

Annual Disclosure Statement

DECEMBER 2010

for FFIEC 041 Bank Heritage Bank of North Florida

This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.
Federal Deposit Insurance Corporation Format (FFIEC 041)

Balance Sheet

(Dollar Amounts In Thousands)

ASSETS	December 31,	
	2010	2009
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin	1,224	6,137
Interest-bearing balances	0	0
Securities:		
Held-to-maturity securities	0	0
Available-for-sale securities	6,195	6,538
Federal funds sold and securities purchased under agreements to resell:		
Federal funds sold	8,824	8,552
Securities purchased under agreements to resell	0	0
Loans and lease financing receivables:		
Loans and leases held for sale	0	0
Loans and leases, net of unearned income	111,947	121,237
LESS: Allowance for loan and lease losses	2,936	2,227
Loans and leases, net of unearned income and allowance	109,011	119,010
Trading assets	0	0
Premises and fixed assets (including capitalized leases)	3,595	3,665
Other real estate owned	9,603	9,906
Investments in unconsolidated subsidiaries and associated companies	0	0
Direct and indirect investments in real estate ventures	0	0
Intangible assets:		
Goodwill	0	0
Other intangible assets	0	0
Other assets	998	3,885
Total assets	139,450	157,693

continued.....

Balance Sheet

(Dollar Amounts in Thousands)

December 31,

LIABILITIES

2010

2009

	2010	2009
Deposits:		
In domestic offices	131,265	142,141
Noninterest-bearing	5,850	6,329
Interest-bearing	125,415	135,812
Federal funds purchased and securities sold under agreements to repurchase:		
Federal funds purchased	0	0
Securities sold under agreements to repurchase	0	0
Trading liabilities	0	0
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	0	0
Subordinated notes and debentures	0	0
Other liabilities	1,232	1,511
Total liabilities	132,497	143,652

EQUITY CAPITAL

Perpetual preferred stock and related surplus	0	0
Common stock	1,633	1,633
Surplus (exclude all surplus related to preferred stock)	10,024	9,605
Retained earnings	(4,688)	2,701
Accumulated other comprehensive income	(16)	102
Other equity capital components	0	0
Total Bank equity capital	6,953	14,041
Noncontrolling (minority) Interests in consolidated subsidiaries	0	0
Total equity capital	6,953	14,041
Total liabilities and equity capital	139,450	157,693

continued.....

Income Statement

(Dollar Amounts in Thousands)

December 31,

	2010	2009
Interest Income:		
Interest and fee income on loans:		
Loans secured by real estate:		
Loans secured by 1-4 family residential properties	649	943
All other loans secured by real estate	5,300	7,081
Commercial and Industrial loans	692	497
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	304	470
Loans to foreign governments and official institutions	0	0
All other loans	0	0
Total Interest and fee Income on loans	6,945	8,991
Income from lease financing receivables	0	0
Interest income on balances due from depository institutions	0	26
Interest and dividend income on securities:		
U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities)	0	69
Mortgage-backed securities	186	226
All other securities (includes securities issued by states and political subdivisions in the U.S.)	89	102
Interest Income from trading assets	0	0
Interest income on federal funds sold and securities purchased under agreements to resell	11	28
Other interest income	0	0
Total Interest Income	7,231	9,442
Interest expense:		
Interest on deposits:		
Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	23	51
Nontransaction accounts:		
Savings deposits (includes MMDAs)	457	621
Time deposits of \$100,000 or more	1,695	1,644
Time deposits of less than \$100,000	245	2,051
Expense of federal funds purchased and securities sold under agreements to repurchase	0	0
Interest on trading liabilities and other borrowed money	0	0
Interest on subordinated notes and debentures	0	0
Total interest expense	2,420	4,367
Net Interest income	4,811	5,075
Provision for loan and lease losses	1,651	4,046

continued.....

Income Statement

(Dollar Amounts in Thousands)
December 31,

	2010	2009
Noninterest Income:		
Income from fiduciary activities	0	0
Service charges on deposit accounts	118	179
Trading revenue	0	0
Fees and commissions from securities brokerage	0	0
Investment banking, advisory, and underwriting fees and commissions	0	0
Fees and commissions from annuity sales	0	0
Underwriting income from insurance and reinsurance activities	0	0
Income from other Insurance activities	0	0
Venture capital revenue	0	0
Net servicing fees	0	0
Net securitization income	0	0
Net gains (losses) on sales of loans and leases	0	0
Net gains (losses) on sales of other real estate owned	(69)	0
Net gains (losses) on sales of other assets (excluding securities)	0	0
Other noninterest income	89	99
Total noninterest income	138	278
Realized gains (losses) on held-to-maturity securities	0	0
Realized gains (losses) on available-for-sale securities	0	0
Noninterest expense:		
Salaries and employee benefits	1,874	2,083
Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	82	100
Goodwill impairment losses	0	0
Amortization expense and impairment losses for other Intangible assets	0	0
Other noninterest expense	7,170	3,458
Total noninterest expense	9,126	5,641
Income (loss) before income taxes and extraordinary items, and other adjustments	(5,828)	(4,334)
Applicable income taxes	1,562	(1,650)
Income (loss) before extraordinary items and other adjustments	(7,390)	(2,684)
Extraordinary items and other adjustments, net of income taxes	0	0
Net income (loss) attributable to bank and noncontrolling (minority) interests	(7,390)	(2,684)
LESS: Net income (loss) attributable to noncontrolling (minority) interests	0	0
Net income (loss) attributable to bank	(7,390)	(2,684)

continued.....

Income Statement

(Dollar Amounts in Thousands)

December 31,

MEMORANDA:

	2010	2009
Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes	0	0

The following item to be completed by banks with \$1 billion or more in total assets:

Income from the sale and servicing of mutual funds and annuities	N/A	0
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Income on tax-exempt loans and leases to states and political subdivisions in the U.S.	0	0
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Income on tax-exempt securities issued by states and political subdivisions in the U.S.	89	102
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Number of full-time equivalent employees at end of current period	26	34
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The following item is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans.

Interest and fee income on loans to finance agricultural production and other loans to farmers	N/A	0
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Trading revenue (from cash instruments and derivative instruments)
(To be completed by banks that reported average trading assets of \$2 million or more for any quarter of the preceding calendar year.):

Interest rate exposures	N/A	0
Foreign exchange exposures	N/A	0
Equity security and index exposures	N/A	0
Commodity and other exposures	N/A	0
Credit exposures	N/A	0

Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account:

Net gains (losses) on credit derivatives held for trading	0	0
Net gains (losses) on credit derivatives held for purposes other than trading	0	0

The following item to be completed by banks with \$300 million or more in total assets:

Credit losses on derivatives	N/A	0
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Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?	YES / NO	YES / NO
	NO	NO

The following item is to be completed by banks that are required to complete Schedule RC-C, part I, Memorandum items 8.b and 8.c.

Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (Included in Schedule RI, Item 1.a.(1))	N/A	0
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The following items are to be completed by banks that have elected to account for assets and liabilities under a fair value option.

Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option:		
Net gains (losses) on assets	N/A	0
Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk	N/A	0
Net gains (losses) on liabilities	N/A	0
Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk	N/A	0

continued.....

Income Statement

(Dollar Amounts in Thousands)

December 31,

MEMORANDA:

Other-than-temporary impairment losses on held-to-maturity
and available-for-sale debt securities:

2010

2009

Total other-than-temporary impairment losses 0

Portion of losses recognized in other comprehensive income
(before income taxes) 0

Net impairment losses recognized in earnings 0

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Changes in Equity Capital

(Dollar Amounts in Thousands)

December 31,

	2010	2009
Total bank equity capital most recently reported at the end of the prior year		
Reports of Condition and Income	14,041	16,717
Restatements due to corrections of material accounting errors and changes in accounting principles	0	0
Balance end of previous calendar year as restated	14,041	16,717
Net income (loss) attributable to bank	(7,390)	(2,684)
Sale, conversion, acquisition, or retirement of capital stock, net (excluding treasury stock transactions)	0	0
Treasury stock transactions, net	0	0
Changes incident to business combinations, net	0	0
LESS: Cash dividends declared on preferred stock	0	0
LESS: Cash dividends declared on common stock	0	49
Other comprehensive income	(117)	57
Other transactions with parent holding company	419	0
Total bank equity capital end of current period	6,953	14,041

Changes in Allowance for Loan and Lease Losses

Balance most recently reported at the end of the prior year		
Reports of Condition and Income	2,228	2,647
Recoveries	104	4
LESS: Charge-offs	1,047	4,469
LESS: Write-downs arising from transfers of loans to a held-for-sale account	0	0
Provision for loan and lease losses	1,651	4,046
Adjustments	0	0
Balance end of current period	2,936	2,228

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Past Due and Nonaccrual Loans, Leases, and Other Assets

(Dollar Amounts in Thousands)

Past Due 90 days or more and still accruing:

December 31,

2010

2009

Loans secured by real estate:

Construction, land development, and other land loans:		
1-4 family residential construction loans	0	0
Other construction loans and all land development and other land loans	0	0
Secured by farmland	0	0
Secured by 1-4 family residential properties:		
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	0	0
Closed-end loans secured by 1-4 family residential properties		
Secured by first liens	0	1,027
Secured by junior liens	0	0
Secured by multifamily (5 or more) residential properties	0	0
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	0	0
Loans secured by other nonfarm nonresidential properties	0	2,212
Loans to depository institutions and acceptances of other banks	0	0
Commercial and Industrial loans	0	100
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	0	998
Loans to foreign governments and official institutions	0	0
All other loans	0	0
Lease financing receivables	0	0
Debt securities and other assets (exclude other real estate owned and other repossessed assets)	0	0
Loans and leases reported above which are wholly or partially guaranteed by the U.S. Government	0	0
Guaranteed portion of loans and leases included above (exclude rebooked "GNMA loans")	0	0
Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included above	0	0

MEMORANDA:

Restructured loans and leases included in Schedule RC-N, Items 1 through 8.		
Loans secured by 1-4 family residential properties	0	0
Other loans and all leases	0	0
Loans to finance commercial real estate, construction, and land development activities (not secured by real estate)	0	0
<i>The following four items are to be completed by banks with \$300 million or more in total assets:</i>		
Loans secured by real estate to non-U.S. addressees (domicile)	N/A	0
Loans to and acceptances of foreign banks	N/A	0
Commercial and industrial loans to non-U.S.addressees (domicile)	N/A	0
Leases to individuals for household, family, and other personal expenditures	N/A	0
<i>The following item is to be completed by:</i>		
• banks with \$300 million or more in total assets		
• banks with less than \$300 million or more in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans:		
Loans to finance agricultural production and other loans to farmers	N/A	0
Loans and leases held for sale and loans measured at fair value	0	0
Loans measured at fair value:		
Fair value	0	0
Unpaid principal balance	0	0
<i>The following item is to be completed by banks with \$300 million or more in total assets:</i>		
Derivative contracts:		
Fair value of amounts carried as assets	N/A	0

continued.....

Past Due and Nonaccrual Loans, Leases, and Other Assets

(Dollar Amounts in Thousands)

Nonaccrual:

December 31,

2010

2009

Loans secured by real estate:

Construction, land development, and other land loans:

1-4 family residential construction loans 0 738

Other construction loans and all land development and other land loans 645 239

Secured by farmland 0 0

Secured by 1-4 family residential properties:

Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit 688 675

Closed-end loans secured by 1-4 family residential properties

Secured by first liens 2,623 1,566

Secured by junior liens 182 0

Secured by multifamily (5 or more) residential properties 715 0

Secured by nonfarm nonresidential properties:

Loans secured by owner-occupied nonfarm nonresidential properties 5,551 1,733

Loans secured by other nonfarm nonresidential properties 3,504 5,656

Loans to depository institutions and acceptances of other banks 0 0

Commercial and industrial loans 28 44

Loans to individuals for household, family, and other personal expenditures:

Credit cards 0 0

Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards) 108 50

Loans to foreign governments and official institutions 0 0

All other loans 0 0

Lease financing receivables 0 0

Debt securities and other assets (exclude other real estate

owned and other repossessed assets) 0 0

Loans and leases reported above which are wholly or partially

guaranteed by the U.S. Government 0 0

Guaranteed portion of loans and leases included above (exclude rebooked "GNMA loans") 0 0

Rebooked "GNMA loans" that have been repurchased or

are eligible for repurchase included above 0 0

MEMORANDA:

Restructured loans and leases included in Schedule RC-N, items 1 through 8.

Loans secured by 1-4 family residential properties 2,009 0

Other loans and all leases 7,485 0

Loans to finance commercial real estate, construction, and land

development activities (not secured by real estate) 0 0

The following four items are to be completed

by banks with \$300 million or more in total assets:

Loans secured by real estate to non-U.S. addressees (domicile) N/A 0

Loans to and acceptances of foreign banks N/A 0

Commercial and industrial loans to non-U.S. addressees (domicile) N/A 0

Leases to individuals for household, family, and other personal expenditures N/A 0

The following item is to be completed by:

• banks with \$300 million or more in total assets

• banks with less than \$300 million or more in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans:

Loans to finance agricultural production and other loans to farmers N/A 0

Loans and leases held for sale and loans measured at fair value 0 0

Loans measured at fair value:

Fair value 0 0

Unpaid principal balance 0 0

Additions to nonaccrual assets during the quarter 1,172 0

Nonaccrual assets sold during the quarter 0 0

I do hereby attest that this Disclosure Statement has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct in the best of my knowledge and belief.

Sam Carl

Officer's Signature

SVP/CFO

Officer's Title

7/30/2011

Date