

BANK RESEARCH REPORT



VERIBANC[®], Inc.
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BANK RESEARCH REPORT

VERIBANC[®], Inc, does not give, and this report should not be construed as, a warranty, an opinion or advice by VERIBANC[®], Inc. or the applicable federal regulatory agency as to the financial condition of the institution(s) about which you have inquired.

The federal bank regulatory agencies consider criteria in addition to those set forth in this report in assessing the financial viability of the institutions within their purview. The data with respect to some of these additional criteria are not released to the public as a matter of course, and VERIBANC[®], Inc., has not considered and does not report on such data. You should be aware these additional criteria might be important in evaluating the financial condition of an institution.

However, the data set forth in the attached report does provide insight into an institution's condition. The report is intended only to provide insight and should not be considered or relied upon as presenting the complete picture of an institution's financial condition.

VERIBANC[®] has extensive data on cash flow, balance sheets, loan and investment portfolio distribution and call reports for all commercial banks, savings banks, savings and loan associations, and credit unions that file periodic federal reports. VERIBANC[®] also maintains, and can create, data files, which involve sorting by a wide range of financial, geographical and other criteria. If you believe that additional information is necessary, VERIBANC[®] invites you to write for a quotation on your additional data needs.

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FOREWORD

Since our beginning in 1981 VERIBANC[®] has never been paid by any institution to rate it. Following our standards of independence and zero tolerance for bias, no Bank, Thrift, or Credit Union is paying us to provide this information. You can be assured you are getting the **B.E.S.T.** rating's and financial information with VERIBANC[®]'s guarantee: there is no potential for conflict of interest.

THE B.E.S.T.

Balanced - our rating system blends predictability of bank failure with bank ratings degradation. This balance provides unmatched performance that has actually tracked the condition of the banking industry.

Effective - VERIBANC's ROR (Return On Ratings) is over 99 percent. We are able to detect banking problems with a high degree of reliability.

Seasoned - over the past twenty-four years (through the difficult and the good times of the banking industry) our rating system has produced remarkably consistent results.

Transparent - we are the only bank rating company that has always published our track record. Because of our transparency, several insurance companies have audited and approved its use for insuring deposits in excess of the FDIC's \$100,000 limit.

Thank you for your interest in the information VERIBANC[®] provides. We hope you find this report useful and as always, your thoughts on any improvements are welcome.

Sincerely,
VERIBANC[®], Inc.



Michael M. Heller
President

VERIBANC[®], Inc.

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VERIBANC[®], Inc.

INTRODUCTION

VERIBANC[®] is pleased to present you with our Bank Research Report. The report includes detailed information about a bank's assets, capital, loan portfolio (including problem loans), foreclosed property, insider lending, brokered deposits, income, and other key areas of its operations. Several sections of the report specifically address regulatory oversight. In tracking the bank's compliance with current federal capital requirements, attention is given to the tiered capital and risk-weighted assets ratios, as well as to the leverage ratio. Each bank is also characterized in terms of the FDIC's capital classifications of "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" or "critically undercapitalized". The report also includes whether or not the institution has been subject to recent regulatory enforcement actions.

We also distinguish between the liquid part ("available-for-sale") of a bank's securities portfolio and the portion, which is long-term ("held-to-maturity"). Embedded gains or losses (currently unrecognized) in its held-to-maturity portfolio are also shown. A cross section of important derivatives activity, including both on and off-balance sheet positions, rounds out the picture. We believe you will find all of this information interesting and helpful in understanding your institution's performance, condition and financial risk.

The format of the report is designed for quick access; the data pages are near the front; graphical industry-wide comparisons follow; and the appendix containing definitions and explanations is in the back.

The information presented in this report is extracted directly, or derived from, the quarterly financial releases provided by the Federal Regulators. This database applies to every federally-insured commercial bank and savings bank in the United States and its territories. The data are assembled by the Federal Regulators' from all of the banks' quarterly condition and income ("call report") filings with their various regulatory agencies. Normally, the data are released during the second month after the close of each fiscal quarter. Most banks^{*} must file their reports within a month after the close of each quarter. The remaining time is used by the regulatory agencies for pre-release screening and analysis.

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The data cycle is summarized in the table below. VERIBANC[®] revises its database and makes updated reports available within a few days of the Federal Regulators' release of new data.

Fiscal period	Bank must file with federal regulatory agency by*	Federal Regulators' releases data - exact release date varies
Jan. 1-Mar. 31	April 30	June 15
Apr. 1-June 30	July 30	September 15
July 1-Sept. 30	Oct. 30	December 15
Oct. 1-Dec. 31	Jan. 30	March 15

The Bank Research Report represents VERIBANC[®]'s effort to select the most important items from the banks' call reports. Note that the original call reports may contain dozens of pages of numbers, not all of which have the same degree of usefulness. Although it would have been straightforward simply to transcribe this data from magnetic image onto paper, we have chosen instead, those items which we believe provide the most insight about each bank. In addition, we have calculated various numerical ratios and several other measures, which we consider to be especially useful in assessing an institution's financial condition. The report's graphical supplement relates these measures to the industry as a whole.

Finally, as detailed as the information in this report is, we recognize that some specialized applications may require even more data. If you have such a need, we invite you to write or call VERIBANC[®] about it.

DESCRIPTION OF THE DATA PAGES

Data for the bank(s) treated in this report follow immediately. The graphical supplement, which provides industry wide context for the data, follows the data pages. An appendix, which follows, gives more detailed descriptions of the data page entries.

* Certain large institutions are given an additional 15 days to file.

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BANK RESEARCH REPORT PREPARED ON 06/07/2010
FOR: AMARILLO NB, AMARILLO, TX

Dollar Amounts
In Thousands

I. OVERALL OPERATIONS

1. Total Assets	2,744,750
2. Total Equity Capital	263,985
3. Net Income for the Entire Past Year	54,438
a. Annualized Net Income, Current Quarter	58,556
b. Annualized Net Income, Previous Quarter	63,164
c. Annualized Net Income, Second Previous Quarter	53,088
d. Annualized Net Income, Third Previous Quarter	42,944
4. Annualized Net Income Before Extraordinary Items	58,556
5. Total Loans	2,027,688
6. Total Deposits	2,227,819
7. Insider Loans	14,514
8. Number of Major Borrowers Who Are Insiders	1
9. Liquid Assets	1,391,729
10. Total Problem Loans, Securities and Derivatives Contracts	35,764

II. KEY OPERATING MEASURES

1. Excess Problem Lns, Secs & Cntrcts as a % of Equity (Graph One)	1.32
2. Equity as a Percentage of Assets (Graph Two)	9.62
3. Profitability, Annualized R.O.A for the Quarter (Graph Three)	2.13
4. Liquidity (Graph Four)	62.47
5. Insider Loans as a Percentage of Equity (Graph Five)	5.50
6. Percentage of Equity Lost During Quarter (Graph Six)	Profitable
7. VERIBANC's Color and Star Classification (Comparison Table Follows Data Page Four) @	Green/***
8. VERIBANC's Previous Quarter's Color and Star Classification	Green/***
9. Provisional Color and Star Rating (If Applicable)	N.A.

III. COMPLIANCE WITH FEDERAL CAPITAL REQUIREMENTS

1. Tier One Capital	264,495
2. Total Risk Capital	292,385
3. Total Risk-Weighted Assets	2,226,808
4. Total Risk Capital as a Percentage of Risk-Weighted Assets (BASEL Accord Risk Ratio)	13.13
5. Tier One Capital as a Percentage of Risk-Weighted Assets (Tier One Risk Ratio)	11.88
6. Tier One Capital as a Percentage of Average Assets (Leverage Ratio)	9.56
7. F.D.I.C. Capital Classification (Graph Seven)	W

IV. LENDING CATEGORIES

1. Commercial and Industrial Loans, Total	544,398
a. To U.S. Borrowers	0
b. To Foreign Borrowers	0
2. Real Estate Lending from Domestic Offices of The Bank	665,863
a. Construction and Land Development	80,298
b. Secured by Farmland (Includes Farm Residential and Other Improvements)	38,386

@ This Bank is also currently listed in VERIBANC's Compilation of BLUE RIBBON BANKS.

Bank Reporting Date: 03/31/2010

Federal Regulators' Release Date: 05/28/2010

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FOR: AMARILLO NB, AMARILLO, TX

Dollar Amounts
In Thousands

IV. LENDING CATEGORIES (continued)

2.	Real Estate Lending from Domestic Offices of The Bank (Cont'd)	
	c. Secured by One to Four Family Residential Units	182,982
	d. Secured by Multifamily (five or more) Properties	0
	e. Secured by Nonfarm, Nonresidential Properties	364,197
3.	Real Estate Lending from Foreign Offices of The Bank	N.A.
4.	Loans to Financial Institutions, Total	0
	a. To Institutions in the U.S.	0
	b. To Banks in Foreign Countries	0
5.	Agricultural-Related Loans	303,605
6.	Loans To Individuals for Household, Family and Other Personal Expenditures	455,817
	a. Credit Cards	0
	b. Other Revolving Credit Plans	988
	c. Other Consumer Loans	454,829
7.	Loans To Foreign Governments and Official Institutions	0
8.	Loans to States and Political Subdivisions of the U.S.	5,082
9.	Lease Financing Receivables, Total	491
	a. Due from U.S. Lessees	491
	b. Due from Foreign Lessees	N.A.
10.	Other Loans and Adjustments for Unearned Income Included in All Categories	0
11.	Total Foreign Loans Included in Foregoing Items	0
12.	Portion of Commercial and Industrial and "Other" Loans Above That Finance Real Estate Investment Activities	62,104

V. DETAILS OF PROBLEM LOANS, SECURITIES AND DERIVATIVES CONTRACTS

1.	Past Due 90 Days or More and Still Accruing	
	a. To Domestic Addresses	773
	b. To Foreign Addresses (If Any)	0
2.	Nonaccruing Loans	
	a. To Domestic Addresses	34,849
	b. To Foreign Addresses (If Any)	0
3.	Renegotiated (Restructured) Debt	142
4.	Excess Problem Loans, Debt Securities and Derivatives Contracts	3,489
5.	Categories of Problem Assets	
	a. Agriculture	0
	b. Real Estate	9,988
	1. Construction and Land Development	0
	2. Secured by Farmland (Includes Farm Homes, Other Structures and Improvements Situated on the Property	0
	3. One to Four Family Mortgages	1,288
	4. One to Four Family Home Equity Loans	0
	5. Multifamily (five or more) Properties	0
	6. Nonfarm, Nonresidential Properties	8,700

Bank Reporting Date: 03/31/2010

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Dollar Amounts
In Thousands

V. DETAILS OF PROBLEM LOANS, SECURITIES AND DERIVATIVES CONTRACTS (continued)	
5. Categories of Problem Assets (continued)	
c. To Individuals	1,453
1. Credit Card Delinquencies	0
2. Other Personal, Instalment and Consumer Loans	1,453
d. Commercial, Industrial and Other Loans	24,181
e. Lease Financing	0
f. Financial Institutions	0
g. Foreign Governments	0
6. Debt Securities	0
7. Delinquent Off-Balance Sheet Derivatives Contracts (Market Value)	0
8. Portion of Commercial and Industrial and "Other" Problem Loans Above That Finance Real Estate Investment Activities	0
VI. LOAN LOSS RESERVES	
1. Balance of Allowance at End of Previous Quarter	30,995
2. Recoveries Credited to Allowance	935
3. LESS: Charge-Offs	3,581
4. Provision for Loan and Lease Losses	3,925
5. Other Adjustments	N.A.
6. Balance as of Bank Reporting Date	32,275
VII. LOAN MANAGEMENT MEASURES	
1. Loan Loss Reserves as a Percentage of Total Loans (Graph Eight)	1.59
2. Net Loan Losses as a Percentage of Loan Loss Reserves (Graph Nine)	8.20
3. Net Loan Losses as a Percentage of Equity (Graph Ten)	1.00
4. Problem Loans, Secs & Cntrcts as a % of Total Lns (Graph Eleven)	1.76
5. Percent of Loan Portfolio Maturing or Repriceable(Graph Twelve)	
a. Within Three Months of Bank Reporting Date	25.48
b. Between Three and Twelve Months of Bank Reporting Date	17.70
c. Between One And Five Years of Bank Reporting Date	42.76
d. Over Five Years from Bank Reporting Date	14.06
6. Foreign Loans as a Percentage of Total Loans (Graph Thirteen)	0.00
VIII. LIQUID ASSETS SUMMARY	
1. Cash and Due from Depository Institutions	433,932
2. U.S. Treasury Securities and Obligations of Other (Non-Treasury) U.S. Government Agencies and Corporations Available for Sale	200,584
3. Securities Issued by States and U.S. Political Subdivisions Available for Sale.	0
4. Federal Funds Sold and Securities Purchased Under Resale Agreements	2,440
5. Net Assets in Trading Accounts	0
6. Market Value of Other Debt Securities Available for Sale	0
7. Market Value of Equity Securities	5,442
8. Loans and Leases Maturing within 12 Months	748,304

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DATA PAGE THREE OF FOUR

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FOR: AMARILLO NB, AMARILLO, TX

	Dollar Amounts In Thousands
IX. LIABILITIES	
1. Total Liabilities	2,480,765
2. Volatile Liabilities	1,379,862
a. Total Demand Deposits	665,779
b. Time Deposits Maturing Within One Year	N.A.
c. Federal Funds Purchased and Securities Sold Under Repurchase Agreements	219,345
d. Demand Notes Issued to the U.S. Treasury and Other Short Term Liabilities for Borrowed Money	0
e. Outstanding Acceptances	N.A.
3. Brokered Deposits	104,495
4. Estimated Uninsured Deposits	791,407
5. Increase in Uninsured Deposits During the Quarter	-71,723
6. Foreign Deposits	0
X. LIABILITIES MEASURES	
1. Volatile Liabilities as a Percentage of Liquid Assets (Graph Fourteen)	99.15
2. Brokered Deposits as a Percentage of Total Deposits (Graph Fifteen)	4.69
3. Foreign Deposits as a Percentage of Total Deposits (Graph Sixteen)	0.00
4. Uninsured Deposits as a Percentage of Total Deposits	35.52
XI. REAL ESTATE HOLDINGS	
1. Foreclosed Property Held by U.S. Offices, Total	349
a. Construction and Land Development	0
b. Farmland	0
c. One to Four Family Homes	97
d. Multifamily (five or more) Properties	0
e. Non-farm, Non-residential Properties	252
2. Forclosed Property Held by Overseas Offices	N.A.
3. Direct and Indirect Investments in Real Estate Ventures	N.A.
4. Total Real Estate Owned (REO)	349
XII. MISCELLANEOUS ITEMS	
1. Percentage of Foreign Ownership	0.00
2. Was There A Recent External Audit?	YES
3. Held to Maturity(HTM) Securities	10,871
4. Unrecognized HTM Securities Losses	404
5. Unrecognized HTM Securities Losses as a Percentage of Equity	0.15
6. Derivatives	
a. On-balance Sheet Mortgage Derivatives	N.A.
b. Structured Notes and High Risk Mort. Derivative Securities	0
c. Losses (Recognized and Unrecognized) in Foregoing Item	0
d. Notional Amount of Off-Balance Sheet Derivatives	49,445
7. Recent Regulatory Enforcement Action	N.A.
8. Periods of Significant Asset Growth/Shrinkage	N.A.

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Since the information contained herein is based on federal regulatory agency reports released at substantial intervals, and since the financial condition of the institution(s) described herein may be subject to change within short periods of time, please consult the appropriate portions of the data set and/or ancillary VERIBANC-supplied documentation for the date when the data was last released by the appropriate federal agency. Please check with VERIBANC or the management of the institution(s) for additional, updated information should you deem that advisable.

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NUMBER OF FDIC-INSURED BANKS IN EACH COLOR CODE AND STAR RATING CATEGORY

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

STAR RATINGS

		THREE STARS	TWO STARS	ONE STAR	NO STARS
COLOR CODE	GREEN	4650	574	586	31
	YELLOW	N.A*	521	523	141
	RED	N.A*	N.A*	N.A*	150

HOW TO USE THE GRAPH

Each entry in the table indicates how many banks are in the color category given at the left of the row and the star category stated at the top of the column. Note most of the banks are classified with ratings of Green with three-stars (64.8 percent of reporting banks). At the opposite extreme, 2.09 percent of all institutions receive VERIBANC's lowest Red, no-stars ratings.

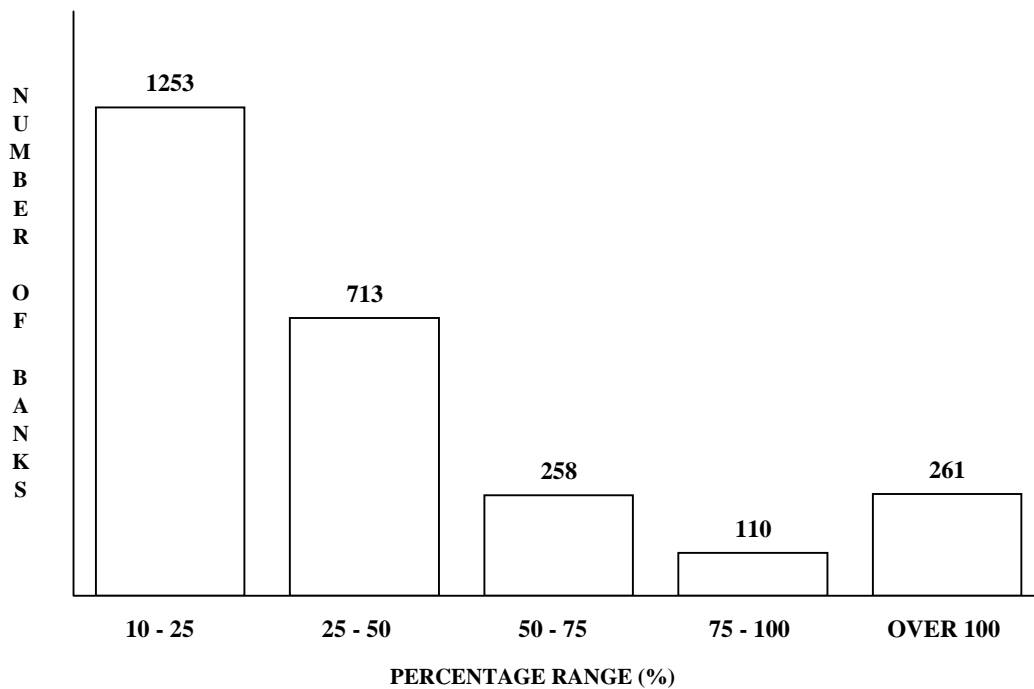
* These ratings do not apply to banks.

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GRAPH 1

FDIC-INSURED BANKS WITH EXCESS PROBLEM LOANS, SECURITIES AND CONTRACTS* MORE THAN TEN PERCENT OF EQUITY

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010



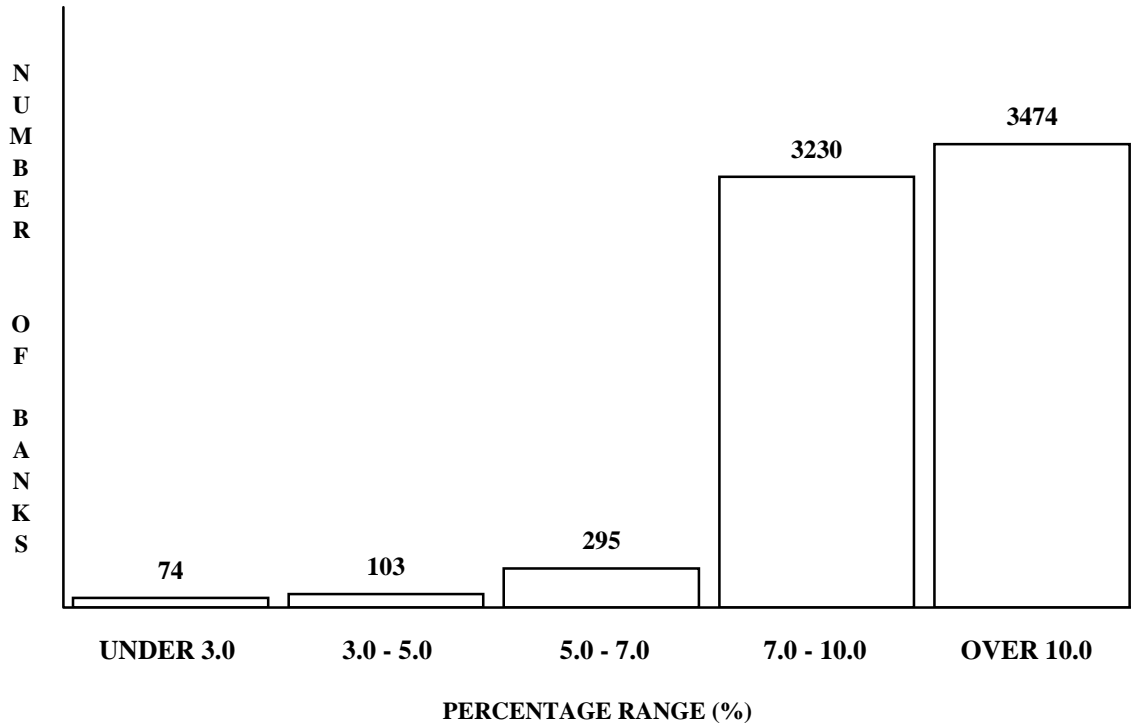
* Excess problem loans, securities and contracts are defined as items 90 days or more past due, in nonaccrual status or renegotiated/restructured, less the loan loss reserve balance and amounts guaranteed by the U.S. government. Note the graph excludes banks that do not have excess problem loans, securities and contracts or for which these items comprise less than 10% of equity.

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GRAPH 2

**EQUITY AS A PERCENTAGE OF ASSETS
FOR ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

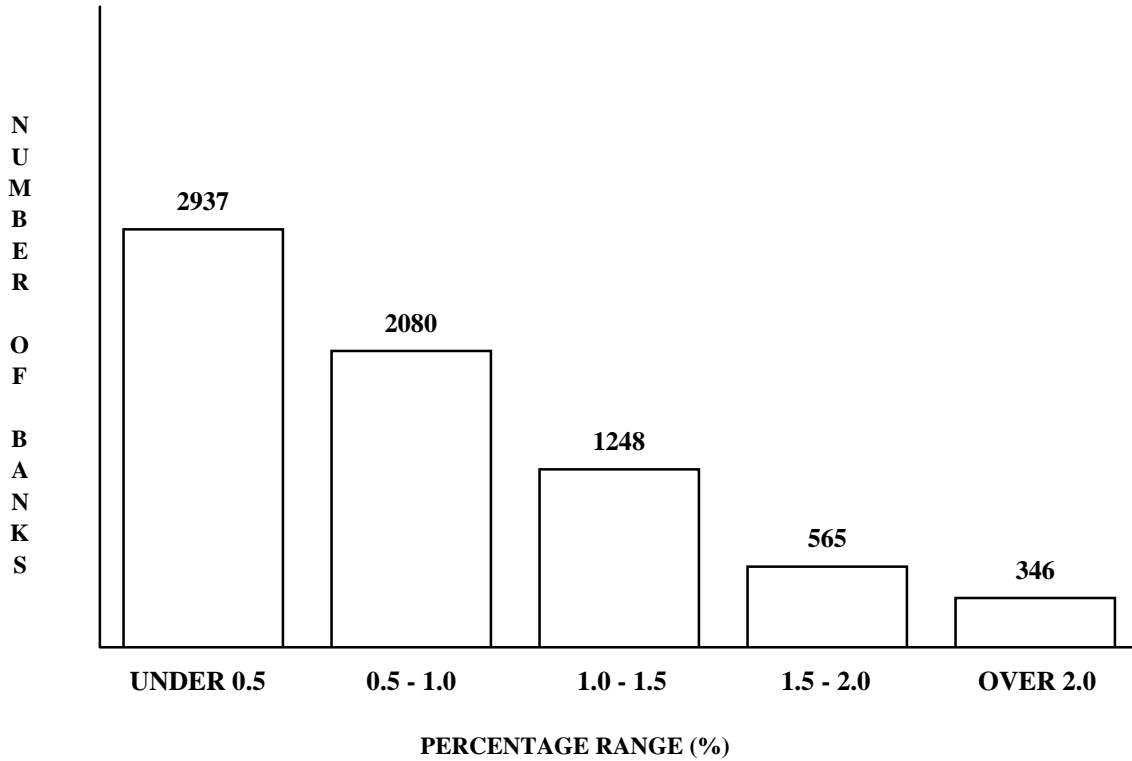


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GRAPH 3

PROFITABILITY FOR ALL FDIC-INSURED BANKS

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

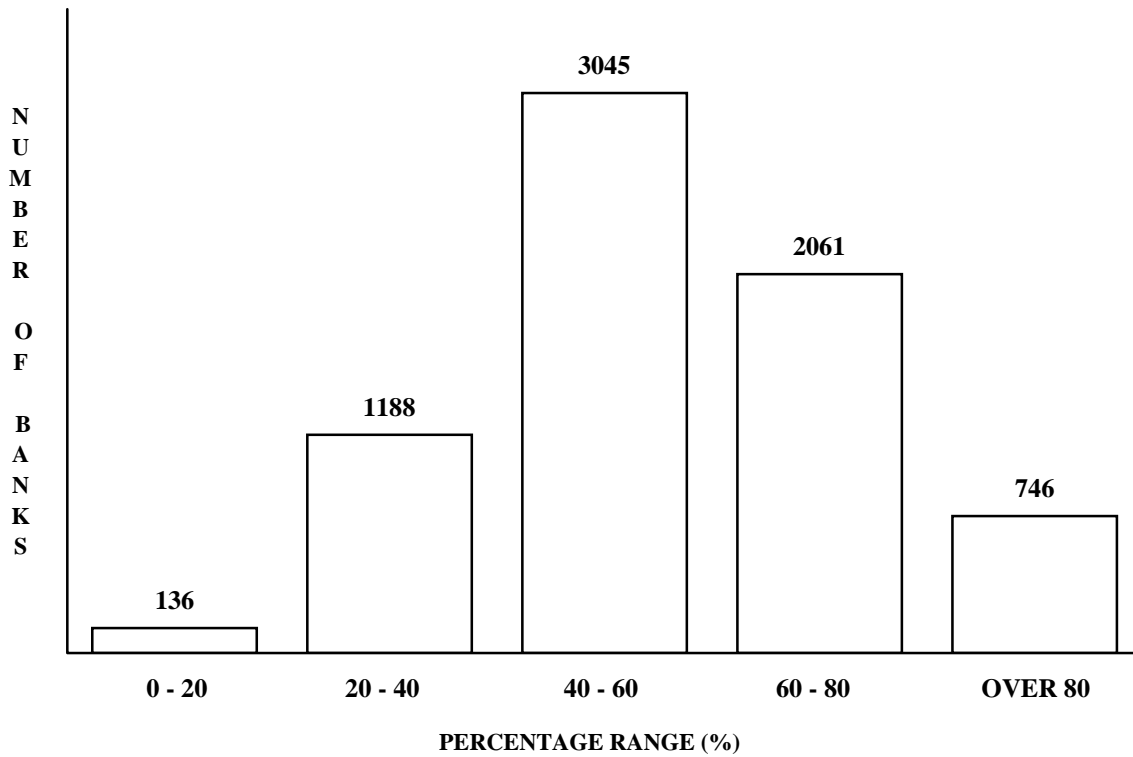


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GRAPH 4

LIQUID ASSETS AS A PERCENTAGE OF DEPOSITS FOR ALL FDIC-INSURED BANKS

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

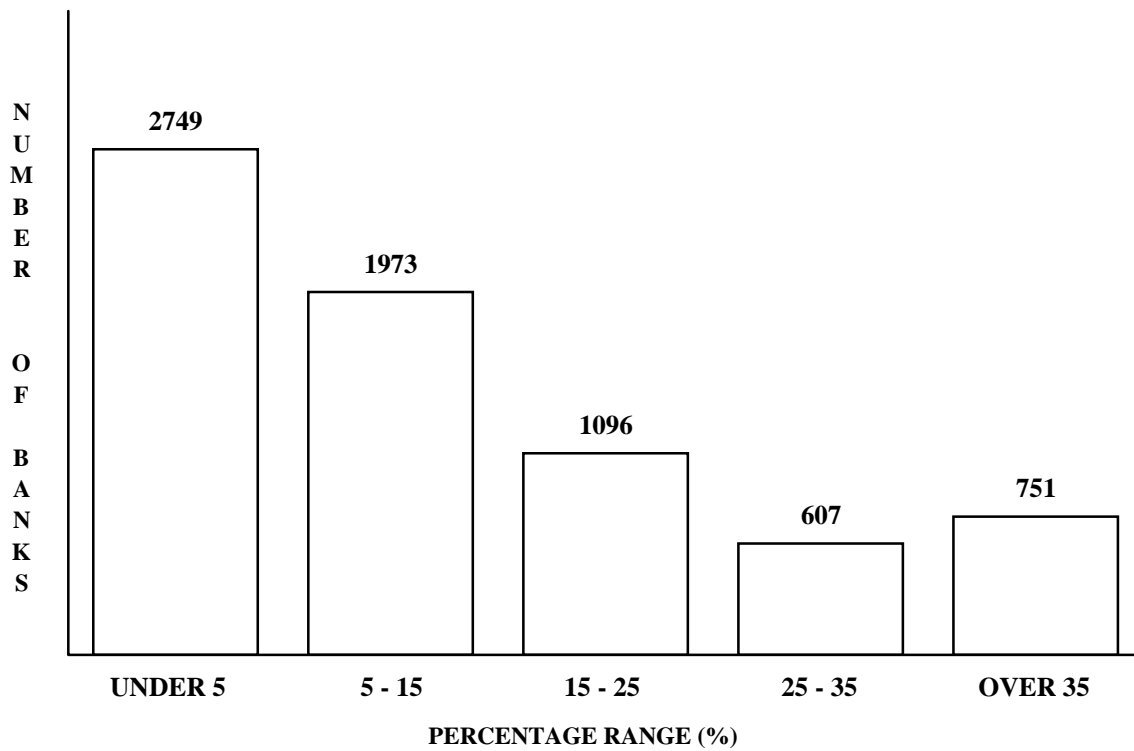


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GRAPH 5

**INSIDER LOANS AS A PERCENTAGE OF EQUITY
AT ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

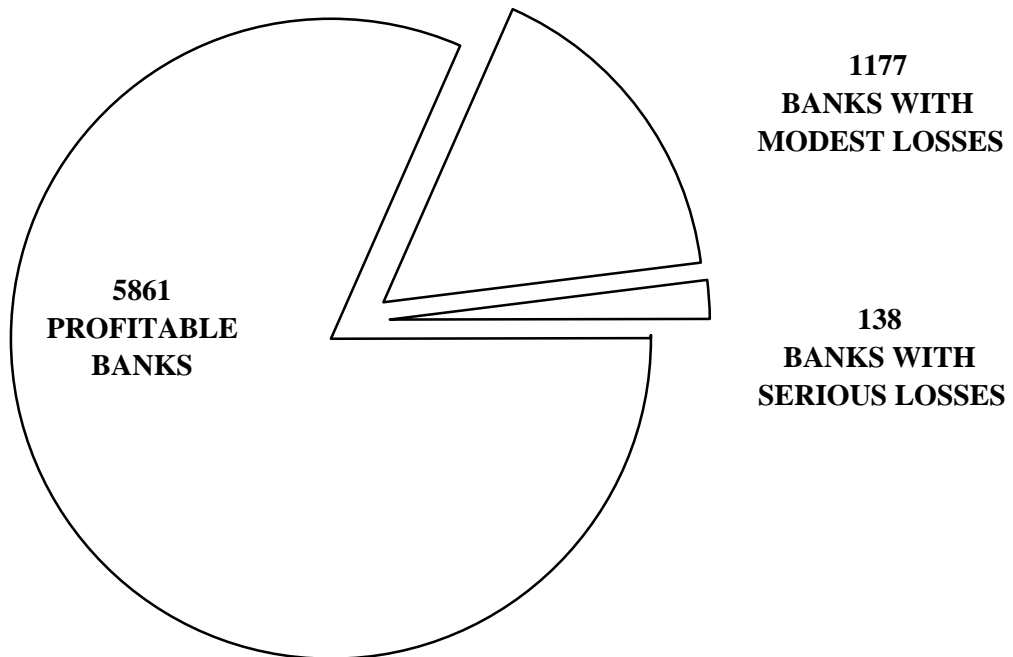


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GRAPH 6

**PROFITS AND LOSSES AT
ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

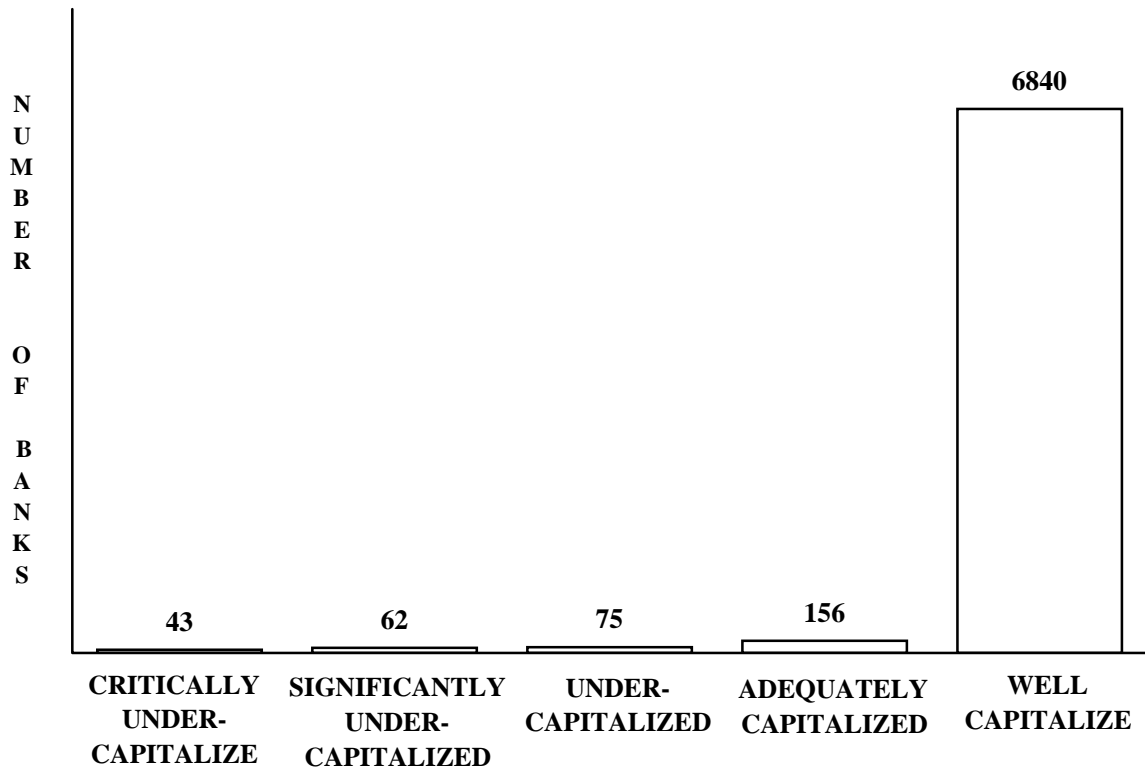


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GRAPH 7

**REGULATORY CAPITAL CLASSIFICATION
FOR ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

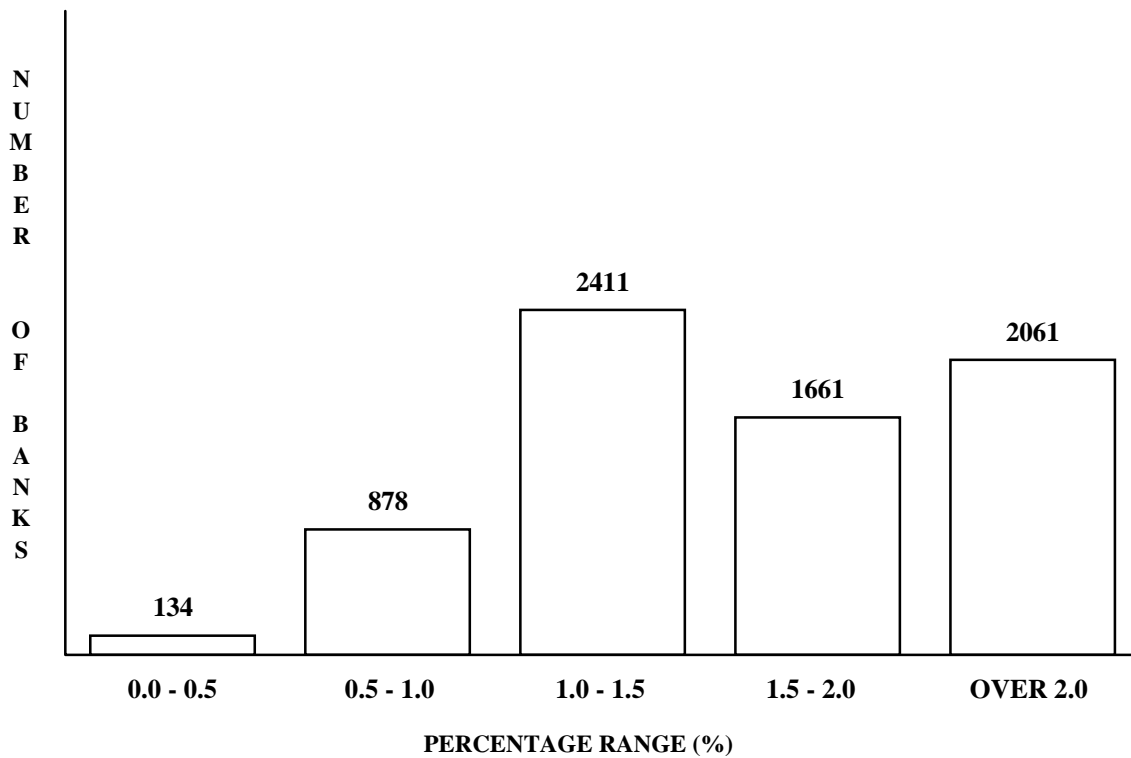


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GRAPH 8

**LOAN LOSS RESERVES AS A PERCENTAGE OF
TOTAL LOANS FOR ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

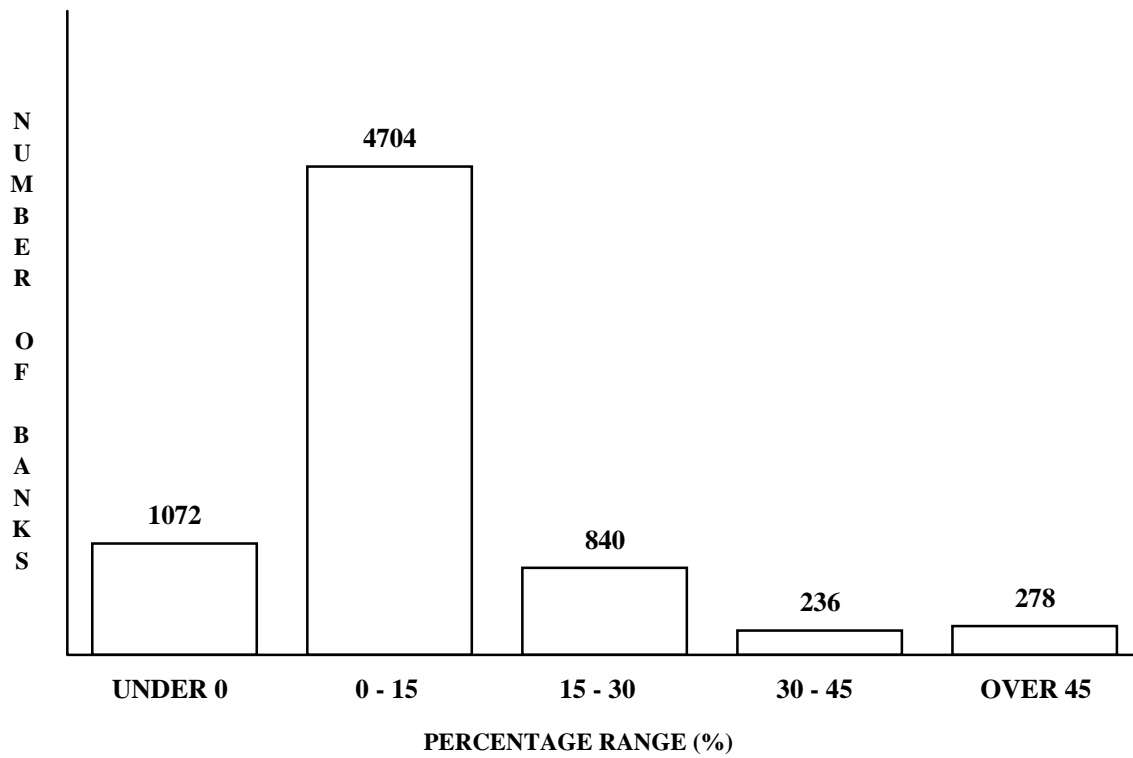


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GRAPH 9

**NET LOAN LOSSES AS A PERCENTAGE OF LOAN
LOSS RESERVES FOR ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

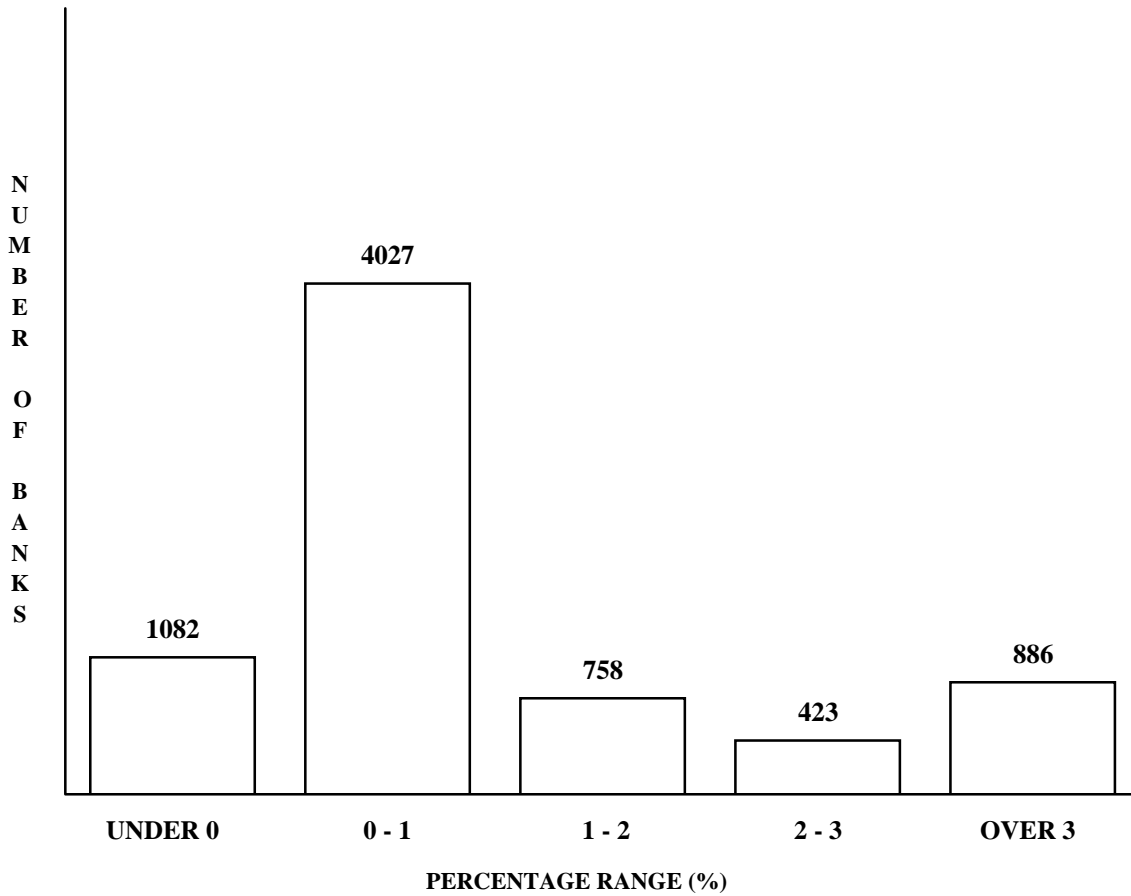


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GRAPH 10

NET LOAN LOSSES AS A PERCENTAGE OF EQUITY FOR ALL FDIC-INSURED BANKS

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

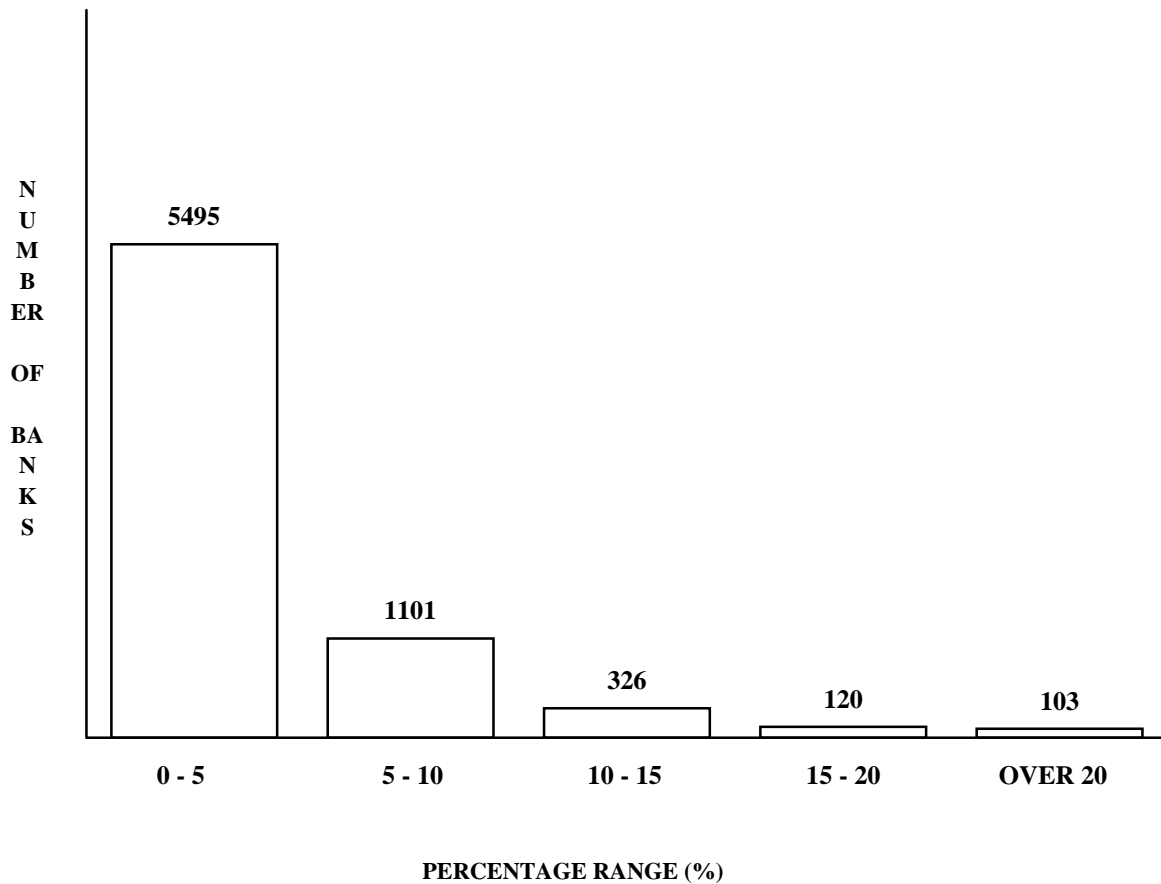


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GRAPH 11

PROBLEM LOANS AS A PERCENTAGE OF TOTAL LOANS FOR ALL FDIC-INSURED BANKS

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

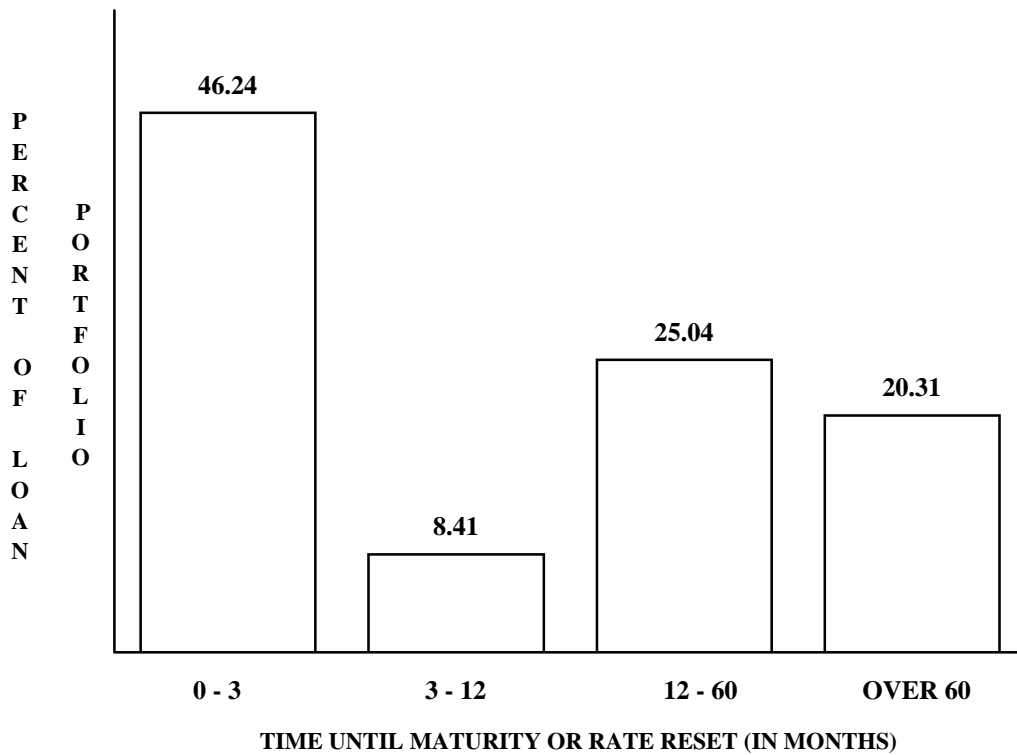


VERIBANC, Inc.

GRAPH 12

**PERCENTAGE OF ALL FDIC-INSURED BANKS' LOANS
MATURING OR REPRICEABLE WITHIN VARIOUS INTERVALS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

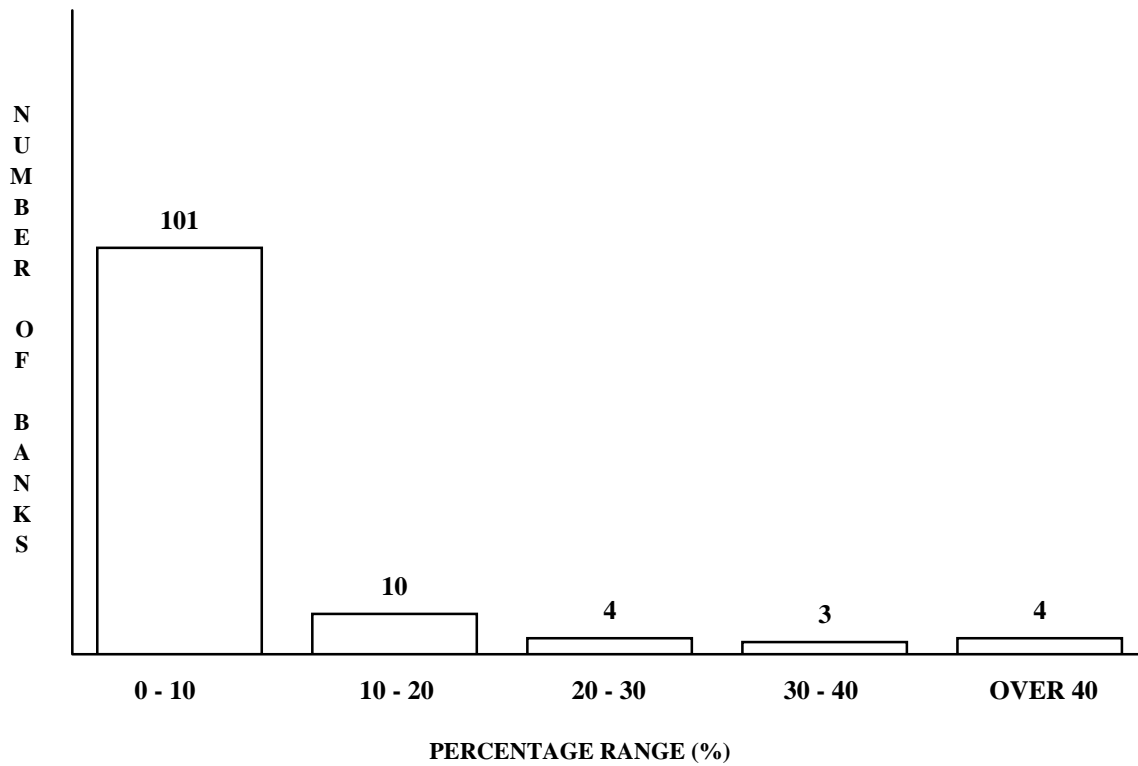


VERIBANC, Inc.

GRAPH 13

**FOREIGN LOANS AS A PERCENTAGE OF TOTAL
LOANS* FOR ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010



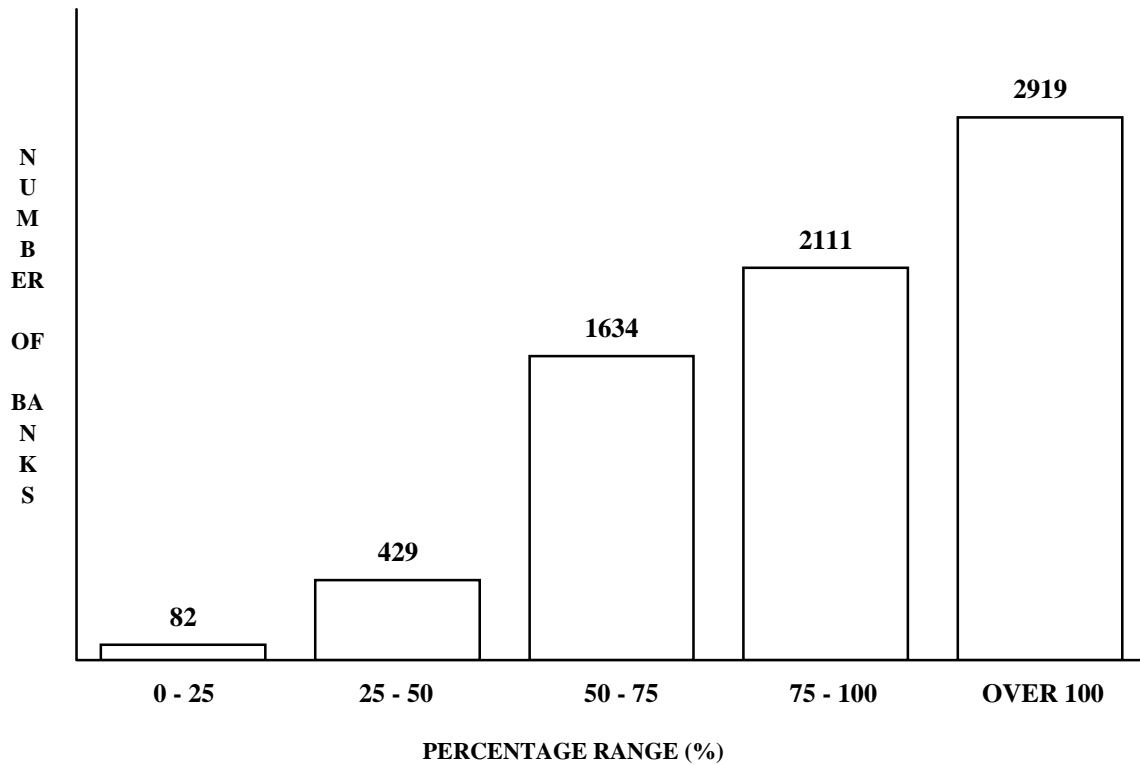
* Banks which report no foreign loan holdings are omitted.

VERIBANC, Inc.

GRAPH 14

**VOLATILE LIABILITIES AS A PERCENTAGE OF
LIQUID ASSETS FOR ALL FDIC-INSURED BANKS**

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

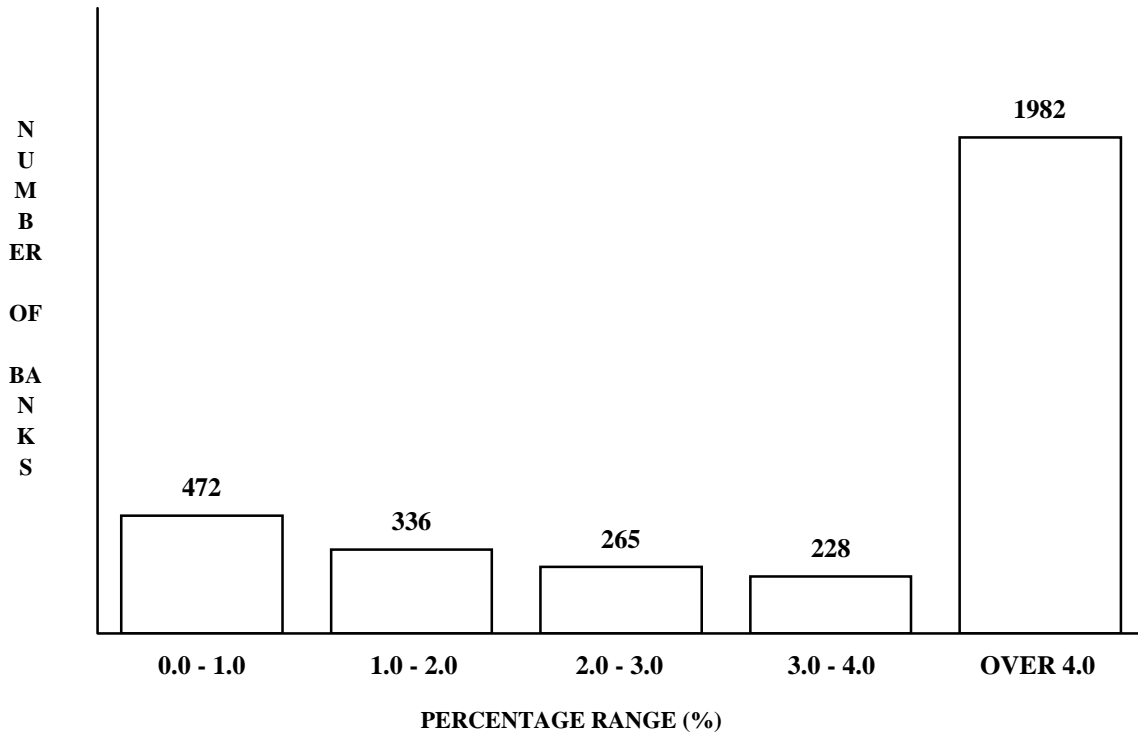


VERIBANC, Inc.

GRAPH 15

BROKERED DEPOSITS AS A PERCENTAGE OF TOTAL DEPOSITS FOR ALL FDIC-INSURED BANKS

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010

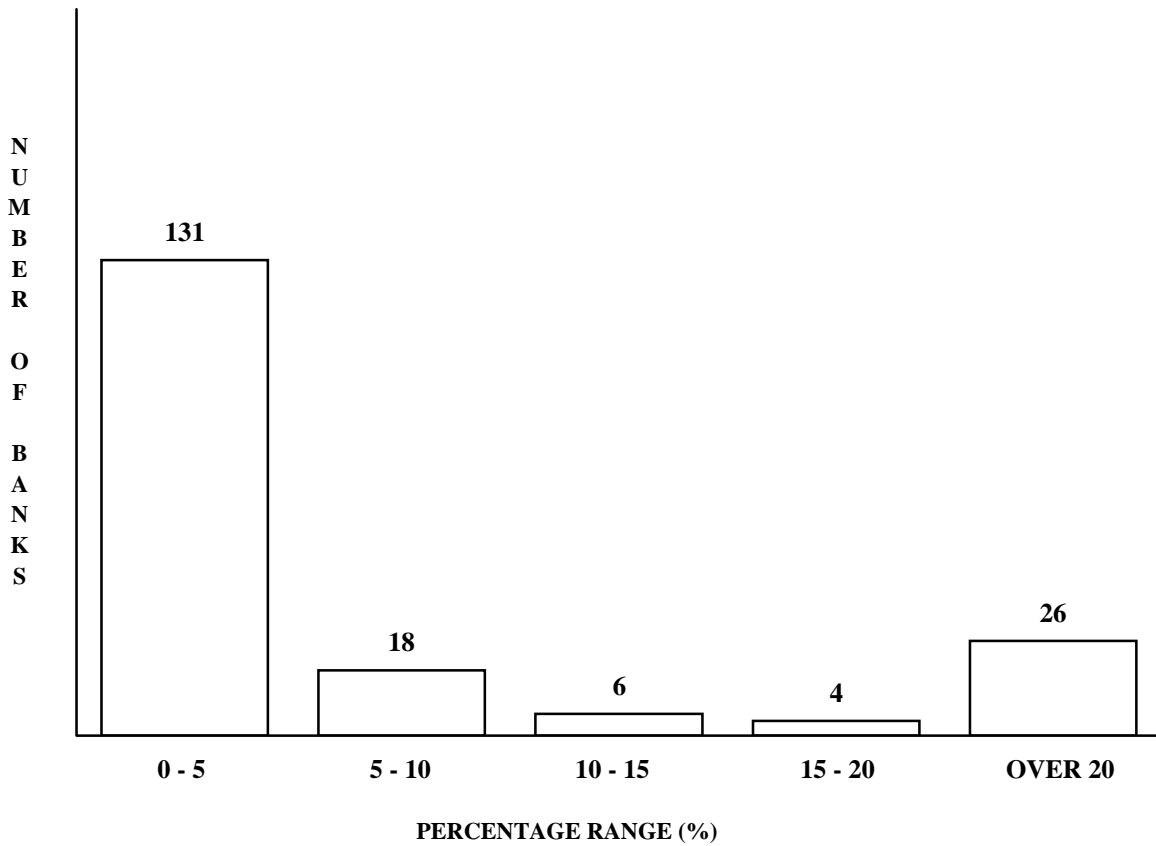


VERIBANC, Inc.

GRAPH 16

FOREIGN DEPOSITS AS A PERCENTAGE OF TOTAL DEPOSITS* FOR ALL FDIC-INSURED BANKS

Data are for the reporting quarter ending March 31, 2010
The Federal Regulators' released the data in May, 2010



* Banks which report no foreign deposits omitted.

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APPENDIX: DETAILED DESCRIPTION OF THE DATA PAGES

THE HEADER, FOOTER AND REPORT ENTRIES

The top of each data page contains the name of the bank and the city and state of its home office or the office from which it reports to its banking regulatory agency. Unless stated otherwise, the BANK RESEARCH REPORT for the office listed in the data page heading includes data for all of the bank's branches. (A financial institution's branches and home office report as a unit.)

The "Bank Reporting Date" given at the bottom of each data page identifies the applicable quarter. This is the closing date of the fiscal quarter to which the report applies. The date on which the new database file became available to VERIBANC[®] is also given at the bottom of each data page, as well as the date when the report was prepared and the page sequence number.

If you have specified a bank according to the name of its holding company, the data pages apply only to the lead bank of the group (and any branches). The lead bank is usually the one having the most assets.

Numerical data in the report are presented in one of three ways. Dollar amounts are stated in units that are rounded to the nearest thousand. Ratios are given as percentages carried to one hundredth of a percent. Numerical counts are given as whole numbers. If an entry is not available, not applicable or not meaningful, the notation N.A. is used. The data pages are divided into twelve sections, each of which is described below.

I. OVERALL OPERATIONS

- Item 1. **Total Assets** are stated for the fiscal quarter ending on the bank reporting date given at the bottom of the page.
- Item 2. **Total Equity Capital** is stated as of the end of the quarter.
- Item 3. **Net Income for the Entire Past Year** is after taxes and extraordinary items.
- a. **Annualized Net Income, Current Quarter**[†] is the net income over the most recently available reporting quarter, multiplied by four.
 - b. **Annualized Net Income, Previous Quarter** is the net income from the previous quarter, multiplied by four.
 - c. **Annualized Net Income, Second Previous Quarter** is the net income from the reporting period two quarters ago, multiplied by four.
 - d. **Annualized Net Income, Third Previous Quarter** is the net income from the reporting period three quarters ago, multiplied by four.

[†] In certain rare cases, income data for the current quarter are unavailable. In those instances, we provide an annualized estimate based on the "year to date" value of net income along with a footnote identifying the estimate as such.

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I. OVERALL OPERATIONS (CONTINUED)

- Item 4. **Annualized Net Income Before Extraordinary Items** is after taxes but before adjustment for extraordinary income or expenses. Annualization is performed by multiplying the quarterly amount by four.
- Item 5. **Total Loans** are the sum of all mortgage loans, nonmortgage and other loans in the categories enumerated in Section IV, "Lending Categories".
- Item 6. **Total Deposits** are stated as of the end of the quarter.
- Item 7. **Insider Loans** are total lending to bank officers, directors, principal shareholders or their related interests.
- Item 8. **Number of Major Borrowers Who Are Insiders** includes officers, directors and principal shareholders who owe more than \$500,000 or five percent of the bank's capital (whichever is less).
- Item 9. **Liquid Assets** are summarized in Section VIII.
- Item 10. **Total Problem Loans, Securities and Derivatives Contracts** include all outstanding past due, non-accrual and renegotiated debt items (including problem debt securities) as well as the book value of delinquent interest rate, foreign exchange and other derivatives contracts. Exceptions are those items which are less than 90 days in arrears or have repayment guaranteed by the U.S. government or its agencies. Specific categories are presented in Section V.

II. KEY OPERATING MEASURES

- Item 1. **Excess Problem Loans, Securities & Derivatives Contracts as a % (Percentage) of Equity** -- defined as "Total Problem Loans, Securities and Contracts" (Item I.10) less the "Loan Loss Reserve Balance" (Item VI.6). "Equity" is "Total Equity Capital" (Item I.2). A value of 100 percent corresponds to a potential loss of all of a bank's equity capital. Graph One presents industry-wide perspective.
- Item 2. **Equity As A Percentage Of Assets** is computed from "Total Equity Capital" (Item I.2) and "Total Assets" (Item I.1). Graph Two provides industry-wide distribution information. Note that a common minimum standard used by analysts is that equity should be at least five percent of assets.
- Item 3. **Profitability** is expressed as annualized return on assets (R.O.A.). The calculation takes "Annualized Net Income" (Item I.3.a) as a percentage of "Total Assets" (Item I.1). Graph Three presents industry-wide perspective.
- Item 4. **Liquidity** expresses "Liquid Assets" (Item I.9) as a percentage of "Total Deposits" (Item I.6). Graph Four shows liquidity ranges for all banks.

VERIBANC[®], Inc.

II. KEY OPERATING MEASURES (CONTINUED)

- Item 5. **Insider Loans As A Percentage Of Equity** are computed from "Insider Loans" (Item I.7) and "Total Equity Capital" (Item I.2). The distribution of insider lending over the banking industry is presented in Graph Five.
- Item 6. **Percentage of Equity Lost During Quarter** represents the net loss during the most recent quarter as a percentage of the institution's equity. For banks that had positive net income during the most recent reporting quarter, "Profitable" is printed. For institutions with negative equity, the notation "Insolvent" is used. Graph Six shows how many banks were profitable, how many had losses and how many had serious losses.
- Item 7. **VERIBANC[®]'s Color and Star Classification** is explained in detail at the end of this Appendix. Three main color categories are used. The order of preference is: GREEN, YELLOW and RED. Assignments of Three Stars, Two Stars, One Star or No Stars are possible, with more stars being preferable. A table summarizing the color and star classification of the entire banking industry follows the data pages.
- Item 8. **VERIBANC[®]'s Previous Quarter's Color and Star Classification** is given.
- Item 9. **Provisional Color and Star Rating** represent the VERIBANC[®] rating, which is expected to be assigned when the next federal data release becomes available. The data used as the basis for the rating has been supplied by the institution itself under VERIBANC[®]'s "**Early Bird**" program. Since this information has not been verified or edited by the appropriate federal regulatory agency, the rating is accorded provisional status. In addition, VERIBANC[®] does not assign a provisional rating, which is less favorable than the rating based on the latest-available federal data. In the usual case, when no provisional rating is granted, "N.A." (Not Applicable) is printed.

III. COMPLIANCE WITH FEDERAL CAPITAL REQUIREMENTS

- Item 1. **Tier One Capital** consists principally of equity, non-cumulative perpetual preferred stock and minority interests in subsidiaries, less intangible assets. However, the exact definition is complicated and subject to change.
- Item 2. **Total Risk Capital** consists principally of tier one capital, a portion of loan loss reserves and debt instruments which must be paid in the form of stock ("tier two" capital) and, for large banks, special capital accounts earmarked to buffer market risk to securities and derivatives holdings ("tier three" capital).
- Item 3. **Total Risk-Weighted Assets** represent the total of assets and credit equivalent amounts of off-balance sheet items which regulators have decided possess different degrees of riskiness. The amount in each risk category is multiplied by a numerical weight, which accounts for how risky each category is. The total is larger when the riskiness of assets is greater.

VERIBANC[®], Inc.

III. COMPLIANCE WITH FEDERAL CAPITAL REQUIREMENTS (CONTINUED)

Item 4. **Total Risk Capital as a Percentage of Risk-Weighted Assets (Basel Accord Risk Ratio)** is generated from formulas used by federal regulators. For an institution to meet the minimum federal requirement, its total risk capital ratio must be at least eight percent. To qualify for the characterization "well capitalized," a bank's total risk capital ratio must be at least ten percent.

Item 5. **Tier One Capital as a Percentage of Risk-Weighted Assets (Tier One Risk Ratio)** is also computed according to regulatory formulas. The minimum federal requirement for this ratio is 4.0 percent. For an institution to be considered "well capitalized" by the FDIC, its tier one risk ratio must be at least six percent.

Item 6. **Tier One Capital as a Percentage of Average Assets (Leverage Ratio)** is "Tier One Capital" (Item III.1) divided by average assets, adjusted for certain additional regulatory definition factors. The average is taken over the most recent quarter. For an institution to meet minimum regulatory standards, its leverage ratio must be at least four percent. To qualify for the characterization "well capitalized", a bank's leverage ratio must be at least five percent.

Item 7. **Estimated F.D.I.C. Capital Classification** is a word summary of the bank's capital as measured by the Total Risk Capital Ratio, the Tier One Risk Ratio and the Leverage Ratio. If all three of these capital ratios are larger than the "Well Capitalized" (W) values given above, the FDIC describes the bank as well capitalized. Well capitalized institutions enjoy lower deposit insurance premiums, possess freedom to solicit brokered deposits and are able to set deposit interest rates as they choose.

If any of the three regulatory ratios fall below the "well capitalized" thresholds given in the foregoing but neither the Total Risk Capital Ratio or the Leverage Ratio are below the "Adequately Capitalized" (A) standards, the FDIC describes a bank as adequately capitalized. An adequately capitalized institution will ordinarily pay higher deposit insurance premiums than one which is well capitalized and requires special FDIC permission to use brokered deposits or to pay significantly higher interest rates than other nearby institutions.

If either the Total Risk Capital Ratio, the Tier One Risk Ratio or the Leverage Ratio is below FDIC's standards for adequate capitalization, the bank is described as "Undercapitalized" (UC). In addition, banks with a Total Risk Capital Ratio below six percent, a Tier One Risk Ratio below three percent or a Leverage Ratio below three percent are classified as "Significantly Undercapitalized" (SU). If a bank's Leverage Ratio declines below two percent, the Congressionally established point at which closure proceedings must begin,* the bank is known as "Critically Undercapitalized" (CU).

VERIBANC[®], Inc.

III. COMPLIANCE WITH FEDERAL CAPITAL REQUIREMENTS (CONTINUED)

VERIBANC[®] uses the term "Estimated FDIC Capital Classification" because the FDIC does not release to the public its actual opinion of how well capitalized it considers an institution to be. It is possible that VERIBANC[®]'s estimate may differ from the FDIC's actual categorization of the bank's capital. Among the reasons why such differences can occur are: the complexity associated with the assessment (which may be derived from more than 50 different items reported by the bank in its quarterly regulatory filing), dependence upon accounting treatments that may be in transition, definitions for which regulatory interpretation is subject to change and changes made by the bank or its regulators after the data was released to VERIBANC[®].

IV. LENDING CATEGORIES

Items 1 through 10 summarize the bank's loan portfolio loan types.

Item 11. **Total Foreign Loans Included in Foregoing Items** consist of all lending from domestic offices of the bank to overseas borrowers and all lending from overseas offices (as applicable) except to U.S. borrowers. Both short term and long term debt is included.

Item 12. **Portion of Commercial and Industrial (Item IV.1) and "Other" Loans (Item IV.11) Above That Finance Real Estate Investment Activities** is loans which are made to real estate ventures or to organizations whose income is derived primarily from real estate ventures.

V. DETAILS OF PROBLEM LOANS, SECURITIES AND DERIVATIVES CONTRACTS

Item 1. **Past Due 90 Days Or More And Still Accruing** are loans, debt securities and derivatives contracts held by the bank on which repayments have fallen 90 days or further behind schedule.

Item 2. **Nonaccruing Loans** are loans and debt securities on which no payments have been received for 90 days or more and for which the bank considers repayment unlikely. Also included are loans being subjected to collection procedures but where collateral or guarantees are not of sufficient value to discharge all of the debt.

Item 3. **Renegotiated (Restructured) Debt** consists of loans and debt securities which have the terms readjusted in favor of the borrower due to deterioration of the borrower's ability to repay. Typical adjustments can include reduction in interest rate, deferral of principal repayment and/or extension of time for repayment.

* or FDIC supervisors involved must provide special written justification. Without such a waiver, a critically undercapitalized institution must be closed within 90 days.

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V. DETAILS OF PROBLEM LOANS, SECURITIES AND DERIVATIVES CONTRACTS (CONTINUED)

- Item 4. **Excess Problem Loans, Debt Securities and Derivatives Contracts** are the amount by which all of the bank's 90 or more days past due, nonaccrual and renegotiated/restructured loans, debt securities and derivatives contracts, net of government guarantees, exceed the loan loss reserve. This item represents the extent to which the bank's equity would be reduced if all of the problem items was charged off during the report quarter.
- Item 5. **Categories of Problem Assets** are listed in items a. through g. Six subcategories of real estate-related problem loans and two subcategories of delinquent personal loans are presented. Since the real estate subcategories exclude renegotiated debt, the total of the subcategories can be less than the amount given in Item V.5.b.
- Item 6. **Debt Securities** is the total of debt securities and miscellaneous assets not enumerated above which are 90 days or more past due, or which have been placed in nonaccrual status.
- Item 7. **Delinquent Off-Balance Sheet Derivatives Contracts** is the total market value carried as assets on all derivatives for which amounts due the bank are more than 90 days past due.
- Item 8. **Portion of Commercial and Industrial and "Other" Problem Loans Above that Finance Real Estate Investment Activities** shows amounts of problem loans not specifically categorized as real estate loans and not secured by property which nonetheless are associated with real estate development.

VI. LOAN LOSS RESERVES

- Item 1. **Balance Of Allowance At End Of Previous Quarter** is the total amount held in the loan loss reserve at the beginning of the report quarter's activity. A ‡ symbol (referring to a footnote at the bottom of the data page, if applicable) indicates that an Allocated Risk Transfer Reserve is maintained separately from the ordinary loan loss reserve. The Allocated Risk Transfer Reserve is a special reserve set aside by certain banks to apply to possible overseas lending losses, particularly in regard to various "Third World" foreign loans. The Loan Loss Reserve Amounts reported herein, and for Items 2 through 6 below, are an aggregate of the ordinary loan loss reserve and Allocated Risk Transfer Reserves, if any.
- Item 2. **Recoveries Credited To Allowance** accounts for previously charged off loans which have proved collectible during the quarter.
- Item 3. **LESS Chargeoffs**, are loans that have been written off.

VERIBANC[®], Inc.

VI. LOAN LOSS RESERVES (CONTINUED)

- Item 4. **Provision For Possible Loan Or Lease Losses** is the amount added to the loan loss reserve account in anticipation of future problem loan charge-offs.
- Item 5. **Other Adjustments** include the effects of revisions to previous reports that affect current entries in the loan loss reserve; also included are the effects of acquisitions, divestitures and changes in the allowance due to foreign currency fluctuations.
- Item 6. **Balance As Of Bank Reporting Date** is the amount of the loan loss reserve allowance as of the end of the reporting quarter.

VII. LOAN MANAGEMENT MEASURES

- Item 1. **Loan Loss Reserves As A Percentage Of Total Loans** are computed by dividing the loan loss reserve "Balance as of Bank Reporting Date" (Item VI.6) by "Total Loans" (Item I.5) and expressing the result in percentage form. Graph Eight provides industry-wide perspective.
- Item 2. **Net Loan Losses As A Percentage Of Loan Loss Reserves** are calculated as loan charge-offs less recoveries during the report quarter. This difference is divided by the loan loss reserve "Balance as of Bank Reporting Date" (Item VI.6) and expressed in percentage form. Charge-offs less recoveries are given by "Losses Charged to Allowance" (Item VI.3) minus "Recoveries Credited to Allowance" (Item VI.2). The distribution of net loan losses to loan loss reserves for all federally-insured commercial banks is presented in Graph Nine.
- Item 3. **Net Loan Losses As A Percentage Of Equity** are determined by dividing net loan losses (as defined in Item 2 immediately preceding) by "Total Equity Capital" (Item I.2) and expressing the result in percentage form. Graph Ten indicates distribution over the commercial banking industry.
- Item 4. **Problem Loans, Securities, & Contracts As A % Of Total Loans** states the portion of the bank's entire loan portfolio as well as securities and derivatives contracts that fall into the "Total Problem Loans, Securities and Derivatives Contracts" (Item I.10) category. Graph Eleven illustrates how all federally-insured commercial banks group according to this measure of asset quality.
- Item 5. **Percent Of Loan Portfolio Maturing Or Repricable** presents several ranges of loan duration for the bank's portfolio as of the end of the report quarter. Loans are considered repricable if their interest rate can be adjusted to reflect current market rates. Graph Twelve indicates the portions of all commercial banks' loans, which fall into each of the given duration intervals.

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VII. LOAN MANAGEMENT MEASURES (CONTINUED)

Item 6. **Foreign Loans As A Percentage Of Total Loans** are computed by dividing "Total Foreign Loans" (Item IV.12) by "Total Loans" (Item I.5) and expressing the results in percentage form. Graph Thirteen provides industry-wide perspective.

VIII. LIQUID ASSETS SUMMARY

Items 1 through 3 present a listing of the bank's position in cash and highly marketable securities, which are considered by management to be "available for sale".

Item 4. indicates the banks' repurchase agreement activity.

Item 5. **Net Assets In Trading Accounts** includes all negotiable instruments held for short term resale. Examples of trading account assets include certificates of deposit, commercial paper, bankers' acceptances, government securities, bonds, notes, debentures and precious metals that the bank intends to liquidate. The reported figure is "net" of all trading account assets less trading account liabilities.

Item 6. **Market Value of Other Debt Securities Available for Sale** includes amounts of private (e.g. not government-backed) certificates of participation in mortgage securities, mortgage derivatives and other debt instruments.

Item 7. **Market Value of Equity Securities** includes investments in mutual funds, Federal Reserve stock, federally-sponsored agency stock and other equity instruments.

Item 8. **Loans and Leases Maturing Within 12 Months** states the portion of the bank's portfolio, which is expected to be repaid within one year of the reporting, date.

IX. LIABILITIES

Item 1. **Total Liabilities** of the bank are stated as of the end of the report quarter.

Item 2. **Volatile Liabilities** are obligations of the bank that mature rapidly or could be called in quickly, i.e. usually within a few days but possibly extending for as long as one year. Five categories are given.

Item 3. **Brokered Deposits** consist of all deposits placed through a dealer, broker or other third party agent. Both, single and multiple investor participation instruments, are included.

Item 4. **Estimated Uninsured Deposits** present the total amount over \$100,000 in accounts holding over \$100,000 or, if available, the bank's estimate of amounts of uninsured funds it holds for depositors. In their quarterly regulatory filings, banks are instructed to develop their own estimate if it is inaccurate to simply count the amounts over \$100,000 in deposit accounts larger than \$100,000.

VERIBANC[®], Inc.

IX. LIABILITIES (CONTINUED)

- Item 5. **Increase in Uninsured Deposits** provides the difference between estimated uninsured deposits (Item IX.4 above) and the corresponding amount from the end of the previous quarter. If the entry for this item is negative, it indicates that the bank's depositors as a group have reduced their uninsured exposure during the quarter.
- Item 6. **Foreign Deposits** include deposits from banks in foreign countries, foreign branches of U.S. banks, foreign governments and official institutions. Also included are all deposits in foreign branches of the bank except those placed by banks in the U.S. Note that this item is not reported by many small banks, which hold no foreign deposits.

X. LIABILITIES MEASURES

- Item 1. **Volatile Liabilities As A Percentage Of Liquid Assets** are computed by dividing "Volatile Liabilities" (Item IX.2) by "Liquid Assets" (Item I.9) and expressing the result in percentage form. Graph Fourteen provides industry-wide perspective.
- Item 2. **Brokered Deposits As A Percentage Of Total Deposits** are computed by dividing "Brokered Deposits" (Item IX.3) by "Total Deposits" (Item I.6) and expressing the result in percentage form. The distribution of brokered deposits, scaled by total deposits, for all federally-insured banks, is presented in Graph Fifteen.
- Item 3. **Foreign Deposits As A Percentage Of Total Deposits** are computed by dividing "Foreign Deposits" (Item IX.6) by "Total Deposits" (Item I.6) and expressing the result in percentage form. Note this percentage is zero when the entry "Foreign Deposits" (Item IX.6) is not available, a situation which often applies to small banks. Graph Sixteen indicates ranges of the foreign deposits component of total deposits for all federally-insured banks which report foreign deposits.
- Item 4. **Uninsured Deposits as a Percentage of Total Deposits** express amounts, which are estimated to be in excess of the FDIC's insurance, limit (Item IX.4) in relation to all deposits held by the bank (Item I.6).

XI. REAL ESTATE HOLDINGS

- Item 1. **Foreclosed Property held by U.S. Offices, Total** includes all of the bank's property holdings that it has received (or will receive) in lieu of debt payments. Specific subcategories are listed. The total excludes the bank's business premises, foreclosure holdings in overseas offices (see Item XI.2 below) and properties that the bank distinguishes as "investments." (See Item XI.3 below.)
- Item 2. **Foreclosed Property Held by Overseas Offices** indicates real estate, typically in other countries, that is being managed by a bank's non-U.S. branches or subsidiaries.

VERIBANC[®], Inc.

XI. REAL ESTATE HOLDINGS (CONTINUED)

- Item 3. **Direct and Indirect Investments in Real Estate Ventures** give the amount the bank has placed in real estate-related investments it does not consider "surplus" or appropriate to sell soon.
- Item 4. **Total Real Estate Owned (REO)** is the total of the foregoing three items.

XII. MISCELLANEOUS ITEMS

- Item 1. **Percentage Of Foreign Ownership** is stated as of the end of the report quarter.
- Item 2. **Was There A Recent External Audit?** -- indicates whether an outside accounting firm audited the bank's books during the quarter.
- Item 3. **Held-to-Maturity (HTM) Securities** are those instruments that the bank has stated it intends to hold until they mature. Their "book" value is presented.
- Item 4. **Unrecognized HTM Securities Losses** is the book value of the bank's "Held-to-Maturity Securities" (Item XII.3 above) less their market value.
- Item 5. **Unrecognized HTM Securities Losses as a Percentage of Equity** divides "Unrecognized HTM Securities Losses" (Item XII.4) by "Total Equity Capital" (Item I.2) and expresses the result as a percentage.
- Item 6. **Derivatives** holdings of the bank are highlighted in the following subcategories
- a. **On-Balance Sheet Mortgage Derivatives** indicates the book value of all held-to-maturity mortgage derivative securities and the market value of all available-for-sale mortgage derivative securities.
 - b. **Structured Notes and High Risk Mortgage Derivative Securities** represents the total market value amount of on-balance sheet derivatives holdings singled out by regulators for special reporting.
 - c. **Losses (Recognized and Unrecognized) in Foregoing Item** states the difference between book value and market value of structured notes and high risk mortgage derivative securities given in Item XII.6.b above.
 - d. **Notional Amount of Off-Balance Sheet Derivatives** states the holdings of all off-balance sheet interest rate, foreign currency, equities and commodities contracts.

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XII. MISCELLANEOUS ITEMS (CONTINUED)

Item 7. **Recent Regulatory Enforcement Action.** If the institution has been subject to any enforcement action or sanction made public by the regulatory agencies, the most serious and most recent such action is indicated, along with the date of the action. The action is abbreviated by a two letter code, followed by a dash and the date. A table describing the codes and types of enforcement actions follow.

<u>Enforcement Action Type</u>	<u>Description</u>
CC	Prompt Corrective action/Capital directives
CD	Cease and Desist orders, are against an institution. This is one of the most serious forms of regulatory discipline. When a cease and desist order is indicated, you should check with personnel at the institution to determine whether the order is against the institution itself or against individual employee(s).
CF	Penalties, usually Fines, for infractions associated with filing Call reports
CP	Cease and Desist order against an affiliated Person or entity
DI	Proceedings that threaten termination or that actually terminate Deposit Insurance
EN	Termination, withdrawal, completion, expiration or otherwise ENding of a previous enforcement action
EX	Amendment, modification, EXtension or continuation of a previous enforcement action. Also this action may include cancellation of an enforcement action if the cancellation occurs after an institution has been closed, i.e. if the action represents only "regulatory bookkeeping". If the continuing action is a "cease and desist" order, then category CD is automatically activated as well.
FA	Formal Agreements/supervisory agreements, consent orders
FN	Other FiNes

VERIBANC[®], Inc.

XII. MISCELLANEOUS ITEMS (CONTINUED)

<u>Enforcement Action Type</u>	<u>Description</u>
FP	Fine levied against a P erson (rather than an institution)
HM	Sanctions associated with violations of the H ome M ort- gage Disclosure Act
MO	Formal M em O randum of understanding
OP	O ther actions against an individual P erson (rather than an institution)
OT	O ther (e.g., hearing notices) - - if there are multiple "other" actions for an institution effective on the same day, the most severe enforcement action designation is entered.
PR	Removal, dismissal, suspension actions or other sanc- tions against the institution's P e R sonnel, including orders prohibiting individuals from future activity in the banking field.
RP	R estitution by an individual P erson (rather than an institution)
RS	Order requiring an institution (prior to 1998 may include individuals associated with it) to make R e S titution to the institution, to regulatory authorities or to customers.

Item 8. **Periods of Significant Asset Growth/Shrinkage.** The number of periods (out of six) that the institution has had significant asset growth or asset shrinkage.

COLOR CLASSIFICATION

VERIBANC[®]'S color code is a quick-look measure of an institution's condition based on its equity strength and profitability. Three color categories are used - green, yellow and red. The criteria used by VERIBANC[®] to determine the color category assigned to an institution are as follows:

GREEN The bank's equity exceeds five percent of its assets and it has operated profitably during the most recent reporting quarter. Of the three color categories, this is the highest based on the criteria described.

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COLOR CLASSIFICATION (CONTINUED)

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

RED The bank's equity is less than three percent of its assets or it incurred a significant net loss during the most recent reporting quarter. The items, which result in a red classification, deserve your close attention.

STAR RATING

In addition to the color code, VERIBANC[®] assigns each bank three stars (***) , two stars(**), one star (*) or no stars (None). 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 a bank are as follows:

******* The bank must meet the following primary conditions: equity which exceeds five percent of assets, equity which exceeds four percent of assets after deducting problem loans, securities and derivatives contracts in excess of its loan loss reserves and positive net income for the indicated reporting quarter. Banks must also satisfy all three regulatory capital requirements (see below) and not have any recent serious regulatory sanctions against them. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. In addition, insider 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 as if they were a single bank, must meet the criteria necessary to receive at least a Two Stars rating. A bank may only have two or fewer volatile periods of asset growth/shrinkage over the past ten quarters. Problem investments also include securities being held to maturity that, if sold, would realize less than their cost.

[†] A loss is considered significant when, over a single quarter, it exceeds 18.75% of a bank's equity. If a bank continues to lose money each quarter at a rate in excess of 18.75% of its equity, it could become insolvent within one year of the date of publication of this report. VERIBANC[®] has no way to know whether or not losses at an institution will continue.

VERIBANC[®], Inc.

STAR RATING (CONTINUED)

** The bank meets any two of the three primary conditions for the Three Stars category and has equity that exceeds its unreserved problem loans, securities and derivatives contracts. If the bank had a net loss during the most recent reporting quarter, the loss was not significant. Banks must also satisfy all three regulatory capital requirements(see below) and not have any recent serious regulatory sanctions against them. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. Additionally, if the bank is owned by a holding company, all of the holding company's banks, taken together as if they were a single bank, must meet the criteria necessary for the group to receive at least a Two Stars rating. A Two Stars rating is applied to a bank that has three volatile periods of asset growth/shrinkage over the past ten quarters. For banks that have held-to-maturity securities investments with a current market value that is less than their cost, that difference must not exceed equity.

* The bank meets at least one of the primary conditions required for the Three Stars category, reports equity which exceeds three percent of assets and also exceeds unreserved problem loans, securities and derivatives contracts. If the bank had a net loss during the indicated reporting quarter, the loss was not significant. Moreover, the institution meets at least two of the three federal capital requirements for tier one (core) capital and total 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 it has been subject to a serious regulatory sanction. A bank or a one-bank holding company may receive no higher than a One Star rating if either the holding company or the bank have been subject to a recent serious regulatory sanction. Moreover, if all of the banks in its holding company, taken together as if they were a single bank, receive a One Star or No Stars rating, the bank may not receive a higher rating than One Star. A One Star rating is assigned if a bank has four or more volatile periods of asset growth/shrinkage over the past ten quarters. Also, a bank may receive a One Star rating if, absent other reasons for downrating as stated above, the difference

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STAR RATING (CONTINUED)

*
(con't) between cost and current market value
 of its held-to-maturity securities investments exceeds
 the institution's equity.

NO STARS The bank does not meet the criteria above.

VERIBANC[®]'s rating accuracy has been proven - - since 1981, more than 99 percent of all failing banks have fallen into VERIBANC[®]'s lower rating categories.

SPECIAL MESSAGE (IF APPLICABLE)

A bank in the Green, Three Stars category may also meet certain other stringent financial criteria. In these cases, VERIBANC[®] designates the institution as a Blue Ribbon Bank[®]. When this classification applies, a special message is provided at the bottom of the first data page indicating that the bank meets very high standards. The Blue Ribbon is the country's oldest national formal recognition of financially strong banks. **Since 1982, when we began designating banks for this award, only one[†] Blue Ribbon Bank[®] has failed.**

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. The approximate dates when new information is expected to replace VERIBANC[®]'s current data on banks, savings banks, thrifts and credit unions are:

First Quarter (ending March 31) data are usually released by June 15,
Second Quarter (ending June 30) data are usually released by September 15,
Third Quarter (ending September 30) data are usually released by December 15,
Fourth Quarter (ending December 31) data are usually released by March 15.

VERIBANC[®] HOPES YOU FIND THIS REPORT USEFUL
AND WELCOMES YOUR COMMENTS

[†]Fraud committed by the president whereby he was surreptitiously diverting deposits for his personal use.