Real Estate – Construction, Land Development, and Other Land	Real Estate – Mortgage	Consumer	Total
Grade:					
Pass*	\$ 19,566,092	\$ 6,234,029	\$ 72,801,458	\$ 3,098,925	\$ 101,700,504
Substandard	-	98,010	1,801,669	-	1,951,705
Substandard- impaired	<u>52,026</u>	<u>617,426</u>	<u>221,331</u>	<u>60,190</u>	<u>898,947</u>
Total	<u>\$ 19,618,118</u>	<u>\$ 6,949,465</u>	<u>\$ 74,824,458</u>	<u>\$ 3,159,115</u>	<u>\$ 104,551,156</u>

* Loans graded as superior quality, high quality, good quality, and acceptable quality are classified as “Pass” grade for disclosure purposes.

December 31, 2013	Commercial, Financial, and Agricultural	Real Estate – Construction, Land Development, and Other Land	Real Estate – Mortgage	Consumer	Total
Grade:					
Pass*	\$ 18,416,162	\$ 8,483,913	\$ 62,065,750	\$ 3,309,825	\$ 92,275,650
Special mention	-	-	907,215	-	907,215
Substandard	-	216,292	792,413	-	1,008,705
Substandard- impaired	533,333	743,701	472,903	-	1,749,937
Doubtful-impaired	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,064</u>	<u>62,064</u>
Total	<u>\$ 18,949,495</u>	<u>\$ 9,443,906</u>	<u>\$ 64,238,281</u>	<u>\$ 3,371,889</u>	<u>\$ 96,003,571</u>

* Loans graded as superior quality, high quality, good quality, and acceptable quality are classified as “Pass” grade for disclosure purposes.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. LOANS – CONTINUED

The following table details the recorded investments, unpaid principal balance, and the related allowance of impaired loans as of December 31, 2014 and 2013, and the average recorded investment of impaired loans for the years ended December 31, 2014 and 2013:

	At December 31, 2014			For the Year Ended December 31, 2014
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans with no recorded allowance:				
Commercial, financial, and agricultural	\$ 52,026	\$ 52,026	\$ -	\$ 26,013
Real estate – construction, land development, and other land	98,010	98,010	-	406,829
Real estate – mortgage	1,894,780	1,894,780	-	1,142,009
Consumer	15,211	15,211	-	7,606
	2,060,027	2,060,027	-	1,582,457
Impaired loans with a recorded allowance:				
Commercial, financial, and agricultural	-	-	-	240,000
Real estate – construction, land development, and other land	534,240	617,426	83,186	276,240
Real estate – mortgage	42,750	60,190	17,440	61,875
Consumer	177,000	221,331	44,331	109,475
	753,990	898,947	144,957	687,590
Total impaired loans	\$ 2,814,017	\$ 2,958,974	\$ 144,957	\$ 2,270,047

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. LOANS – CONTINUED

	At December 31, 2013			For the Year Ended December 31, 2013
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans with no recorded allowance:				
Commercial, financial, and agricultural	\$ -	\$ -	\$ -	\$ 20,207
Real estate – construction, land development, and other land	715,648	715,648	-	357,824
Real estate – mortgage	389,238	389,238	-	725,862
	<u>1,104,886</u>	<u>1,104,886</u>	-	<u>1,103,893</u>
Impaired loans with a recorded allowance:				
Commercial, financial, and agricultural	480,000	533,333	53,333	465,000
Real estate – construction, land development, and other land	18,240	28,053	9,813	56,065
Real estate – mortgage	81,000	83,665	2,665	81,000
Consumer	41,950	62,064	20,114	20,975
	<u>621,190</u>	<u>707,115</u>	<u>85,925</u>	<u>623,040</u>
Total impaired loans	<u>\$ 1,726,076</u>	<u>\$ 1,812,001</u>	<u>\$ 85,925</u>	<u>\$ 1,726,933</u>

For the years ended December 31, 2014 and 2013, the interest income recognized on impaired loans was immaterial.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. LOANS – CONTINUED

Past due balances and loans on nonaccrual status at December 31, 2014 and 2013, by loan classification, are as follows:

December 31, 2014	Past Due 30-89 Days and Still Accruing	Past Due 90 Days or More and Still Accruing	Total Past Due and Performing	Loans on Nonaccrual Status	Current	Total Loans
Commercial, financial, and agricultural	\$ -	\$ -	\$ -	\$ -	\$ 19,618,118	\$ 19,618,118
Real estate – construction, land development, and other land	2,042	-	2,042	715,436	6,231,987	6,949,465
Real estate – mortgage	293,518	-	293,518	71,665	74,459,275	74,824,458
Consumer	9,173	-	9,173	-	3,149,942	3,159,115
Total	\$ 304,733	\$ -	\$ 304,733	\$ 787,101	\$103,459,322	\$104,551,156
December 31, 2013	Past Due 30-89 Days and Still Accruing	Past Due 90 Days or More and Still Accruing	Total Past Due and Performing	Loans on Nonaccrual Status	Current	Total Loans
Commercial, financial, and agricultural	\$ -	\$ -	\$ -	\$ -	\$ 18,949,495	\$ 18,949,495
Real estate – construction, land development, and other land	-	-	-	743,701	8,700,205	9,443,906
Real estate – mortgage	6,266	-	6,266	378,676	63,853,339	64,238,281
Consumer	-	-	-	62,064	3,309,825	3,371,889
Total	\$ 6,266	\$ -	\$ 6,266	\$ 1,184,441	\$ 94,812,864	\$ 96,003,571

At December 31, 2014 and 2013, there were no loans classified as nonaccrual that were not deemed to be impaired. At the date such loans were placed on nonaccrual status, the Bank reversed all previously accrued interest income against current year earnings. Had such nonaccrual loans been on accrual status, interest income would have been immaterial for the year ended December 31, 2014. Interest income is subsequently recognized to the extent cash payments are received while the loan is classified as nonaccrual but is reviewed on a loan-by-loan basis.

The Bank has no commitments to loan additional funds to the borrowers of impaired loans.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. LOANS – CONTINUED

The following table details the number of troubled debt restructurings by loan classification as of December 31, 2014 and 2013:

	At December 31, 2014		
	Number of Contracts	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled Debt Restructurings			
Real estate – construction, land development, and other land	1	\$ 50,000	\$ 23,611
Real estate – mortgage	3	489,329	386,107
Consumer	2	113,589	75,401
Total	6	\$ 652,918	\$ 485,119
	At December 31, 2013		
	Number of Contracts	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment
Troubled Debt Restructurings			
Real estate – construction, land development, and other land	1	\$ 50,000	\$ 28,053
Real estate – mortgage	3	489,329	401,207
Consumer	1	30,054	20,182
Total	5	\$ 569,383	\$ 449,442

Impaired loans also include loans that the Bank may elect to formally restructure due to the weakening credit status of a borrower such that the restructuring may facilitate a repayment plan that minimizes the potential losses, if any, that the Bank may have to otherwise incur. These loans are classified as impaired loans and, if on nonaccrual status as of the date of restructuring, the loans are included in the nonperforming loan balances noted above. Not included in nonperforming loans are loans that have been restructured that were performing as of the restructure date.

The Bank has pledged eligible one to four family real estate mortgage loans, commercial mortgage loans, multifamily mortgage loans, and investments as collateral to the Federal Home Loan Bank of Atlanta to secure a line of credit in the amount of \$35,200,000. At December 31, 2014 and 2013, the outstanding balance of the line of credit was \$5,000,000. See Note 6.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. LOANS – CONTINUED

Certain directors, executive officers, and principal stockholders, including their immediate families and associates, were loan customers of the Bank during 2014 and 2013. A summary of activity and amounts outstanding as of December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 2,297,230	\$ 1,355,657
New loans or advances	2,345,100	2,015,749
Principal repayments	<u>(2,954,438)</u>	<u>(1,074,176)</u>
Balance at end of year	<u>\$ 1,687,892</u>	<u>\$ 2,297,230</u>

4. PREMISES AND EQUIPMENT

Major classifications of premises and equipment at December 31 are summarized below:

	<u>2014</u>	<u>2013</u>
Building and improvements	\$ 5,922,932	\$ 5,679,673
Equipment	1,179,226	1,061,133
Furniture and fixtures	410,188	406,327
Computer software	168,158	162,219
Leasehold improvements	<u>67,242</u>	<u>66,542</u>
	7,747,746	7,375,894
Less accumulated depreciation	<u>2,577,532</u>	<u>2,271,555</u>
	5,170,214	5,104,339
Land	<u>1,448,377</u>	<u>1,368,377</u>
Premises and equipment, net	<u>\$ 6,618,591</u>	<u>\$ 6,472,716</u>

The provision for depreciation charged to occupancy and equipment expense was \$305,977 and \$306,892 for the years ended December 31, 2014 and 2013, respectively.

5. DEPOSITS

The aggregate amount of deposits from executive officers, directors, and principal stockholders was approximately \$13,726,946 and \$13,632,053 at December 31, 2014 and 2013, respectively.

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

5. DEPOSITS – CONTINUED

The aggregate amount of time deposits in denominations of \$100,000 or more at December 31, 2014 and 2013, was \$7,183,424 and \$7,642,315, respectively.

Demand deposit overdrafts reclassified as loan balances amounted to \$152,326 and \$76,143 at December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the Bank had CDARS time deposits of \$-0- and \$84,000, respectively.

The maturity schedule for all time deposits as of December 31, 2014, over the next five years, and in the aggregate is as follows:

2015	\$ 13,317,942
2016	1,523,036
2017	1,633,680
2018	1,339,548
2019	<u>493,248</u>
	<u>\$ 18,307,454</u>

6. BORROWINGS

The Bank has advances under a line of credit with Federal Home Loan Bank under a variable rate advance program with a total balance of \$5,000,000 as of December 31, 2014 and 2013. These advances are collateralized by eligible real estate mortgage loans, which had a value of approximately \$7,260,950 and \$6,521,429 for the years ended December 31, 2014 and 2013, respectively. Borrowings at December 31 consist of the following:

	2014	2013
Advance dated April 8, 2008, with interest payable quarterly at 2.82%, matures April 10, 2015, secured by one to four family mortgage loans	\$ 5,000,000	\$ 5,000,000

On October 12, 2007, the Bank was granted a letter of credit through the Federal Home Loan Bank totaling \$750,000. This letter of credit was obtained due to a regulator requirement to support a letter of credit granted to a customer. There were no amounts outstanding under this line of credit at December 31, 2014 and 2013, and the agreement expires on October 21, 2015.

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

7. OPERATING LEASES

Land

The Bank entered into a long-term, noncancelable operating lease agreement in 2009 for the Alexandria, Alabama branch. The lease expires in 2016 and provides for renewal options ranging from three to five years. Also, the lease requires the Bank to pay maintenance, insurance, and property taxes.

The Bank renewed a one-year, noncancelable operating lease agreement in April 2013 for the Piedmont, Alabama branch. The lease expires in 2014 and provides a one-year renewal option, which the Bank plans to exercise. Also, the lease requires the Bank to pay maintenance and insurance.

Lease expense totaled \$64,452 and \$83,440 during 2014 and 2013, respectively.

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

2015		\$	78,269
2016			97,110
2017			77,551
2018			80,094
Thereafter			305,120
			\$ 638,144

8. INCOME TAX PROVISION

The provision (benefit) for income tax consists of the following for the years ended December 31:

	2014	2013
Income tax expense:		
Current tax expense:		
Federal	\$ 299,149	\$ 248,087
State	53,107	30,234
Deferred tax benefit:		
Federal	(9,020)	(13,495)
	\$ 343,236	\$ 264,826

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

8. INCOME TAX PROVISION – CONTINUED

The provision for federal income taxes differs from that computed by applying the federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	<u>2014</u>	<u>2013</u>
Federal statutory income tax at 34%	\$ 524,890	\$ 438,301
Effect of tax-exempt interest	(462,984)	(424,610)
Other temporary or permanent differences	<u>281,330</u>	<u>251,135</u>
	<u>\$ 343,236</u>	<u>\$ 264,826</u>

The components of the net deferred tax assets are as follows:

	<u>2014</u>	<u>2013</u>
Differences in accounting for loan losses, less valuation allowance	\$ 178,153	\$ 96,799
Differences in depreciation methods	(128,986)	(120,719)
Differences in unrealized gains and losses on investments	(135,316)	162,868
Differences in stock options and warrants	145,762	144,958
Difference in deferred compensation	22,515	13,495
Other differences	<u>(6,356)</u>	<u>(3,501)</u>
	<u>\$ 75,772</u>	<u>\$ 293,900</u>
Deferred tax assets	\$ 346,430	\$ 418,120
Deferred tax liabilities	<u>(270,658)</u>	<u>(124,220)</u>
	<u>\$ 75,772</u>	<u>\$ 293,900</u>

Temporary differences giving rise to the deferred tax asset consist primarily of differences in the bad debt deduction for tax purposes and financial reporting purposes, differences in depreciation for tax purposes and financial reporting purposes, and the difference in unrealized gains and losses on investments.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank 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 and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of financial condition.

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

Unless noted otherwise, the Bank does not require collateral or other security to support financial instruments with credit risk. The outstanding notional amount of off-balance sheet risks at December 31, 2014 and 2013, is as follows:

**Financial Instruments Whose Contract Amounts Represent
Credit Risk**

	<u>2014</u>	<u>2013</u>
Unused lines of credit	\$ 18,796,000	\$ 15,277,000
Standby letters of credit	377,000	358,000
	<u>\$ 19,173,000</u>	<u>\$ 15,635,000</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Performance and financial letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in loan facilities extended to customers.

10. CONCENTRATION OF CREDIT RISK

Most of the Bank's deposit and lending activities occur with customers located within Calhoun County, Alabama. The Bank grants commercial, residential, and consumer loans primarily to customers in east Alabama. The concentrations of loans by type are set forth in Note 3.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

11. REGULATORY CAPITAL

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Office of the Comptroller of the Currency. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank and the financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving 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 under the prompt corrective action guidelines 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 and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations) and Tier 1 capital to adjusted total assets (as defined). The Bank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth by the regulators to meet the regulatory capital requirements.

Management believes, as of December 31, 2014 and 2013, that the Bank met all the capital adequacy requirements to which it is subject.

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2014						
Total risk based capital	\$ 19,642	16.69%	\$ 9,413	8.00%	\$ 11,767	10.00%
Tier 1 risk-based capital	18,388	15.63%	4,707	4.00%	5,883	6.00%
Tier 1 leverage	18,388	10.27%	7,164	4.00%	8,955	5.00%
As of December 31, 2013						
Total risk based capital	\$ 18,710	16.61%	\$ 9,011	8.00%	\$ 11,264	10.00%
Tier 1 risk-based capital	17,571	15.60%	4,506	4.00%	6,758	6.00%
Tier 1 leverage	17,571	10.16%	6,920	4.00%	8,650	5.00%

On June 27, 2013, the Bank was permitted to change its charter from a national bank to a State bank. They will now be examined by the State of Alabama and/or the Federal Reserve.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

12. RESTRICTIONS ON DIVIDENDS

The State of Alabama bank regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agency to the Company's net profits (as defined) for that year combined with its retained net profits for the preceding two years, which was \$1,412,000 at December 31, 2014.

13. STOCK BASED COMPENSATION

On April 18, 2006, the stockholders and directors approved and adopted the Plan, a stock compensation plan for key employees and directors. The purpose of the Plan is to enhance stockholder investment by attracting, retaining, and motivating key employees and directors of the Bank and to align the interests of management with those of stockholders.

The weighted-average estimated fair value of the warrants and options was determined using the Black-Scholes option-pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, the expected dividend payments, and the risk-free interest rate over the expected life of the option.

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options and, since the Bank's options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options.

Compensation expense recorded for the following plans totaled \$2,364 and \$2,364 for the years ended December 31, 2014 and 2013, respectively.

Warrant Agreements

In recognition of the efforts made and financial risks undertaken by the organizers in organizing the Bank, the Bank issued options during 2006 to the organizers to purchase up to 102,500 shares of Bank common stock. The option price is \$10 per share, and they vest at the end of five years, and are exercisable for a 10-year period.

The weighted-average estimated fair value of stock warrants granted during 2006 was \$3.06 per share. The assumptions used in the Black-Scholes model were as follows for stock options granted in 2006:

Risk-free interest rate	4.43%
Expected volatility of common stock	15%
Dividend yield	0%
Expected life of options	6.92 years

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

13. STOCK BASED COMPENSATION – CONTINUED

	Number of Shares	Weighted- Average Exercise Price
Options outstanding at December 31, 2013	10,000	\$ 100,000
Granted	-	-
Exercised	2,500	25,000
Options outstanding at December 31, 2014	7,500	\$ 75,000
Options exercisable at December 31, 2014	7,500	\$ 75,000
Remaining contractual life		0.92 years

Stock Option Agreements

Stock options may be granted to certain Bank officers and employees. The maximum number of options that can be issued is 65,500. In 2006, 43,100 shares were granted, and 22,400 shares are available to grant in the future. The granted shares are \$10 per share, vest in equal increments over five years, and are exercisable for a 10-year period.

The weighted-average estimated fair value of stock options granted during 2006 was \$3.51 per share.

The assumptions used in the Black-Scholes model were as follows for stock options granted in 2006:

Risk-free interest rate	4.45%
Expected volatility of common stock	15%
Dividend yield	0%
Expected life of options	8.42 years

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

13. STOCK BASED COMPENSATION – CONTINUED

	Number of Shares	Weighted- Average Exercise Price
Options outstanding at December 31, 2013	24,535	\$ 245,350
Granted	-	-
Exercised	-	-
Withdrawn	2,500	25,000
Options outstanding at December 31, 2014	22,035	\$ 220,350
Options exercisable at December 31, 2014	22,035	\$ 220,350
Remaining contractual life		2.42 years

In October 2008, the Board of Directors approved the issuance of stock options for five Bank officers/managers. Each of the five employees would receive an option for 500 shares of stock at a strike price of \$15. The Board of Directors ratified the granting of these options on February 17, 2009. The total expense over the five-year vesting period will be \$11,804.

The weighted-average estimated fair value of stock options granted during 2008 was \$4.7218 per share.

The assumptions used in the Black-Scholes model were as follows for stock options granted in 2008:

Risk-free interest rate	2.82%
Expected volatility of common stock	15%
Dividend yield	0%
Expected life of options	10 years

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

13. STOCK BASED COMPENSATION – CONTINUED

	Number of Shares	Weighted- Average Exercise Price
Options outstanding at December 31, 2013	2,500	\$ 37,500
Granted	-	-
Exercised	-	-
	2,500	\$ 37,500
Options outstanding at December 31, 2014	2,500	\$ 37,500
Options exercisable at December 31, 2014	2,500	\$ 37,500
Remaining contractual life		6 years

Restrictive Stock Award Agreement

The Bank has a Restricted Stock Award Agreement covering 12,000 shares of common stock whose purpose is to permit grants of shares, subject to restrictions, to key employees of the Bank as a means of retaining and rewarding them for long-term performance and to increase their ownership in the Bank. Shares awarded under the plan entitle the stockholder to all rights of common stock ownership except that the shares may not be sold, transferred, pledged, exchanged, or otherwise disposed of during the restriction period. The restriction period was determined by the Board of Directors, and the period shall not exceed eight years. During 2006, 12,000 shares were granted with a restriction period of eight years at par value of \$1, and an exercise price of \$10 per share.

The weighted-average estimated fair value of stock options granted during 2006 was \$3.45 per share.

The assumptions used in the Black-Scholes model were as follows for stock options granted in 2006:

Risk-free interest rate	4.45%
Expected volatility of common stock	15%
Dividend yield	0%
Expected life of options	8.21 years

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

13. STOCK BASED COMPENSATION – CONTINUED

	Number of Shares	Weighted- Average Exercise Price
Options outstanding at December 31, 2012	12,000	\$ 120,000
Granted	-	-
Exercised	12,000	120,000
Options outstanding at December 31, 2013	-	\$ -
Options exercisable at December 31, 2013	-	\$ -
Remaining contractual life		2.21 years

14. EMPLOYEE BENEFIT PLAN

On November 1, 2005, the Bank adopted the Noble Bank and Trust 401k Profit Sharing Plan to provide eligible participants with retirement benefits (401(k)). This 401(k) is a “safe harbor 401(k) plan.” The Bank will contribute a matching portion of employee contributions up to a maximum of 6.0% of compensation.

Profit sharing contributions to the 401(k) are made at the discretion of the employer. The 401(k) covers substantially all employees who meet certain age and length of service requirements. The employees are not required to contribute to participate in the profit sharing contributions. Contributions charged to operations for the years ended December 31, 2014 and 2013, were \$86,699 and \$83,449, respectively.

NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

15. POSTRETIREMENT BENEFITS

The Bank has also entered into nonqualified deferred compensation agreements (the Agreements) covering certain executive officers. The Agreements provide for payments of scheduled benefits to the participants or their beneficiaries for a period between 7 to 13 years following specified retirement dates (Full Benefit Dates). The Full Benefit Dates range from year 2022 through 2036 and reflect the participant having reached age 65. The agreements provide for defined retirement benefits (Full Retirement Benefits) upon the fulfillment of certain conditions related primarily to continued length of service. Reduced retirement benefits (Limited Retirements Benefits) are also scheduled in the Agreements should separation of service occur prior to the Full Benefit Date, under certain conditions. The scheduled Limited Retirement Benefits reflect annual increases until reaching the Full Retirement Benefits on the Full Benefit Date. The Agreements provide that each annual increase is subject to annual approval by and at the discretion of the Bank's Board of Directors, thereby potentially reducing the scheduled Full Retirement Benefits and the Limited Retirement Benefits. The Agreements also provide for acceleration of the length of service requirement to receive the Full Retirement Benefits upon change of control (as defined in the Agreements) and acceleration of both the Full Retirement Benefits and the Full Benefit Date as a result of death or disability (as defined). The present value of the estimated liability under the Agreements is being accrued over the expected remaining years of service.

The aggregate benefit cost expected to be accrued for the year ended December 31, 2015, is \$176,684.

The measurement date for the plan is December 31 of each year. A weighted average assumed discount rate of 5.50% was used in calculating the accumulated benefit obligation. The Plan is not considered a pay-related plan, and there are no plan assets on which to compute long-term rates of return. Since there are no plan assets, the Plan is underfunded by the total amount of the benefit obligation liability. Furthermore, the Bank plans on funding the required payments through the continuing operations of the Bank.

The present value of the Plan's accumulated benefit obligation amounted to \$105,913 and \$39,692 at December 31, 2014 and 2013, respectively. The benefit obligation expense for the years ended December 31, 2014 and 2013 was \$66,221 and \$39,692, respectively.

**NOBLE BANK AND TRUST
NOTES TO THE FINANCIAL STATEMENTS
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15. POSTRETIREMENT BENEFITS – CONTINUED

Expected benefit payments for the deferred compensation plan for the 10-year period following December 31, 2014, are as follows:

Years Ending December 31,		\$	
2015		-	
2016		-	
2017		-	
2018		-	
2019		-	
2020-2024		155,000	
		\$ 155,000	

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash Equivalents and Short-Term Investments – For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities – For securities held-to-maturity, fair values are based on quoted market prices or dealer quotes. For other investments, fair value is estimated to be approximately the carrying amount.

Loans – For certain homogeneous categories of loans, such as some residential mortgage, credit card receivables, and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Accrued Interest Receivable and Payable – The carrying amount of accrued interest receivable and payable approximates its fair value.

Deposits – The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings – The fair value of short-term borrowings, including federal funds purchased, is estimated to be approximately the same as the carrying value.

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

Commitments to Extend Credit, Standby Letters of Credit, and Financial Guarantees Written
– The fair value of commitments, letters of credit, and financial guarantees is estimated to be approximately the fees charged for these arrangements.

The estimated fair values of the Bank's financial instruments as of December 31, 2014 and 2013, are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and short-term investments	\$ 6,927,393	\$ 6,927,393	\$ 10,754,346	\$ 10,781,446
Securities available-for-sale	52,761,460	52,761,460	51,727,166	51,727,166
Restrictive equity securities	1,364,200	1,364,200	1,414,750	1,414,750
Investments in annuities	1,552,990	1,552,990	1,306,264	1,306,264
Loans	103,296,859	103,850,992	94,864,765	95,913,002
Accrued interest receivable	512,694	512,694	577,250	577,250
Financial liabilities:				
Deposits	152,971,641	128,375,558	149,674,018	124,184,384
Borrowing	5,000,000	5,025,057	5,000,000	5,137,068
Accrued interest payable	63,284	63,284	65,564	65,564
Unrecognized financial instruments:				
Commitments to extend credit	18,796,000	18,796	15,277,000	15,277
Standby letters of credit	377,000	377	358,000	358

The Bank's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC Topic 820. See Note 1.

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

Items Measured at Fair Value on a Recurring Basis

The following fair value hierarchy table presents information about the Bank's assets and liabilities measured at fair value on a recurring basis as of:

December 31, 2014				
	Fair Value	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt securities:				
U.S. government-sponsored enterprises (GSEs)	\$ 14,059,158	\$ -	\$ 14,059,158	\$ -
State and municipal	21,533,303	-	21,533,303	-
Mortgage-backed securities: GSE residential	17,168,999	-	17,168,999	-
Total assets at fair value	<u>\$ 52,761,460</u>	<u>\$ -</u>	<u>\$ 52,761,460</u>	<u>\$ -</u>
December 31, 2013				
	Fair Value	Fair Value Measurement at Report Date Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt securities:				
U.S. government-sponsored enterprises (GSEs)	\$ 16,754,694	\$ -	\$ 16,754,694	\$ -
State and municipal	20,974,910	-	20,974,910	-
Mortgage-backed securities: GSE residential	13,997,562	-	13,997,562	-
Total assets at fair value	<u>\$ 51,727,166</u>	<u>\$ -</u>	<u>\$ 51,727,166</u>	<u>\$ -</u>

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

The valuation techniques used to measure fair value for the items in the table above are as follows:

Securities available-for-sale – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using pricing models and discounted cash flows that consider standard input factors, such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include GSE obligations, corporate bonds, and other securities. Mortgage-backed securities are included in Level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, the securities are classified in Level 3.

Items Measured at Fair Value on a Nonrecurring Basis

The following fair value hierarchy table presents information about the Bank’s assets and liabilities measured at fair value on a nonrecurring basis as of:

December 31, 2014					
Fair Value Measurement at Report Date Using					
Fair Value	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		
Impaired loans	\$ 2,958,974	\$ -	\$ -	\$ 2,958,974	
Other real estate owned	879,224	-	879,224	-	
Total assets at fair value	<u>\$ 2,779,948</u>	<u>\$ -</u>	<u>\$ 879,224</u>	<u>\$ 2,958,974</u>	

December 31, 2013					
Fair Value Measurement at Report Date Using					
Fair Value	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		
Impaired loans	\$ 1,812,001	\$ -	\$ -	\$ 1,812,001	
Other real estate owned	967,947	-	967,947	-	
Total assets at fair value	<u>\$ 2,779,948</u>	<u>\$ -</u>	<u>\$ 967,947</u>	<u>\$ 1,812,001</u>	

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS – CONTINUED

The valuation techniques used to measure fair value for the items in the table above are as follows:

Impaired Loans – Nonrecurring fair value adjustments to loans reflect full or partial write-downs that are based on the loan’s observable market price or current appraised value of the collateral in accordance with FASB ASC Section 310-10-35, *Receivables, Subsequent Measurement, Loan Impairment*. Loans subjected to nonrecurring fair value adjustments based on the current appraised value of the collateral may be classified as Level 2 or Level 3 depending on the type of asset and the inputs to the valuation. When appraisals are used to determine impairment, and these appraisals require significant adjustments to market-based valuation inputs or apply an income approach based on unobservable cash flows to measure fair value, the related loans subjected to nonrecurring fair value adjustments are typically classified as Level 3 due to the fact that Level 3 inputs are significant to the fair value measurement.

Foreclosed Real Estate – Nonrecurring fair value adjustments to foreclosed real estate reflect full or partial write-downs that are based on the real estate’s observable market price or current appraised value of the collateral.