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THE VERIBANC INSTANT RATING REPORT – TEXT PAGES *(Printable version)*

DESCRIPTION OF RATING CRITERIA

COLOR CLASSIFICATION

VERIBANC's color code is a quick-look measure of an institution's condition based on its equity strength and profitability. Three colors are used — GREEN, YELLOW and RED. The criteria by which VERIBANC determines the color category for an institution are as follows:

GREEN - The institution's equity is five percent or more of its assets and it had positive net income during the most recent reporting period. Of the three color categories, this is the highest based on the criteria described.

YELLOW - The institution's equity is between three and five percent of its assets or it has incurred a net loss during the most recent reporting period. Both of these conditions may apply. If there is a net loss, the loss was not sufficient[†] to erode a significant portion of the institution's equity. The items which result in a YELLOW classification merit your attention.

RED - The institution's equity is less than three percent of its assets or it has incurred a significant[†] net loss during the most recent reporting period. The items which result in a RED classification deserve your close attention.

STAR CLASSIFICATION

In addition to the color code, VERIBANC classifies each institution with three stars (***) , two stars (**), one star (*) or no stars (U). The star rating considers future trends and contingencies not accounted for in the color classification. The criteria used by VERIBANC to determine the number of stars assigned to an institution are as follows:

*** The institution must meet the following primary conditions: equity which is five or more percent of assets, equity which is four or more percent of assets after deducting problem loans in excess of its loan loss reserves, and positive net income for the most recent reporting period. Banks and thrifts must also satisfy all three regulatory capital requirements (see next column). In addition, inside lending must not exceed 35 percent of equity. If the bank is owned by a holding company, all of the holding company's banks taken together must meet the

*** (cont.) criteria necessary for the group to receive at least a two stars rating. For banks and credit unions, problem investments also include investments that, if sold, would realize less than their costs.

** The institution meets any two of the three primary conditions for the three stars category and has equity which meets or exceeds its unreserved problem loans. If the institution has a net loss for the most recent reporting period, the loss was not significant[†]. Banks and thrifts must also satisfy all three regulatory capital requirements (see next column). Additionally, if the bank is owned by a holding company, all of the holding company's banks together must meet the criteria necessary for the group to receive at least a two stars rating. For banks and credit unions that have investments with a current market value that is less than their costs, that difference must not exceed equity.

* The institution meets at least one of the primary conditions required for the three stars category, reports equity which is three or more percent of assets and also meets or exceeds unreserved problem loans. If the institution has a net loss for the most recent reporting period, the loss was not significant[†]. Moreover, if the institution is a bank or thrift, it meets at least two of the three federal capital requirements of tier one (core) capital, total risk based capital as a percentage of risk-weighted assets and tier one capital as a percentage of average assets. A bank may receive no higher than a one star rating if all of the banks in its holding company, taken together as if they were a single bank, receive a one star or a no stars ratings. Also a bank or credit union may receive a one star rating if, absent other reasons for downrating as stated above, the difference between the cost and current market value of its investments exceeds the institution's equity.

No Stars/Unclassified (U) The institution does not meet the criteria above.

[†] A quarterly loss is considered significant when it exceeds 18.75 percent of a bank, thrift, or credit union's equity. If a bank, thrift or credit union's quarterly loss continues to exceed 18.75 percent of its equity, the institution could become insolvent within one year. VERIBANC has no way of knowing whether or not losses at an institution will continue.

Average Number of Banks in Each Color/Star Classification With Failure Rates Between 1991 and 2000

| Color/Stars | Average Number of Banks (and % of all banks) | | Annualized Failure Rate[†] |
|--------------------|---------------------------------------------------------|---------|------------------------------------------------|
| Green/*** | 8,782 | (82.80) | 0.03 |
| Green/** | 979 | (9.23) | 0.10 |
| Green/* | 17 | (0.16) | 5.97 |
| Green/none | 9 | (0.08) | 2.78 |
| Yellow/** | 650 | (6.13) | 0.27 |
| Yellow/* | 69 | (0.65) | 4.69 |
| Yellow/none | 34 | (0.32) | 14.03 |
| Red/none | 67 | (0.63) | 96.35 |

† 1991 through 2000 - chances per 1,000 banks per year

Note that the combinations Yellow***, Red***, Red** and Red* are not used.

Approximately 3,000 of the Green, three-stars rated banks qualify for VERIBANC's Blue Ribbon award each quarter. Blue Ribbon Banks are premium banks which have met additional very high standards. **Since 1982, when we began designating banks for this award, there has never been a Blue Ribbon Bank failure.** VERIBANC's unique color code has been used by investors and depositors to rate the safety of financial institutions since 1981.

VERIBANC invites you to recheck the ratings of your banks, thrifts and credit unions when the next set of data is released by the government regulatory agencies. Data is usually released 2-3 months after the quarter ending dates as follows:

Is your bank safe? If you don't know, we can help. Call us for an Instant Rating on your bank, thrift (savings and loan) or credit union. Or call to order in-depth reports on all of your banking institutions. For a complete list of reports, please request VERIBANC's "Know Your Bank" brochure or visit our website at www.veribanc.com. We look forward to hearing from you.

VERIBANC HOPES YOU FIND THIS REPORT USEFUL AND WELCOMES YOUR COMMENTS.