FIRST NATIONAL BANCORP, INC.

A BANK HOLDING COMPANY FOR

FIRST NATIONAL BANK of Michigan

April 8, 2014

Dear Shareholder:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders of FIRST NATIONAL BANCORP, INC., a Michigan bank holding company, to be held at the offices of First National Bank of Michigan at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, at 5:00 p.m. on May 8, 2014.

At the Annual Meeting, the shareholders will be asked to consider and vote upon the following proposal (collectively, the ***"Proposal"***):

1. Election of Eric V. Brown, Jr., James J. DeKruyter, James S. DeMoss, John M. Dunn, James S. Gunderson, David L. Holmes, Ben Ipema, Larry D. Lueth, Sondra K. Phillips, John M. Schreuder, George N. Todd and Joshua T. Weiner as the members of the First National Bancorp, Inc. Board of Directors for one year until their successors are elected and qualified or upon their earlier resignation or removal; and

2. To transact such other business as may properly come before the meeting or any adjournments thereof.

The members of your Board of Directors have approved the Proposal and recommend that you vote "FOR" Proposal 1. We urge you to review the information contained in the accompanying proxy statement carefully as you consider the Proposals.

Because of the significance of the Proposal to First National Bancorp, Inc. and its shareholders, your participation in the Annual Meeting is especially important. Accordingly, whether or not you currently plan to attend the Annual Meeting in person, we ask that you promptly sign and date the enclosed form of proxy and return it to us in the postage-paid envelope provided for your convenience. That way, your shares can be voted at the Annual Meeting even if you are unable to attend. Please fully complete, sign, date and promptly return the Proxy in the envelope provided.

Very truly yours,

John M. Schreuder
Chief Executive Officer and Chairman of the Board

FIRST NATIONAL BANCORP, INC.

A BANK HOLDING COMPANY FOR

FIRST NATIONAL BANK *of Michigan*

NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS OF
FIRST NATIONAL BANCORP, INC.

May 8, 2014

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Shareholders of FIRST NATIONAL BANCORP, INC., a Michigan bank holding company, will be held at the offices of First National Bank of Michigan at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, at 5:00 p.m., on May 8, 2014, to consider and vote upon the following proposal (collectively, the ***"Proposal"***):

1. Election of Eric V. Brown, Jr., James J. DeKruyter, James S. DeMoss, John M. Dunn, James S. Gunderson, David L. Holmes, Ben Ipema, Larry D. Lueth, Sondra K. Phillips, John M. Schreuder, George N. Todd and Joshua T. Weiner as the members of the First National Bancorp, Inc. Board of Directors for one year until their successors are elected and qualified or upon their earlier resignation or removal; and

2. To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors recommends that you vote "FOR" Proposal 1.

April 4, 2014 is the record date for the Annual Meeting. Accordingly, the only persons entitled to notice of and to vote at the Annual Meeting (or any adjournment or postponement) are the persons who were record holders of First National Bancorp, Inc. shares at the close of business on that date.

Your vote is important regardless of the number of shares you own. To make sure your shares will be voted at the Annual Meeting, please sign, date and return the enclosed form of proxy and return it in the enclosed envelope without delay. You should do so even if you currently plan on attending the Annual Meeting in person. If you do attend the meeting, you can revoke your proxy and vote in person at the Annual Meeting. You also can revoke your proxy at any other time before it is exercised by giving a later-dated proxy.

By Order of the Board of Directors,

Michael F. Dimond, Secretary

April 4, 2014

Important: This notice and the accompanying proxy materials were first mailed to shareholders on or about April 8, 2014. The prompt return of proxies will save the expense of further requests for proxies in order to obtain a quorum. An addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States.

FIRST NATIONAL BANCORP, INC.

A BANK HOLDING COMPANY FOR

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS OF
FIRST NATIONAL BANCORP, INC.

May 8, 2014

FIRST NATIONAL BANCORP, INC., a Michigan bank holding company, is submitting this Proxy Statement to its shareholders (the ***"Shareholders"***) in connection with the solicitation of proxies by the Board of Directors of First National Bancorp, Inc. (the ***"Board"***) for use at the 2014 Annual Meeting of Shareholders to be held at the offices of First National Bank of Michigan at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, at 5:00 p.m. on May 8, 2014, and at any adjournments or postponements thereof (the ***"Annual Meeting"***).

As indicated in the accompanying letter to the Shareholders and Notice of the Annual Meeting, the Shareholders will be asked to consider and vote upon the following proposal (collectively, the ***"Proposal"***):

1. Election of Eric V. Brown, Jr., James J. DeKruyter, James S. DeMoss, John M. Dunn, James S. Gunderson, David L. Holmes, Ben Ipema, Larry D. Lueth, Sondra K. Phillips, John M. Schreuder, George N. Todd and Joshua T. Weiner as the members of the First National Bancorp, Inc. Board of Directors for one year until their successors are elected and qualified or upon their earlier resignation or removal; and

2. To transact such other business as may properly come before the meeting or any adjournments thereof.

(remainder of page intentionally left blank)

The foregoing introductory information concerning the Proposal provides only a very brief overview. While this overview may be useful to you as you review the more detailed information in the remainder of this Proxy Statement, you should <u>*not*</u> *rely exclusively upon this overview. Instead, you should carefully review this entire Proxy Statement and the attached Annex A.*

GENERAL INFORMATION

Attending in person

Only the Shareholders, their proxy holders and First National Bancorp, Inc. guests may attend the Annual Meeting.

Who may vote

The Shareholders of First National Bancorp, Inc., as recorded in our stock register on April 4, 2014 (the ***"Record Date"***), may vote at the Annual Meeting. As of both the Record Date and the date of this Proxy Statement, First National Bancorp, Inc. had 1,800,900 issued and outstanding shares. Each such share is entitled to one vote on each of the matters presented for shareholder action at the Annual Meeting.

How to vote

You may either vote in person at the Annual Meeting or by proxy. We recommend you vote by proxy even if you plan to attend the Annual Meeting. You can always change your vote at the Annual Meeting.

How proxies work

Your proxy covers all shares registered in your name. By properly executing and returning your proxy, your shares will be voted at the Annual Meeting according to your instructions unless you revoke the proxy prior to or at the Annual Meeting. You may vote for all, some or none of the director candidates and you may vote for, against or abstain from voting on the other proposals.

If you return your proxy without voting instructions, your shares will be voted FOR the election of the director nominees and in favor of the other Proposals. If you return a properly executed proxy, the persons named as proxy holders will have discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

To ensure your proxy is received prior to the Annual Meeting, please return it no later than May 6, 2014. If your proxy is not received prior to the Annual Meeting, your shares will not be voted at the Annual Meeting unless they are voted in person at the Annual Meeting.

Revoking a proxy

The grant of a proxy on the enclosed form of proxy does not preclude you from voting in person or otherwise revoking a proxy. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy. You may revoke your proxy before it is voted by:

- submitting a new proxy with a later date;
- notifying First National Bancorp, Inc.'s Secretary in writing before the Annual Meeting; or
- voting in person at the Annual Meeting.

Quorum

In order to carry on the business of the Annual Meeting, we must have a quorum. This means at least a majority of the outstanding shares of First National Bancorp, Inc. eligible to vote at the Annual Meeting must be represented at the Annual Meeting by proxy or in person.

Votes needed

The director candidates who receive a plurality of the votes cast will be elected to fill the 12 seats on the Board. Only votes for or against a proposal count. Abstentions count for quorum purposes but not for voting purposes.

As of the date of this Proxy Statement, directors and officers of First National Bancorp, Inc. and their affiliates were not the beneficial owners of greater than a majority of the outstanding shares.

BUSINESS

First National Bancorp, Inc. is a Michigan bank holding company that was incorporated on July 7, 2005 to organize and serve as the holding company for First National Bank of Michigan (the ***"Bank"***), a national bank with branches located at 348 West Michigan Avenue, Kalamazoo, Michigan 49007, 2700 W. Centre Ave., Portage, Michigan 49024, 5313 West Main Street, Kalamazoo, Michigan 49009 and 141 Ionia NW, Grand Rapids, Michigan 49503. First National Bancorp, Inc. received approval from the Federal Reserve Board to become a bank holding company and acquired all of the stock of the Bank. The Bank received regulatory approval to open from the Office of the Comptroller of the Currency and for deposit insurance with the Federal Deposit Insurance Corporation. The Bank focuses on the local community, emphasizing personal service to individuals and businesses in its primary service area.

The Bank offers convenient service, local decision-making and competitively priced deposit and loan products in its primary service area. By focusing its operations on the communities it serves, the Bank should be able to respond to changes in the market more quickly than large non-local institutions.

PROPOSAL 1 - ELECTION OF DIRECTORS

First National Bancorp, Inc.'s Board of Directors currently consists of 13 members who serve one-year terms. Because of the retirement of Director Daniel R. Smith, 12 seats are reelected this year. The 12 director nominees listed below, all of whom are current directors of First National Bancorp, Inc., were nominated by the Board to fill the 12 Board seats for the upcoming year. Biographical information on each of the nominees is given below. All director nominees have indicated their willingness to serve on the Board if elected. If, prior to the Annual Meeting, a director nominee determines that he or she will be unable to serve on the Board for the upcoming year, your proxy authorizes the proxy holders to vote your shares for a replacement nominee if one is selected.

ERIC V. BROWN, JR. Mr. Brown is of counsel to the law firm of Miller, Canfield, Paddock and Stone, P.L.C. Mr. Brown is a broad-based business counselor. He has served as an advisor and counselor in a substantial number of business transactions for both private and public companies as well as the organization of the Bank, First National Bancorp, Inc. and a venture capital firm. He served on the boards of two other banks and bank holding companies in Michigan for a period in excess of 30 years. He is a member of the board of directors and General Counsel of Kalsec, Inc., a producer of natural colors, flavors, hops and nutritional ingredients for the food and beverage industries. He also is a member of the board of directors of Lafourche Realty Company, Inc., an oil and gas and real estate company. He has been active in the Business Law Section of the American Bar Association for the last 20 years, including participation as a regular member of the Mergers and Acquisitions Committee. As such, he was on the editorial board of a task force which published a Model Stock Purchase Agreement, with commentary, in 1995, and a Model Asset Purchase Agreement, with commentary, in 2000. He has also been active with an American Bar Association task force which has published a Model Joint Venture Agreement. Mr. Brown is listed in the 2003-2014 editions of The Best Lawyers in America under Corporate, Mergers & Acquisitions and Securities Law Sections. Mr. Brown's extensive experience with the business and banking communities is a great asset to the Board.

JAMES J. DEKRUYTER. Mr. DeKruyter founded Michigan Disposal Service Corporation in Kalamazoo, Michigan, which he operated until it was sold in 1993. His widespread knowledge of the Kalamazoo market and substantial business contacts provides an active source of business for the Bank. Mr. DeKruyter currently serves on the Board of the Kalamazoo Christian Schools Foundation. He has served many volunteer organizations in Kalamazoo, including the Kalamazoo YMCA and the national board of Youth for Christ. He has served on the boards of Gull Lake Ministries, Open Hearts Ministries and Youth for Christ Foundation. Mr. DeKruyter also served as director of Michigan National Bank – Kalamazoo.

JAMES S. DEMOSS. Dr. DeMoss is a practicing Emergency Medicine physician and President of Southwestern Michigan Emergency Services, P.C., which has staffed Bronson Methodist Hospital's Emergency Department for over 40 years. His organization also provides emergency physician staffing of several other hospitals in southwest Michigan. Prior to becoming President of SWMES, P.C., Dr. DeMoss served in several administrative positions within the organization and brings with him a unique knowledge regarding the operations and needs of a midsize professional company providing healthcare in southwest Michigan. An avid outdoor sportsman and enthusiast, Dr. DeMoss supports many wildlife habitat conservation efforts.

JOHN M. DUNN. Dr. Dunn is the president of Western Michigan University in Kalamazoo, Michigan. Prior to his appointment in 2007, Dr. Dunn held administrative, research and teaching appointments at Southern Illinois University Carbondale, the University of Utah, Oregon State University and the University of Connecticut. Dr. Dunn is internationally recognized for his efforts to enhance the lives of individuals with disabilities, specifically their long-term health. He is a regular speaker throughout the United States and internationally. In recognition of his efforts, Dr. Dunn has received numerous awards for his scholarship, teaching and leadership and has held offices in several professional organizations. In addition to his professional responsibilities, Dr. Dunn is an active participant in state and community efforts that focus on quality-of-life issues and enhancing economic development. Dr. Dunn serves on several regional boards as well as the governing boards of the Greater Kalamazoo Area United Way, the internationally acclaimed Gilmore Keyboard Festival, Southwest Michigan First, and the W.E. Upjohn Institute. Dr. Dunn began his teaching at the University of Connecticut in 1972, earned bachelor's and master's degrees from Northern Illinois University in 1967 and 1969, respectively. He earned his doctoral degree from Brigham Young University in 1972. Dr. Dunn's diverse experience and leadership provide a valuable resource to the Board.

JAMES S. GUNDERSON. Mr. Gunderson was the Founder and President of Engineered Packaging Systems (sold to Alco Standard in 1996). Currently, he is involved in the ownership of a number of small businesses including, Technical Packaging Systems, Gulf States Electric, Your Shower Door, Grand Rapids, and My Shower Door, Tampa. Additionally, he serves on the Board of Bronson Healthcare Group (past Chairman) in Kalamazoo, Michigan. Mr. Gunderson has served numerous community organizations including Kalamazoo County Chamber of Commerce (past Chairman) and the Kalamazoo County Chamber Foundation. Mr. Gunderson's business experience and knowledge of the Kalamazoo business environment are valuable resources for the Bank.

DAVID L. HOLMES. Mr. Holmes was an owner and general legal counsel of Phoenix Properties, LLC, a real estate management and development firm in Kalamazoo, Michigan from 1995 to 2010, at which time the business was sold to other partners of the company. Prior to 1995 he was in private practice as a partner in the Kalamazoo office of Howard & Howard Attorneys, P.C. Mr. Holmes remains an active commercial real estate investor. He has been involved as a community volunteer, including having served on the City of Kalamazoo Planning Commission, President of the LIFT Foundation, Chairperson of the Greater Kalamazoo United Way Pacesetter campaign and Vice Chairman of the Finance Council at St. Catherine of Siena Parish. Mr. Holmes brings to the Board extensive experience with the community's real estate market.

BEN IPEMA. Mr. Ipema is President & CEO of The Exhibit House, which provides trade show exhibit design, build and management services. Mr. Ipema is also involved in Airpower America, a local company producing the LiquiVac and MaxAir, air powered consumer products, and Level Data Inc., a "software as a service" (SaaS) company. Mr. Ipema's diverse experience provides a unique and valuable resource for the Bank. Mr. Ipema has served many charitable and civic organizations in Kalamazoo, including Bronson Health Foundation, Kalamazoo Deacons Conference, Southern Heights Church, Kalamazoo Christian Schools and various organizations dedicated to education, poverty and housing.

LARRY D. LUETH. Mr. Lueth has served as President and Senior Lender for the Bank since the Bank's inception in 2006. Prior to founding the Bank, Mr. Lueth served as Regional President for the Kalamazoo Region of National City Bank, now PNC Bank. Mr. Lueth has served many civic organizations in Kalamazoo including current board member and past chair of Borgess Health, board member of Downtown Tomorrow, Inc., and board member and Treasurer of WMU Alumni Association.

SONDRA K. PHILLIPS. Ms. Phillips recently launched Interior Design Schemes, a national web based company selling pre-packaged interior design schemes for commercial and residential spaces. Ms. Phillips also is the sole owner of SKP Design, a firm that she founded in 1996. SKP Design offers interior design and branding services in the Midwest. She graduated from the University of Michigan in 1989. Prior to starting SKP Design, Sondra held positions with Tilton and Lewis in Chicago, Eckert-Wordell Architects and First of America Bank in Kalamazoo. Her community activities include serving on the Permanent Collection Committee at the Kalamazoo Institute of Arts, serving on multiple non-profit fundraising campaign committees and leading her daughter's Girl Scout troop. Ms. Phillips recently was a recipient of the Kalamazoo Chapter of the National Association of Women in Construction Crystal Vision Award. She was also recognized in the Business Review's Leaders Under 40 in 2006. Ms. Phillips' passion for marketing, her small business perspective and community connections as a lifelong resident make her an asset to the Bank Board.

JOHN M. SCHREUDER. Mr. Schreuder is the Chairman and CEO of the Bank, positions he has held since the Bank's inception in April, 2006. He has over 25 years of banking experience in Kalamazoo, Michigan. Mr. Schreuder has served on behalf of many civic and charitable organizations and currently is on the Board of Directors of the Michigan Bankers Association and Heritage Community of Kalamazoo.

GEORGE N. TODD. Mr. Todd is the President, CEO and Chairman of Kalsec, Inc., a privately held international food and beverage business specializing in the manufacture and sale of natural colors, flavors, antioxidants, hop extracts and nutritional ingredients. Kalsec was founded by Mr. Todd's father in 1956. After serving in Vietnam, attending college and co-founding a company that produced ornamental castings, Mr. Todd joined Kalsec in 1981, where he worked his way through manufacturing and other areas, before becoming President in 1998, and CEO and Chairman in 2009. Mr. Todd also serves on the Board for Pathfinder International, an international organization that works to improve reproductive health of adolescents, women and men throughout the developing world. Mr. Todd's experience in founding and running a privately owned company is a valuable asset to the Board.

JOSHUA T. WEINER. Mr. Weiner is the Chief Executive Officer of the Meyer C. Weiner Company, a commercial real estate development firm headquartered in Portage, Michigan. Mr. Weiner is the principal in over 55 income-producing real estate entities; and his primary business interest is in ownership and management for long term asset appreciation. Mr. Weiner's historical experience has provided him with in-depth knowledge of a variety of industries and this background provides the Bank with a valuable resource. Mr. Weiner's familiarity with the Kalamazoo market and the region is another asset for the Bank. Mr. Weiner has extensive experience in the banking industry from prior developmental and regional board positions with National City Bank and Irwin Union Bank and Trust. Mr. Weiner is a Board member of Bronson Health Foundation, and has served numerous charitable and civic causes and organizations, including the Kalamazoo Regional Chamber of Commerce, Western Michigan University Foundation, the United Way, the Jewish Federation of Southwest Michigan, Big Brothers/Big Sisters, Kalamazoo Civic Theatre and Farmers Alley Theatre.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF THE NOMINEES.

OTHER MATTERS

The Shareholders of First National Bancorp, Inc. will also consider and vote upon such other matters as may properly be brought before the Annual Meeting or any adjournments or postponements thereof. We do not have any knowledge of any other matters to be presented at the Annual Meeting.

BENEFICIAL* STOCK OWNERSHIP

The following table sets forth information as of April 4, 2014 regarding each person (including any group as that term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934) who was known to be the beneficial (the right to vote shares) owner of more than 5% of First National Bancorp, Inc.'s common stock as of that date, each of the directors (including each nominee for election as a director), and each of our executive officers.

Name of Beneficial Owner	**Common Stock**	**Rights to Acquire**[(1)]	**Restricted Stock**	**Approximate Percent of Common Stock**[(2)]
Eric V. Brown, Jr.	30,500	0	0	1.69
James J. DeKruyter	103,358	0	0	5.74
James S. DeMoss	100	0	0	0.01
John M. Dunn	10,100	0	0	0.56
James S. Gunderson	30,000	0	0	1.67
David L. Holmes	40,000	0	0	2.22
Ben Ipema	40,000	0	0	2.22
Larry D. Lueth	10,000	66,000	0	0.56
Sondra K. Phillips	2,000	0	0	0.11
John M. Schreuder	40,000	102,500	0	2.22
George N. Todd	15,842	0	0	0.88
Joshua T. Weiner	100,000	0	0	5.55
Michael F. Dimond	5,000	29,000	0	0.28

* "Beneficial" for the purposes of this table means the right to vote shares of First National Bancorp, Inc. and shares held by the beneficial owner's spouse.

(1) The numbers in the "Rights to Acquire" column represent the shares that may be acquired by exercise of stock options granted under the First National Bancorp, Inc. 2006, 2009 and 2012 Stock Option and Restricted Stock Plans. These numbers are not reflected in the "Approximate Percent of Common Stock" column.

(2) Based on 1,800,900 shares issued and outstanding as of April 4, 2014.

EXECUTIVE OFFICERS

First National Bancorp, Inc.'s current executive officers are as follows:

Name	Position with First National Bancorp, Inc.	Officer Since
John M. Schreuder	Chairman/CEO and President	March 23, 2006
Larry D. Lueth	Vice President	March 23, 2006
Michael F. Dimond	Secretary	April 12, 2007
Michael F. Dimond	Treasurer/CFO	March 23, 2006

FINANCIAL INFORMATION

The Profit and Loss Statement of First National Bancorp, Inc. for fiscal year 2013 and the Balance Sheet as of December 31, 2013 are attached hereto in Annex A.

MISCELLANEOUS

Solicitation of Proxies

First National Bancorp, Inc. will bear the cost of the solicitation of proxies from Shareholders, including the cost of printing and mailing this Proxy Statement and the accompanying materials. In addition to solicitation by mail, proxies may be solicited in person, or by telephone, facsimile or otherwise in writing or electronic transmission, by directors, officers and regular employees of First National Bancorp, Inc. (none of whom will be paid any additional compensation for such services).

Interests of Certain Persons in the Proposals

You should note that certain directors and members of management may have certain interests in the Proposals in addition to their interests as Shareholders of First National Bancorp, Inc. The Board was aware of any such interests and considered them, among other matters, in approving the Proposals and in recommending Shareholder approval of the Proposals.

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ANNEX A

FIRST NATIONAL BANCORP, INC. and SUBSIDIARY
Consolidated Financial Report
December 31, 2013

FIRST NATIONAL BANCORP, INC.

A BANK HOLDING COMPANY FOR

FIRST NATIONAL BANK of Michigan

PROXY **PROXY**

PROXY FOR THE
ANNUAL MEETING OF SHAREHOLDERS OF
FIRST NATIONAL BANCORP, INC.

May 8, 2014

KNOW BY ALL PERSONS BY THESE PRESENTS, that the undersigned do(es) hereby constitute and appoint JOHN M. SCHREUDER and LARRY D. LUETH, the undersigned's true and lawful attorneys, with full power of substitution, for the undersigned and in the undersigned's name(s) at the Annual Meeting of Shareholders of FIRST NATIONAL BANCORP, INC., a Michigan bank holding company (the ***"Corporation"***), to be held at the offices of First National Bank of Michigan at 348 West Michigan Avenue, Kalamazoo, Michigan, at 5:00 p.m. on May 8, 2014, and at any and all adjournments and postponements thereof, to vote any and all shares of common stock of the Corporation owned or held or standing in the undersigned's name(s) or which for any reason the undersigned may or shall be entitled to vote, such proxies being directed to vote as specified below and to vote in such proxies' discretion upon such other matters as may properly come before the Annual Meeting.

1. ***Election of Directors*** ☐ For ☐ Withhold ☐ For All Except:

____
____
____
____

Eric V. Brown, Jr.
James J. DeKruyter
James S. DeMoss
John M. Dunn
James S. Gunderson
David L. Holmes
Ben Ipema
Larry D. Lueth
Sondra K. Phillips
John M. Schreuder
George N. Todd
Joshua T. Weiner

(*INSTRUCTIONS: To withhold authority to vote for any individual nominee, check the "For All Except" box and write that nominee's name in the space provided above.*)

If you sign and return this proxy, the shares represented hereby will be voted in accordance with the specification made hereon. **Where a vote is not specified, the proxies will vote the shares represented by this proxy FOR the matter specified above, but otherwise in accordance with the discretion of the persons to whom this proxy is granted on such other matters as may properly come before the Annual Meeting.**

☐ **PLEASE CHECK THIS BOX IF YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON.**

YOUR PROMPT ACTION IN EXECUTING AND RETURNING THIS PROXY IS APPRECIATED

FOR ENTITY AND TRUST SHAREHOLDERS:

Name of Entity or Trust (please type or print):

____

By: ___________________________

Name: _________________________

Title: _________________________

By: ___________________________

Name: _________________________

Title: _________________________

Dated: ______________________, 2014

FOR INDIVIDUAL SHAREHOLDERS:

Name (please type or print):

____

Signature: _____________________

Name (please type or print):

____

Signature: _____________________

Dated: ______________________, 2014

NOTE: Please sign above exactly as your name(s) appear(s) on your stock certificates. If more than one signature is required to evidence authority for entities or trust, ensure that all required signatures are provided. Attach additional sheets if necessary. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such.

ANNEX A

First National Bancorp, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2013

First National Bancorp, Inc. and Subsidiary

Contents

Plante & Moran, PLLC
Suite 400
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

Independent Auditor's Report

To the Board of Directors
First National Bancorp, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of First National Bancorp, Inc. and Subsidiary (the "Corporation"), which comprise the consolidated balance sheet as of December 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
First National Bancorp, Inc. and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First National Bancorp, Inc. and Subsidiary as of December 31, 2013 and 2012 and the results of their operations, changes in stockholders' equity, and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 22, 2014

ANNEX A

First National Bancorp, Inc. and Subsidiary

Consolidated Balance Sheet

	December 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents (Note 2)	$ 23,081,234	$ 6,421,232
Investment securities - Available for sale (Note 3)	38,848,090	32,717,993
Other securities (Note 3)	1,084,750	1,004,500
Loans - Net of allowance for loan losses of $4,534,103 and $3,709,202 in 2013 and 2012, respectively (Note 4)	242,124,371	204,736,729
Premises and equipment - Net (Note 5)	1,911,902	2,039,142
Accrued interest receivable	853,796	779,180
Deferred tax asset (Note 8)	1,873,000	1,354,590
Other assets	1,894,691	1,051,621
Total assets	**$ 311,671,834**	**$ 250,104,987**
Liabilities and Stockholders' Equity		
Liabilities		
Deposits (Note 6):		
Noninterest-bearing	$ 60,988,148	$ 51,373,475
Interest-bearing	212,438,589	164,755,627
Total deposits	273,426,737	216,129,102
Borrowings (Note 7)	9,500,000	8,000,000
Accrued interest payable	80,607	91,227
Accrued and other liabilities	443,638	332,973
Total liabilities	283,450,982	224,553,302
Stockholders' Equity (Notes 10, 11, and 12)		
Common stock - No par value:		
Authorized - 2,500,000 shares		
Issued and outstanding 1,800,900 shares at December 31, 2013 and 2012	18,072,904	18,084,178
Additional paid-in capital	1,038,515	923,065
Retained earnings	9,107,002	5,867,912
Accumulated other comprehensive income	2,431	676,530
Total stockholders' equity	28,220,852	25,551,685
Total liabilities and stockholders' equity	**$ 311,671,834**	**$ 250,104,987**

First National Bancorp, Inc. and Subsidiary

Consolidated Statement of Income

	Year Ended December 31, 2013	Year Ended December 31, 2012
Interest Income		
Loans - Including fees	$ 11,064,747	$ 9,217,698
Debt securities:		
Taxable	259,830	597,846
Tax-exempt	545,224	306,249
Dividends	46,372	44,061
Other	54,723	27,839
Total interest income	11,970,896	10,193,693
Interest Expense	1,236,261	1,265,341
Net Interest Income	10,734,635	8,928,352
Provision for Loan Losses (Note 4)	808,000	515,000
Net Interest Income After Provision for Loan Losses	9,926,635	8,413,352
Noninterest Income		
Service charges and fees	552,259	497,835
Net gain on sale of loans	359,477	563,395
Realized gain on sale of securities	51,925	-
Other	315,469	26,024
Total noninterest income	1,279,130	1,087,254
Noninterest Expenses		
Salaries and employee benefits (Note 11)	3,819,416	3,446,434
Occupancy and equipment (Note 5)	872,710	700,239
Data processing	312,649	308,889
FDIC insurance	181,072	120,943
Professional fees	318,584	261,191
Other	1,122,676	1,100,691
Total noninterest expenses	6,627,107	5,938,387
Income - Before income taxes	4,578,658	3,562,219
Income Tax Expense (Note 8)	1,339,568	1,132,148
Net Income	**$ 3,239,090**	**$ 2,430,071**

First National Bancorp, Inc. and Subsidiary

Consolidated Statement of Comprehensive Income

	Year Ended December 31, 2013	Year Ended December 31, 2012
Net Income	$ 3,239,090	$ 2,430,071
Other Comprehensive (Loss) Income - Unrealized (loss) gain on securities		
(Loss) gain arising during the year	(970,175)	106,914
Reclassification adjustment for realized gain on sale of securities	(51,925)	-
Income tax impact	348,001	(37,000)
Total other comprehensive (loss) income	(674,099)	69,914
Comprehensive Income	**$ 2,564,991**	**$ 2,499,985**

First National Bancorp, Inc. and Subsidiary

Consolidated Statement of Changes in Stockholders' Equity

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance - January 1, 2012	1,792,900	$ 17,964,178	$ 782,091	$ 3,437,841	$ 606,616	$ 22,790,726
Comprehensive income (loss):						
Net income	-	-	-	2,430,071	-	2,430,071
Changes in unrealized gain on securities	-	-	-	-	106,914	106,914
Income tax effect	-	-	-	-	(37,000)	(37,000)
Total comprehensive income						2,499,985
Issuance - Common voting	11,000	168,000	-	-	-	168,000
Repurchase of shares	(3,000)	(48,000)	-	-	-	(48,000)
Stock-based compensation	-	-	140,974	-	-	140,974
Balance - December 31, 2012	1,800,900	18,084,178	923,065	5,867,912	676,530	25,551,685
Comprehensive income (loss):						
Net income	-	-	-	3,239,090	-	3,239,090
Changes in unrealized gain on securities	-	-	-	-	(1,022,100)	(1,022,100)
Income tax effect	-	-	-	-	348,001	348,001
Total comprehensive income						2,564,991
Stock-based compensation	-	-	142,405	-	-	142,405
Stock options exercised	-	(11,274)	(26,955)	-	-	(38,229)
Balance - December 31, 2013	**1,800,900**	**$ 18,072,904**	**$ 1,038,515**	**$ 9,107,002**	**$ 2,431**	**$ 28,220,852**

First National Bancorp, Inc. and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended December 31, 2013	Year Ended December 31, 2012
Cash Flows from Operating Activities		
Net income	$ 3,239,090	$ 2,430,071
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	256,402	190,612
Gain on sale of securities	(51,925)	-
Provision for loan losses	808,000	515,000
Amortization of securities - Net	253,273	223,240
Deferred income taxes	(170,410)	(235,000)
Stock-based compensation expense	142,405	140,974
Gain on sale of mortgages	(359,477)	(563,395)
Loans originated for sale	(18,585,818)	(25,484,411)
Proceeds from loan sales	18,945,295	26,047,806
Net change in:		
Accrued interest receivable	(74,616)	(106,739)
Other assets	(843,069)	620,412
Accrued interest payable	(10,620)	(57,956)
Accrued liabilities	110,665	93,699
Net cash provided by operating activities	3,659,195	3,814,313
Cash Flows from Investing Activities		
Purchase of other securities	(80,250)	(4,265)
Activity in available-for-sale securities:		
Sales	1,417,393	-
Maturities, prepayments, and calls	7,629,820	12,863,776
Purchases	(16,400,758)	(11,598,540)
Net increase in loans	(38,195,642)	(46,054,434)
Additions to premises and equipment	(129,162)	(1,688,728)
Net cash used in investing activities	(45,758,599)	(46,482,191)
Cash Flows from Financing Activities		
Net increase in deposits	57,297,635	42,553,991
Effect of stock options exercised	(38,229)	-
Proceeds from issuance of common stock	-	168,000
Repurchase of common stock	-	(48,000)
Net increase in borrowings	1,500,000	-
Net cash provided by financing activities	58,759,406	42,673,991
Net Increase in Cash and Cash Equivalents	16,660,002	6,113
Cash and Cash Equivalents - Beginning of year	6,421,232	6,415,119
Cash and Cash Equivalents - End of year	**$ 23,081,234**	**$ 6,421,232**
Supplemental Cash Flow Information - Cash paid for		
Interest	$ 1,246,881	$ 1,323,297
Income taxes	1,540,000	1,420,000

See Notes to Consolidated Financial Statements.

First National Bancorp, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note 1 - Nature of Business and Significant Accounting Policies

Basis of Presentation and Consolidation - The consolidated financial statements include the accounts of First National Bancorp, Inc. (the "Corporation") and its wholly owned subsidiary, First National Bank of Michigan (the "Bank"). All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates - In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and 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 in the near term relate to the determination of the allowance for loan losses and the valuation of investment securities. See Notes 13 and 14 for fair value disclosures.

Nature of Operations - The Corporation provides a variety of financial services to individuals and small businesses through its two branch locations and main office in Kalamazoo, Michigan. The Bank opened another branch location in Grand Rapids, Michigan in 2012. Its primary deposit products are checking, savings, and term certificate accounts and its primary lending products are commercial loans.

Cash and Cash Equivalents - For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold which mature within 90 days.

Investment Securities - Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as available for sale and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and 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 Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Loans Held for Sale - Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Loans - The Bank grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout southwestern Michigan. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the effective interest method.

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

Allowance for Loan Losses - The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Foreclosed Assets - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of the foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Comprehensive Income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income. The accumulated other comprehensive income consists solely of the net unrealized gain or loss on investment securities available for sale less the tax effect of approximately $1,000 and $349,000 at December 31, 2013 and 2012, respectively.

Off-balance-sheet Instruments - In the ordinary course of business, the Corporation has entered into commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Banking Premises and Equipment - The Bank operates out of owned and leased facilities. Leasehold improvements and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Income Taxes - Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the various temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance is recorded against the net deferred tax asset based on the Corporation's estimates of taxable income and the period over which its deferred tax assets will be recoverable. If it is determined by the Corporation that it is more likely than not that future taxable income will not be sufficient to realize such tax benefits, a valuation allowance is recorded against the net deferred tax asset.

Transfers of Financial Assets - Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including January 22, 2014, which is the date the consolidated financial statements were available to be issued.

Note 2 - Restrictions on Cash and Amounts Due from Banks

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2013 and 2012, these reserve balances amounted to $1,975,000 and $1,141,000, respectively.

First National Bancorp, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 3 - Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, are as follows:

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. government and federal agency	$ 13,967,435	$ 56,538	$ (258,990)	$ 13,764,983
Corporate	754,390	5,002	-	759,392
Collateralized mortgage obligations	434,874	193	-	435,067
State and municipal	23,687,960	451,950	(251,262)	23,888,648
Total available-for-sale securities	$ 38,844,659	$ 513,683	$ (510,252)	$ 38,848,090

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. government and federal agency	$ 9,466,255	$ 105,316	$ -	$ 9,571,571
Corporate	1,534,222	34,563	-	1,568,785
Collateralized mortgage obligations	592,558	19,443	-	612,001
State and municipal	20,099,427	896,648	(30,439)	20,965,636
Total available-for-sale securities	$ 31,692,462	$ 1,055,970	$ (30,439)	$ 32,717,993

At December 31, 2013 and 2012, securities with a carrying value of approximately $14,000,000 and $7,400,000, respectively, were pledged to secure borrowings.

Note 3 - Securities (Continued)

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2013 are as follows:

	Available for Sale	
	Amortized Cost	Estimated Market Value
Due in one year or less	$ 14,751,827	$ 14,548,565
Due in one through five years	16,234,609	16,439,311
Due after five years through ten years	7,107,045	7,129,920
Due after ten years	316,304	295,227
Total	38,409,785	38,413,023
Collateralized mortgage obligations	434,874	435,067
Total	$ 38,844,659	$ 38,848,090

Information pertaining to securities with gross unrealized losses at December 31, 2013 and 2012, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2013			
	Less Than 12 Months		Over 12 Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. government and federal agency	$ 258,990	$ 8,072,309	$ -	$ -
State and municipal	177,475	5,775,241	73,787	1,265,155
Total available-for-sale securities	$ 436,465	$13,847,550	$ 73,787	$ 1,265,155

	December 31, 2012			
	Less Than 12 Months		Over 12 Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
State and municipal	$ 30,439	$ 1,336,318	$ -	$ -

First National Bancorp, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 3 - Securities (Continued)

Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, the Corporation has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is primarily due to increased market interest rates. The fair value is expected to recover as the bonds approach the maturity date.

Other securities, totaling $1,084,750 and $1,004,500 at December 31, 2013 and 2012, respectively, consist of restricted Federal Home Loan Bank stock and Federal Reserve Bank stock. These stocks are carried at cost, which approximates market value.

Note 4 - Loans

A summary of the balances of loans follows:

	2013	2012
Mortgage loans on real estate:		
Residential	$ 52,451,473	$ 43,255,090
Commercial	121,604,820	107,884,642
Construction	24,861,380	8,680,955
Total mortgage loans on real estate	198,917,673	159,820,687
Commercial loans	44,103,456	45,525,424
Consumer installment loans	4,085,126	3,369,028
Total loans	247,106,255	208,715,139
Less allowances for loan losses	4,534,103	3,709,202
Net deferred loan fees	447,781	269,208
Net loans	$ 242,124,371	$ 204,736,729

In the ordinary course of business, the Bank has granted loans to principal directors and their affiliates amounting to approximately $11,800,000 at December 31, 2013 and $6,800,000 at December 31, 2012. There were no amounts outstanding to principal officers at December 31, 2013 and 2012.

Note 4 - Loans (Continued)

Activity in the allowance for loan losses for 2013 and 2012 is summarized as follows:

	Year Ended December 31, 2013						
	Real Estate - Construction	Real Estate - Residential	Real Estate - Commercial	Commercial and Industrial	Consumer	Unallocated	Total
Beginning balance	$ 303,458	$ 961,601	$ 1,609,808	$ 570,631	$ 69,012	$ 194,692	$ 3,709,202
Charge-offs	-	(2,684)	-	-	-	-	(2,684)
Recoveries	-	900	-	18,685	-	-	19,585
Provision	461,029	20,943	415,752	(124,852)	(7,372)	42,500	808,000
Ending balance	$ 764,487	$ 980,760	$ 2,025,560	$ 464,464	$ 61,640	$ 237,192	$ 4,534,103
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ -	$ -	$ 73,348	$ -	$ -	$ -	$ 73,348
Collectively evaluated for impairment	764,487	980,760	1,952,212	464,464	61,640	237,192	4,460,755
Ending allowance balance	$ 764,487	$ 980,760	$ 2,025,560	$ 464,464	$ 61,640	$ 237,192	$ 4,534,103
Loans and leases:							
Individually evaluated for impairment	$ -	$ 267,533	$ 1,547,967	$ 299,123	$ -	$ -	$ 2,114,623
Collectively evaluated for impairment	24,861,380	52,183,940	120,056,853	43,804,333	4,085,126	-	244,991,632
Ending loans and leases	$ 24,861,380	$ 52,451,473	$121,604,820	$ 44,103,456	$ 4,085,126	$ -	$247,106,255

	Year Ended December 31, 2012						
	Real Estate - Construction	Real Estate - Residential	Real Estate - Commercial	Commercial and Industrial	Consumer Installment	Unallocated	Total
Beginning balance	$ 534,874	$ 720,580	$ 963,082	$ 813,218	$ 61,780	$ 174,434	$ 3,267,968
Charge-offs	-	(16,519)	-	(77,671)	-	-	(94,190)
Recoveries	-	-	-	20,424	-	-	20,424
Provision	(231,416)	257,540	646,726	(185,340)	7,232	20,258	515,000
Ending balance	$ 303,458	$ 961,601	$ 1,609,808	$ 570,631	$ 69,012	$ 194,692	$ 3,709,202
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ -	$ 40,000	$ -	$ -	$ -	$ -	$ 40,000
Collectively evaluated for impairment	303,458	921,601	1,609,808	570,631	69,012	194,692	3,669,202
Ending allowance balance	$ 303,458	$ 961,601	$ 1,609,808	$ 570,631	$ 69,012	$ 194,692	$ 3,709,202
Loans and leases:							
Individually evaluated for impairment	$ -	$ 84,733	$ 600,544	$ 11,993	$ -	$ -	$ 697,270
Collectively evaluated for impairment	8,680,955	43,170,357	107,284,098	45,513,431	3,369,028	-	208,017,869
Ending loans and leases	$ 8,680,955	$ 43,255,090	$107,884,642	$ 45,525,424	$ 3,369,028	$ -	$208,715,139

First National Bancorp, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 4 - Loans (Continued)

Credit Risk Grading

The Corporation categorizes loans into credit risk categories based on current financial information, overall debt service coverage, comparison against industry statistics, collateral coverage, historical payment experience, and current economic trends. These scores are reviewed by the Corporation on a regular basis. The Corporation uses the following definitions for credit risk ratings:

Special Mention - Loans are not considered adversely classified loans. However, by definition, they exhibit potential weaknesses which, if not corrected, could weaken the asset to the point where the Bank at some future date is inadequately protected. Any one noted weakness could be a reason for inclusion in the special mention list even though the other underwriting criteria, taken collectively, might suggest a more favorable risk rating. Evidence of correction of deficiency must be provided to justify loan criteria upgrading.

Substandard - Loans that are classified as substandard portray well-defined weakness(es) that require close supervision by Bank management and corrective action by the borrower. These noted weaknesses involved serious underwriting concern and ultimate loan collectibility if further deterioration occurs and are practical issues which are cause for consideration of a specific loan loss allocation provision.

Doubtful - Loans in this category are typically not performing in conformance with established terms and conditions. Full repayment is considered doubtful. In all likelihood, doubtful loans are in default and a loss is anticipated and has been reserved for; however, the final amount of the loss has not yet been fully determined.

Pass - Credits not covered by the above definitions are pass credits, which are not considered to be adversely rated.

The following table is a summary of loans stratified by credit risk grading:

	December 31, 2013				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate - Construction:					
1-4 family residential	$ 9,645,362	$ -	$ -	$ -	$ 9,645,362
Commercial construction and land development	15,216,018	-	-	-	15,216,018
Real estate - Residential:					
Revolving lines of credit	11,399,303	58,205	-	-	11,457,508
1-4 family residential	17,216,199	323,586	267,533	-	17,807,318
Multi-family	23,186,647	-	-	-	23,186,647
Real estate - Commercial - Nonfarm nonresidential	117,487,267	2,569,586	1,547,967	-	121,604,820
Commercial and industrial	43,540,874	263,459	299,123	-	44,103,456
Consumer installment	4,085,126	-	-	-	4,085,126
Total	$ 241,776,796	$ 3,214,836	$ 2,114,623	$ -	$ 247,106,255

Note 4 - Loans (Continued)

	December 31, 2012				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate - Construction:					
1-4 family residential	$ 6,435,113	$ -	$ -	$ -	$ 6,435,113
Other	2,245,842	-	-	-	2,245,842
Real estate - Residential:					
Revolving lines of credit	11,992,681	-	-	84,733	12,077,414
1-4 family residential	13,152,718	86,248	-	-	13,238,966
Multi-family	17,938,710	-	-	-	17,938,710
Real estate - Commercial - Nonfarm nonresidential	105,726,192	-	2,158,450	-	107,884,642
Commercial and industrial	44,389,558	777,087	358,779	-	45,525,424
Consumer installment	3,369,028	-	-	-	3,369,028
Total	$ 205,249,842	$ 863,335	$ 2,517,229	$ 84,733	$ 208,715,139

Age Analysis of Past Due Loans

The following tables detail the age analysis of past due loans at December 31, 2013 and 2012:

	2013						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
Real estate - Construction:							
1-4 family residential	$ -	$ -	$ 267,533	$ 267,533	$ 9,377,829	$ 9,645,362	$ -
Commercial construction and land development	-	-	-	-	15,216,018	15,216,018	-
Real estate - Residential:							
Revolving lines of credit	-	-	-	-	11,457,508	11,457,508	-
1-4 family residential	-	-	-	-	17,807,318	17,807,318	-
Multi-family	-	-	-	-	23,186,647	23,186,647	-
Real estate - Commercial - Nonfarm nonresidential	-	-	1,547,967	1,547,967	120,056,853	121,604,820	-
Commercial and industrial	-	-	299,123	299,123	43,804,333	44,103,456	-
Consumer installment	-	-	-	-	4,085,126	4,085,126	-
Total	$ -	$ -	$ 2,114,623	$ 2,114,623	$ 244,991,632	$ 247,106,255	$ -

Note 4 - Loans (Continued)

	2012						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
Real estate - Construction:							
1-4 family residential	$ -	$ -	$ -	$ -	$ 6,435,113	$ 6,435,113	$ -
Other	-	-	-	-	2,245,842	2,245,842	-
Real estate - Residential:							
Revolving lines of credit	-	-	-	-	12,077,414	12,077,414	-
1-4 family residential	92,633	-	84,733	177,366	13,061,600	13,238,966	-
Multi-family	-	-	-	-	17,938,710	17,938,710	-
Real estate - Commercial - Nonfarm nonresidential	-	600,544	-	600,544	107,284,098	107,884,642	-
Commercial and industrial	-	-	-	-	45,525,424	45,525,424	-
Consumer installment	-	-	-	-	3,369,028	3,369,028	-
Total	$ 92,633	$ 600,544	$ 84,733	$ 777,910	$ 207,937,229	$ 208,715,139	$ -

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Corporation 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. 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 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.

Note 4 - Loans (Continued)

The following information pertains to impaired loans as of December 31, 2013 and 2012.

	As of and For the Year Ended December 31, 2013				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income Recognized for the Year
With no related allowance recorded:					
Real estate - Residential	$ 267,533	$ 267,533	$ -	$ 268,060	$ -
Commercial and industrial	299,123	299,123	-	299,153	-
Total	$ 566,656	$ 566,656	$ -	$ 567,213	$ -
With an allowance recorded -					
Real estate - Commercial	$ 1,547,967	$ 1,547,967	$ 73,348	$ 1,551,056	
Total:					
Real estate - Residential	$ 267,533	$ 267,533	$ -	$ 268,060	$ -
Real estate - Commercial	1,547,967	1,547,967	73,348	1,551,056	-
Commercial and industrial	299,123	299,123	-	299,153	-
Total	$ 2,114,623	$ 2,114,623	$ 73,348	$ 2,118,269	$ -

	As of and For the Year Ended December 31, 2012				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income Recognized for the Year
With no related allowance recorded:					
Real estate - Commercial - Nonfarm nonresidential	$ 600,544	$ 642,428	$ -	$ 645,771	$ -
Commercial and industrial	11,993	36,453	-	33,033	-
Total	$ 612,537	$ 678,881	$ -	$ 678,804	$ -
With an allowance recorded -					
Real estate - Residential	$ 84,733	$ 99,733	$ 40,000	$ 95,888	$ 665
Total:					
Real estate - Commercial - Nonfarm nonresidential	$ 600,544	$ 642,428	$ -	$ 645,771	$ -
Commercial and industrial	11,993	36,453	-	33,033	-
Real estate - Residential	84,733	99,733	40,000	95,888	665
Total	$ 697,270	$ 778,614	$ 40,000	$ 774,692	$ 665

Large groups of homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures other than loans modified as troubled debt restructurings (TDR).

Note 4 - Loans (Continued)

Nonaccrual Loans

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection, not to exceed 180 days. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. Differences in impaired loans above and nonaccrual loans in the following table are due to loans which are contractually current at December 31, 2013 and 2012, but had been placed on nonaccrual earlier in the year due to payment delinquency. A loan may be reinstated to accrual status when all contractual principal and interest due on the loan are paid and the loan is current, prior charge-offs (if any) are recovered, no reasonable doubt remains regarding the willingness and ability of the borrower to perform in accordance with the contractual terms of the loan agreement, and sustained performance of the loan agreement is demonstrated by six consecutive monthly payments. At December 31, 2013, the Corporation expects to collect the scheduled payments of principal and interest on the loans; however, at December 31, 2013, the loans had not yet made six consecutive months of payments.

	2013	2012
Real estate - Residential:		
Revolving lines of credit	$ -	$ 84,733
1-4 family residential	267,533	-
Real estate - Commercial - Nonfarm nonresidential	1,547,967	600,544
Commercial and industrial	299,123	11,993
Total	$ 2,114,623	$ 697,270

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cost-recovery method or cash basis method until qualifying for return to accrual.

Note 5 - Bank Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

	2013	2012
Land	$ 100,000	$ 100,000
Buildings and building improvements	1,250,000	1,250,000
Leasehold improvements	641,341	547,739
Furniture, fixtures, and equipment	1,163,775	1,128,216
Total cost	3,155,116	3,025,955
Accumulated depreciation	(1,243,214)	(986,813)
Net bank premises and equipment	$ 1,911,902	$ 2,039,142

The Bank has two leases with a company in which a director is a part owner. The first lease calls for monthly payments of $10,259 through 2023 and is renewable for two additional five-year terms. The second lease was entered into in September 2010 and calls for minimum monthly payments of $9,939 through 2025 and is renewable for two additional five-year terms.

Total rent expense for the years ended December 31, 2013 and 2012 amounted to $303,965 and $354,938, respectively.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2013 pertaining to banking premises and equipment, future minimum rent commitments under various operating leases are as follows:

	Related Party Leases	Other Lease Agreement
2014	$ 242,386	$ 77,411
2015	242,386	68,784
2016	242,386	67,127
2017	242,386	68,784
2018	242,386	65,648
Thereafter	1,400,138	33,309
Total	$ 2,612,068	$ 381,063

Note 6 - Deposits

The following is a summary of the distribution of deposits at December 31:

	2013	2012
Noninterest-bearing deposits	$ 60,988,148	$ 51,373,475
NOW accounts	24,833,663	19,953,833
Savings and money market accounts	94,951,605	69,190,583
Time:		
Under $100,000	56,370,042	31,469,024
$100,000 and over	36,283,279	44,142,187
Total	$ 273,426,737	$ 216,129,102

At December 31, 2013, the scheduled maturities of time deposits are as follows:

2014	$ 41,339,371
2015	26,492,907
2016	9,663,257
2017	11,657,500
2018	3,500,286
Total	$ 92,653,321

Note 7 - Borrowings

The Bank has a formula-based credit facility with the Federal Reserve Bank to meet its short-term borrowing needs. There were no amounts outstanding at December 31, 2013 and 2012. The unused portion of the facility was approximately $31,700,000 and $21,800,000 at December 31, 2013 and 2012, respectively. The collateral on the borrowing arrangement consists of commercial, commercial real estate, and consumer loans with a book balance of approximately $39,600,000 and $27,200,000 at December 31, 2013 and 2012, respectively.

The Bank has an unsecured fed-funds line of credit with correspondent banks to meet its short-term borrowing needs. Total available borrowings were $14,500,000 and $9,500,000 at December 31, 2013 and 2012, respectively. There was no amount outstanding at December 31, 2013 or 2012.

Note 7 - Borrowings (Continued)

As of December 31, 2013, the Bank had four advances totaling $7,000,000 from the Federal Home Loan Bank (FHLB) with interest rates ranging from 1.32 percent to 2.17 percent. As of December 31, 2012, the Bank had six advances totaling $8,000,000 with interest rates ranging from 1.53 percent to 4.31 percent. Interest is payable monthly. The advances were collateralized by approximately $69,865,000 and $18,826,000 of mortgage loans as of December 31, 2013 and 2012, respectively, under a blanket collateral agreement. The advances are also secured by investment securities as described in Note 3. Total advances outstanding (including any overdraft lines of credit or letters of credit) cannot exceed $50,000,000. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank.

In addition, in 2013 the Bank entered into an overdraft line of credit agreement with the FHLB. The total available credit under this agreement is $1,000,000. There were no amounts outstanding as of December 31, 2013.

In 2013, the Corporation entered into a line of credit agreement with a bank allowing for available credit up to $5,000,000. Each quarter, the Corporation may elect the interest rate as either the (1) Wall Street Journal Prime or (2) One-Month LIBOR plus 2.75 percent. At December 31, 2013, the Corporation selected option 2 and the interest rate was 2.92 percent. Interest is payable monthly with the entire principal balance due on the maturity date of May 10, 2015. The line of credit is secured by all the common stock of the Bank. As of December 31, 2013, the total amount outstanding was $2,500,000.

The balance of the above borrowings matures as follows:

2014	$ 2,000,000
2015	3,500,000
2016	2,000,000
2017	2,000,000
Total	$ 9,500,000

Note 8 - Income Taxes

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

	2013	2012
Deferred tax assets:		
Allowance for loan losses	$ 1,496,895	$ 1,222,175
Stock options	349,000	315,542
Start-up costs and other	299,163	270,110
Total deferred tax assets	2,145,058	1,807,827
Deferred tax liabilities:		
Net unrealized gain on securities available for sale	1,000	349,000
Net deferred loan fees and other	271,058	104,237
Total deferred tax liabilities	272,058	453,237
Net deferred tax assets	$ 1,873,000	$ 1,354,590

Allocation of income taxes between current and deferred portions is as follows:

	2013	2012
Current expense	$ 1,509,978	$ 1,367,148
Deferred income tax benefit	(170,410)	(235,000)

The reasons for the differences between the income tax expense at the federal statutory income tax rate and the recorded income tax benefit are summarized as follows:

	2013	2012
Income before income taxes	$ 4,578,658	$ 3,562,219
Income tax expense at federal statutory rate of 34 percent	$ 1,556,744	$ 1,211,154
Decreases from nontaxable income - Net of nondeductible expenses	(217,176)	(79,006)
Total income tax expense	$ 1,339,568	$ 1,132,148

Note 9 - Off-balance-sheet Activities

Credit-related Financial Instruments - The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2013 and 2012, the following financial instruments, whose contract amounts represent credit risk, were outstanding:

	Contract Amount	
	2013	2012
Commitments to grant loans	$ 20,812,000	$ 13,825,000
Unfunded commitments under lines of credit	74,286,707	57,168,434
Commercial and standby letters of credit	1,894,302	1,098,745

Commitments to grant loans 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. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually contain a specified maturity date; some may not be drawn upon to the total extent to which the Corporation is committed.

Commercial and standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially, all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Corporation generally holds collateral supporting those commitments if deemed necessary.

Legal Contingencies - Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's consolidated financial statements.

Note 10 - Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2013 and 2012, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2013, the most recent notification from the Bank's primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risked-based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2013 are presented in the table.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(000s omitted)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2013						
Total capital to risk-weighted assets	$ 33,228	13.5 %	$ 19,730	8.0 %	$ 24,662	10.0 %
Tier 1 capital to risk-weighted assets	30,138	12.2	9,865	4.0	14,797	6.0
Tier 1 capital to average assets	30,138	9.8	12,323	4.0	15,404	5.0
As of December 31, 2012						
Total capital to risk-weighted assets	26,877	12.8	16,743	8.0	20,929	10.0
Tier 1 capital to risk-weighted assets	24,248	11.6	8,372	4.0	12,557	6.0
Tier 1 capital to average assets	24,248	10.0	9,700	4.0	12,126	5.0

Note 11 - Stock Option Plan

At December 31, 2013, the Corporation has a share-based compensation plan, which is described below. The compensation cost that has been charged against income for the plan was $142,405 and $140,974 for 2013 and 2012, respectively. There was approximately $48,000 of deferred income tax benefits recognized in the consolidated statement of income for share-based compensation arrangements for 2013 and 2012.

The Corporation's stock option and restricted stock plan (the "Plan"), which is stockholder-approved and monitored by the board, permits the grant of stock options to its employees for up to 350,000 shares of common stock. The Plan was initially adopted in 2006 and allowed 150,000 option shares. A similar plan was adopted that granted 100,000 additional option shares in both 2009 and 2012. The Corporation believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Corporation's stock at the date of grant; those option awards generally vest over three years of continuous service.

The calculated value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the weighted average assumptions noted in the following table. Expected volatilities are based on similar volatilities of comparable banks. The Corporation uses comparable bank data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	2013	2012
Expected volatility	20 %	20 %
Expected dividends	0	0
Expected term (in years)	10	10
Risk-free rate	2.89 %	1.74 %

Note 11 - Stock Option Plan (Continued)

A summary of option activity under the Plan for the year ended December 31, 2013 is presented below:

Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2012	229,500	$ 10.65	4.8
Granted	34,350	15.59	8.8
Outstanding at January 1, 2013	263,850	11.29	5.3
Granted	21,550	19.00	9.9
Exercised	(5,150)	10.34	4.7
Forfeited	(3,250)	14.42	7.6
Outstanding at December 31, 2013	277,000	11.87	5.7
Exercisable at December 31, 2013	216,150	10.62	4.7

The weighted average grant-date calculated value of options granted during 2013 and 2012 was $6.90 and $5.06, respectively.

As of December 31, 2013, there was approximately $264,000 of total unrecognized compensation costs related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized through December 31, 2016.

Note 12 - Restrictions on Dividends, Loans, and Advances

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation.

Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the sum of the net profits of the Bank for the preceding three years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards. At December 31, 2013, the Bank has approximately $8,600,000 in retained earnings available for the payment of dividends. Accordingly, approximately $22,000,000 of the Corporation's investment in the Bank was restricted at December 31, 2013.

Note 12 - Restrictions on Dividends, Loans, and Advances (Continued)

Loans or advances made by the Bank to the Corporation are generally limited to 10 percent of the Bank's capital stock and surplus. Accordingly, at December 31, 2013, Bank funds available for loans or advances to the Corporation amounted to $3,500,000.

Loans made by the Bank to any one customer are generally limited to 15 percent of unconsolidated bank equity, adjusted for the allowance for loan losses. At December 31, 2013, this limits the loans made by the Bank to any one customer to $5,200,000.

Note 13 - Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments are as follows:

	2013		2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 23,081,234	$ 23,081,234	$ 6,421,232	$ 6,421,232
Investment securities - Available for sale	38,848,090	38,848,090	32,717,993	32,717,993
Other securities	1,084,750	1,084,750	1,004,500	1,004,500
Loans - Net	242,124,371	247,476,884	204,736,729	208,109,117
Accrued interest receivable	853,796	853,796	779,180	779,180
Financial liabilities:				
Deposits	273,426,737	273,550,813	216,129,102	216,620,860
Borrowings	9,500,000	9,659,423	8,000,000	8,210,587
Accrued interest payable	80,607	80,607	91,227	91,227

As further discussed in Note 14, the fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. There are certain financial instruments and all nonfinancial instruments excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts may not necessarily represent the underlying fair value of the Corporation.

A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

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

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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 13 - Fair Value of Financial Instruments (Continued)

Investment Securities - Fair values of securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The carrying value of other securities approximates fair value based on the redemption provisions of the issuers and significant observable inputs.

Loans Receivable - For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values of nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposit Liabilities - The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Borrowings - The fair value of the Corporation's borrowings is estimated using fair value of debt based on current rates for similar financing.

Accrued Interest - The carrying amounts of accrued interest approximate fair value.

Other Financial Instruments - The fair value of other financial instruments, including loan commitments and unfunded letters of credit, based on discounted cash flow analyses, is not material.

Note 14 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation’s assets measured at fair value on a recurring basis at December 31, 2013 and 2012 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access. The Corporation had no Level 1 investment securities at December 31, 2013 and 2012.

Note 14 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Corporation's Level 2 investment securities consisted primarily of U.S. government agency notes, corporate bonds, municipal securities, and collateralized mortgage obligations.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The Corporation had no investment securities for which it utilized Level 3 inputs to determine fair value.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

During 2013 and 2012, there were no transfers between Levels 1, 2, or 3 in the asset classes.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2013
Assets - Available-for-sale investment securities				
U.S. government and federal agency	$ -	$ 13,764,983	$ -	$ 13,764,983
Corporate	-	759,392	-	759,392
Collateralized mortgage obligation	-	435,067	-	435,067
State and municipal	-	23,888,648	-	23,888,648
Total assets	$ -	$ 38,848,090	$ -	$ 38,848,090

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December 31, 2013 and 2012

Note 14 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Assets - Available-for-sale investment securities				
U.S. government and federal agency	$ -	$ 9,571,571	$ -	$ 9,571,571
Corporate	-	1,568,785	-	1,568,785
Collateralized mortgage obligations	-	612,001	-	612,001
State and municipal	-	20,965,636	-	20,965,636
Total assets	$ -	$ 32,717,993	$ -	$ 32,717,993

There were no significant assets measured at fair value on a nonrecurring basis in which gains or losses were recognized in 2013 or 2012.