

**WEB MEETING  
PRESENTATION OF  
VERIBANC'S RATING SYSTEM  
AND  
THE ILLINOIS STATE RATINGS REPORT**

## **VERIBANC'S ORIGIN**

**1980 - REQUESTED A BANK'S FINANCIALS IN RE-FINANCING A LOAN WITH A "CALL" PROVISION**

**BANK DECLINED - OFFERED ASSURANCES THEY WERE "SAFE"**

**INFORMATION ABOUT THE SAFETY OR SOUNDNESS OF BANKS WAS NOT READILY AVAILABLE**

**VERIBANC WAS STARTED TO FILL THIS NEED**

## **VERIBANC'S BUSINESS MODEL**

- **NO BANK HAS EVER PAID US TO RATE THEM**
- **WE HAVE NEVER ACCEPTED**
  - **ADVERTISING FEES**
  - **CLICK-THROUGH FEES**
  - **FINDER FEES**
  - **SPONSORING FEES**

**THIS PHILOSOPHY PROVIDES A GUARANTEED NO CONFLICT OF INTEREST WITH OUR RATINGS AND ANALYSES**

## **VERIBANC'S RATING METHODOLOGY**

- **BASED ON 1000s of BANK FAILURES**
- **ANALYSIS FUELED BY AVAILABLE “CALL REPORT” DATA**
- **ALL CRITERION DEVELOPED INDEPENDENTLY**

**THREE SEPARATE INSURANCE COMPANIES AUDITED AND APPROVED OUR RATING SYSTEM FOR EXCESS FDIC INSURANCE (DEPOSITSURE)**

# **BANKING REGULATORS DATA COLLECTION & DISTRIBUTION**

## **Bank Regulators:**

### **1) Federal Deposit Insurance Corporation (FDIC)**

- Dual Purpose
- State Charter not members of the Federal Reserve

### **2) Office of the Comptroller of the Currency (OCC)**

- National Charter

### **3) Federal Reserve (FED)**

- State Chartered banks with FED Membership
- Bank Holding Companies

# **BANKING REGULATORS**

## **DATA COLLECTION & DISTRIBUTION (cont'd)**

### **Savings Associations Regulator:**

#### **Office of the Thrift Supervision (OTS)**

- State or National Charters

### **Credit Unions Regulator:**

#### **National Credit Union Administration (NCUA)**

- Dual Purpose
- State or Federal Charter

## **VERIBANC'S RATING MODEL**

### **Purely Quantitative (Statistical)**

- All tests are independent of each other
- Thresholds established based on added value (weigh failure rates versus false detects)
- No qualitative (non-measurable) component
- No Peer Group Metric (inherently flawed view)

# VERIBANC'S RATING METHODOLOGY DETAIL

## COLOR CODE - SNAPSHOT OF CURRENT FINANCIAL CONDITION

**GREEN** = THE INSTITUTION'S EQUITY IS 5% OR HIGHER OF ASSETS AND THE INSTITUTION WAS PROFITABLE FOR THE MOST RECENT QUARTER.

**YELLOW** = EQUITY IS BETWEEN 3% AND 5% OF ITS ASSETS OR IT INCURRED A NET LOSS DURING THE MOST RECENT QUARTER. BOTH OF THESE CONDITIONS MAY APPLY.

**RED** = THE INSTITUTION'S EQUITY IS LESS THAN 3% OF ITS ASSETS OR IT INCURRED A SIGNIFICANT NET LOSS DURING THE MOST RECENT QUARTER, OR BOTH.

## **VERIBANC'S RATING METHODOLOGY DETAIL (Cont'd)**

### **STAR CLASSIFICATION - THE INSTITUTION'S DIRECTION**

- ◆ **IS EQUITY SUFFICIENT FOR FUTURE LOSSES?**
- ◆ **ARE PROBLEM ASSETS & SECURITIES ADEQUATELY RESERVED?**
- ◆ **DO ALL 3 REGULATORY CAPITAL RATIOS MEET MINIMUMS?**
- ◆ **ARE THERE ANY SERIOUS REGULATORY ENFORCEMENT ACTIONS?**

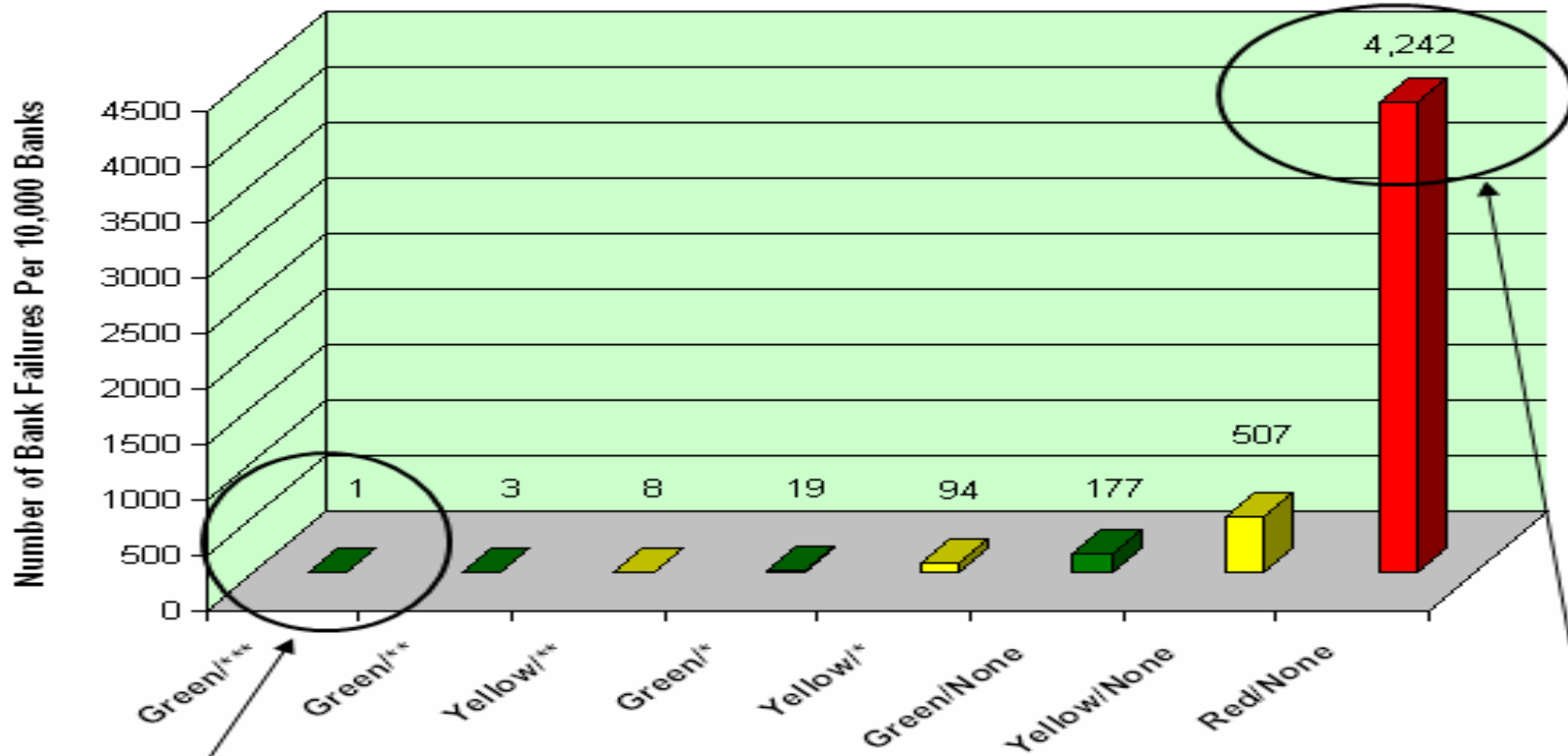
## **VERIBANC'S RATING METHODOLOGY DETAIL (Cont'd)**

### **STAR CLASSIFICATION - THE INSTITUTION'S DIRECTION**

- ◆ **IS INSIDER LENDING A SIGNIFICANT PORTION OF EQUITY?**
- ◆ **WHAT IS INSTITUTION'S RATE OF GROWTH?**
- ◆ **WILL THE HOLDING COMPANY'S PERFORMANCE ADVERSELY AFFECT ANY ONE OF ITS MEMBERS?**
- ◆ **IS THE INSTITUTION PROFITABLE?**

# VERIBANC'S TRACK RECORD

## Annualized Bank Failure Rates (1991-2009)



### VERIBANC®'s Color & Star Categories

There is a 1 in 10,000 chance that a Green/\*\*\* bank will fail each year.  
There is a 4,242 in 10,000 chance that a Red/None bank will fail each year.  
Failures are through 12/31/2009.

# VERIBANC'S TRACK RECORD (Cont'd)

## 2005 THROUGH OCTOBER 15, 2010 NUMBER OF FAILURES

YEAR	BANKS	THRIFTS	TOTALS
2005	0	0	0
2006	0	0	0
2007	2	1	3
2008	20	5	25
2009	120	20	140
2010	114	15	129
	===	==	===
TOTALS:	256	41	297

THE ILLINOIS BANK AND THRIFT STATE RATINGS REPORT

Inst. Type	Institution Name	City	State or (Home Office State)	Color Code and Star Rating	Estimated Regulatory Capital Classification if less than "Well"	Recent Regulatory Enforcement Actions?	Total Assets (\$000)	Equity (% of Assets)	Net Income For Reporting Quarter (\$000)	Annualized Net Income (% of Equity)	EPL (% of Equity)	Unrecognized Investment Losses (% of Equity)
BK	FIRST T&SB ALBANY	ALBANY	IL	GREEN/***	BB		118,514	13.38	597	15.06	0.00	0.00
BK	CITIZENS NB OF ALBION	ALBION	IL	GREEN/***	BB		228,012	16.71	717	7.53	0.00	0.00
BK	COUNTRY BK	ALEDO	IL	GREEN/*			211,020	11.59	651	10.65	0.00	0.00
BK	ALGONQUIN ST BK NA	ALGONQUIN	IL	GREEN/***			147,976	11.35	107	2.55	7.63	0.00
BK	FIRST NB OF ALLENDALE	ALLENDALE	IL	GREEN/**			136,677	11.36	302	7.78	0.00	0.00
BK	FARMERS ST BK WESTERN IL	ALPHA	IL	GREEN/***	BB		105,570	13.13	468	13.51	3.65	0.00
BK	FARMERS ST BK	ALTO PASS	IL	GREEN/***			183,540	11.02	1,507	29.79	34.76	0.00
BK	LIBERTY BK	ALTON	IL	GREEN/***	B		286,266	11.45	569	6.94	0.00	0.05
BK	FIRST NB IN AMBOY	AMBOY	IL	GREEN/***	BB		153,382	10.79	317	7.66	0.11	0.00
BK	ANCHOR ST BK	ANCHOR	IL	YELLOW/**			13,340	9.34	-3	-0.96	11.80	0.00
BK	ANDALUSIA CMNTY BK	ANDALUSIA	IL	GREEN/***			42,769	13.44	54	3.76	2.71	0.00
BK	ANNA ST BK	ANNA	IL	GREEN/***	BB		59,795	14.31	135	6.31	2.72	0.00
BK	ANNA-JONESBORO NB	ANNA	IL	GREEN/***	B		217,794	11.89	596	9.20	2.33	0.00
BK	STATE BK THE LAKES	ANTIOCH	IL	GREEN/***			722,854	15.01	1,754	6.47	5.08	0.00
BK	APPLE RIVER ST BK	APPLE RIVER	IL	GREEN/***	BB	FN-10/08/09	255,421	8.40	952	17.75	0.00	0.00
BK	FIRST NB OF ARCOLA	ARCOLA	IL	GREEN/***	BB		113,041	12.55	311	8.77	0.00	0.00
BK	FIRST NB OF ARENZVILLE	ARENZVILLE	IL	GREEN/***			67,240	6.99	73	6.22	0.00	0.00
BK	GERBER ST BK	ARGENTA	IL	GREEN/***	B		58,487	12.10	99	5.60	9.99	0.00
SA	BEN FRANKLIN BANK OF ILLINOIS	ARLINGTON HEIGHT	IL	GREEN/**			114,294	9.24	56	2.12	75.30	N.A.
BK	PEOPLES' BK ARLINGTON HEIGHTS	ARLINGTON HEIGHT	IL	GREEN/**			119,685	8.61	108	4.19	0.00	0.00
BK	VILLAGE B&TC	ARLINGTON HEIGHT	IL	GREEN/***			792,356	11.26	39	0.17	11.24	0.00
BK	STATE BK ARTHUR	ARTHUR	IL	GREEN/***	BB		89,713	15.58	201	5.75	2.70	0.00
BK	WEST CENTRAL BK	ASHLAND	IL	YELLOW/**			125,448	11.72	-228	-6.20	0.00	0.00
BK	FIRST NB ASSUMPTION	ASSUMPTION	IL	GREEN/***			19,931	11.02	38	6.92	6.83	0.00
BK	FARMERS ST BK ASTORIA	ASTORIA	IL	GREEN/***			16,561	13.00	39	7.25	0.00	0.00
BK	ATHENS ST BK	ATHENS	IL	GREEN/***	BB		102,523	10.26	357	13.57	0.00	0.00
BK	ATLANTA NB	ATLANTA	IL	GREEN/***	BB		55,618	11.85	139	8.43	0.00	0.00
BK	OLD SECOND NB	AURORA	IL	YELLOW/*			2,450,386	9.94	-22,388	-36.78	65.78	0.00
BK	FIRST NB OF AVA	AVA	IL	GREEN/***	B		55,854	12.20	182	10.68	0.00	0.00
BK	TOMPKINS ST BK	AVON	IL	GREEN/***	B		170,726	11.43	432	8.85	0.00	0.00
BK	BARRINGTON B&TC NA	BARRINGTON	IL	YELLOW/**			1,035,210	9.98	-1,645	-6.37	13.89	0.00
BK	FIRST NB OF BARRY	BARRY	IL	GREEN/***			112,282	15.46	375	8.64	12.79	0.00
BK	BEARDSTOWN SVG SB	BEARDSTOWN	IL	YELLOW/**			45,725	10.50	-54	-4.50	5.69	0.00
BK	FIRST NB OF BEARDSTOWN	BEARDSTOWN	IL	GREEN/***	B		90,025	11.68	247	9.39	0.00	0.00
BK	FIRST CMNTY B&TC	BEECHER	IL	GREEN/***			151,172	9.95	6	0.16	30.44	0.00
BK	FIRST ST BK OF BEECHER CY	BEECHER CITY	IL	GREEN/***			51,761	13.74	313	17.60	8.79	0.00
BK	BANK OF BELLEVILLE	BELLEVILLE	IL	GREEN/**		OT-04/22/10	70,000	8.81	116	7.53	8.26	0.00
BK	M&I MARSHALL & ILSLEY BK	BELLEVILLE	(WI)	YELLOW/**			47,530,839	10.10	-125,925	-10.49	20.06	0.00
BK	SOUTHWEST BK AN M&I BK	BELLEVILLE	(MO)	YELLOW/**			5,374,091	17.01	-8,292	-3.63	1.73	0.00
BK	UMB BK NA	BELLEVILLE	(MO)	GREEN/**			9,455,521	7.12	18,077	10.73	0.00	0.00
BK	STATE BK BEMENT	BEMENT	IL	GREEN/***	BB		60,087	15.34	95	4.12	0.00	0.00
BK	STATE BK OF WHITTINGTON	BENTON	IL	GREEN/***	BB		97,034	8.60	200	9.59	6.58	0.00
BK	AZTECAMERICA BK	BERWYN	IL	YELLOW/NONE		CD-07/30/10	92,553	9.08	-425	-20.24	142.76	0.00
BK	CITIZENS CMNTY BK IL	BERWYN	IL	GREEN/*			222,400	14.23	18	0.23	55.16	0.00
BK	SCOTT ST BK	BETHANY	IL	GREEN/***	B		72,588	15.51	267	9.49	2.35	0.00
SA	COUNTRY TRUST BANK	BLOOMINGTON	IL	GREEN/***			27,957	92.93	226	3.48	0.00	N.A.
BK	FIRST ST BK BLOOMINGTON	BLOOMINGTON	IL	GREEN/***			93,416	10.16	246	10.36	0.00	0.00
BK	HEARTLAND B&TC	BLOOMINGTON	IL	GREEN/***	BB		1,647,446	10.51	6,803	15.72	0.15	0.00
SA	STATE FARM BANK FSB	BLOOMINGTON	IL	YELLOW/**		PR-08/11/10	15,622,812	9.08	-14,245	-4.02	0.00	N.A.
BK	GREAT LAKES BK NA	BLUE ISLAND	IL	GREEN/***			668,188	9.18	826	5.39	17.67	0.00

Bank ("BK") Reporting Date: 06/30/2010

Federal Regulators' Release Date: 08/30/2010

Latest Ratings Updated Through 10/01/2010

Savings Association ("SA") Reporting Date: 06/30/2010

Federal Regulators' Release Date: 08/24/2010

Latest Ratings Updated Through 10/01/2010

For explanations of symbols and abbreviations: B, BB, BK, EPL, SA, regulatory enforcement action codes and capital categories, please see explanatory pages of this report.

IMPORTANT - FOR YOUR OWN PROTECTION, PLEASE READ THE REVERSE SIDE OF THIS PAGE AND THE EXPLANATORY PAGES OF THIS REPORT

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# VERIBANC<sup>®</sup> Inc., *The B.E.S.T. Banking Investment Post Office Box*

## THE ILLINOIS BANK AND THRIF

Inst. Type	Institution Name	City	State or (Home Office State)	Color Code and Star Rating	Estimated Regulatory Capital Classification if less than "Well"
BK	FIRST T&SB ALBANY	ALBANY	IL	GREEN/***/BB	
BK	CITIZENS NB OF ALBION	ALBION	IL	GREEN/***/BB	
BK	COUNTRY BK	ALEDO	IL	GREEN/*	
BK	ALGONQUIN ST BK NA	ALGONQUIN	IL	GREEN/***	
BK	FIRST NB OF ALLENDALE	ALLENDALE	IL	GREEN/**	
BK	FARMERS ST BK WESTERN IL	ALPHA	IL	GREEN/***/BB	
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BK	BANK COMMERCE	WOOD DALE	IL	YELLOW/NONE	Under-Capitalized
BK	AMERICAN CMNTY B&T	WOODSTOCK	IL	GREEN/***	
BK	GOLDEN EAGLE CMNTY BK	WOODSTOCK	IL	GREEN/*	
SA	PROSPECT FEDERAL SAVINGS BANK	WORTH	IL	GREEN/***	
BK	FIRST CMNTY BK KENIA FLORA	KENIA	IL	GREEN/***	
BK	BANK YATES CITY	YATES CITY	IL	GREEN/***	

Bank ("BK") Reporting Date: 06/30/2010

Savings Association ("SA") Reporting Date: 06/30/2010

For explanations of symbols and abbreviations: B, BB, BK, EPL, SA, regulatory enforcement action codes and capital cate

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1610, Woonsocket, RI 02895 1-800-837-4226 (1-800-VERIBANc)

## STATE RATINGS REPORT

Recent Regulatory Enforcement Actions?	Total Assets (\$000)	Equity (% of Assets)	Net Income For Report- ing Quarter (\$000)	Annualized Net Income (% of Equity)	EPL (% of Equity)	Unrec- ognized Investment Losses (% of Equity)
	118,514	13.38	597	15.06	0.00	0.00
	228,012	16.71	717	7.53	0.00	0.00
	211,020	11.59	651	10.65	0.00	0.00
	147,976	11.35	107	2.55	7.63	0.00
	136,677	11.36	302	7.78	0.00	0.00
	105,570	13.13	468	13.51	3.65	0.00
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CD-05/27/09	174,224	4.02	-889	-50.71	659.14	0.00
	573,987	10.56	526	3.47	29.74	0.00
	147,400	10.48	378	9.79	6.23	0.00
	295,316	13.85	35	0.34	8.01	N.A.
	33,267	12.96	117	10.86	0.00	0.00
	48,925	12.14	108	7.27	0.29	0.00

te: 08/30/2010

te: 08/24/2010

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, Inc., Woonsocket, RI

Latest Ratings Updated Through 10/01/2010

Latest Ratings Updated Through 10/01/2010

# ILLINOIS STATE RATINGS REPORT

- **ALL BANKS AND THRIFTS WITH A HOME OFFICE IN ILLINOIS (IL)**
- **BANKS AND THRIFTS WITH SIGNIFICANT BRANCH DISTRIBUTIONS IN IL BUT WHOSE HOME OFFICE IS NOT IN IL**
- **COLUMN DESCRIPTIONS PROVIDED WITH FIRST ISSUE; REMAINING ISSUES (2, 3, & 4) ARE ONLY DATA PAGES AND GRAPHS**
  - **COLUMN 1 - INST. TYPE:**
    - BK = COMMERCIAL OR SAVINGS BANK**
    - SA = SAVINGS ASSOCIATION (THRIFT OR S&L)**
  - **COLUMN 2 - INSTITUTION NAME (ABBREVIATED FORM PROVIDED BY REGULATOR)**
  - **COLUMN 3 - CITY (HOME OFFICE LOCATION AS PROVIDED TO REGULATOR [PTR])**
  - **COLUMN 4 - STATE (HOME OFFICE LOCATION AS PTR)**

# **ILLINOIS STATE RATINGS REPORT**

## **COLUMN DESCRIPTIONS (Cont'd)**

- **COLUMN 5 - COLOR CODE AND STAR RATING (CURRENT QUARTER)**
- **COLUMN 6 - ESTIMATED REGULATORY CAPITAL CLASSIFICATION IF LESS THAN “WELL”**

### **FIVE REGULATORY CAPITAL CLASSIFICATIONS**

- 1. WELL CAPITALIZED**
- 2. ADEQUATELY CAPITALIZED**
- 3. UNDER CAPITALIZED**
- 4. SIGNIFICANTLY UNDER CAPITALIZED**
- 5. CRITICALLY UNDER CAPITALIZED**

- **COLUMN 7 - RECENT REGULATORY ENFORCEMENT ACTION - USUALLY OPERATIONAL INFRACTIONS, MAY INCLUDE:**
  - **CAPITAL RAISING MANDATE**
  - **OFFICER/BOARD REMOVAL/REPLACEMENTS**
  - **UNDERWRITING REVISIONS**
  - **INTERNAL CONTROL IMPROVEMENTS**

# **ILLINOIS STATE RATINGS REPORT**

## **COLUMN DESCRIPTIONS (Cont'd)**

- **COLUMN 8 - TOTAL ASSETS IN THOUSANDS OF DOLLARS (\$000)**
- **COLUMN 9- EQUITY AS A PERCENTAGE OF ASSETS**
- **COLUMN 10 - NET INCOME FOR REPORTING QUARTER (\$000)**
- **COLUMN 11 - ANNUALIZED NET INCOME (QUARTERLY INCOME X 4)  
AS A PERCENTAGE OF EQUITY**
- **COLUMN 12 - EPL AS A PERCENTAGE OF EQUITY - EXCESS PROBLEM  
LOANS OVER AND ABOVE ANY RESERVE FOR PROBLEM  
LOANS**

# **ILLINOIS STATE RATINGS REPORT**

## **COLUMN DESCRIPTIONS (Cont'd)**

- **COLUMN 13 - UNRECOGNIZED INVESTMENT LOSSES AS A PERCENTAGE OF EQUITY**
- **FOOTERS:**
  - REPORTING DATE --- THE APPLICABLE QUARTER**
  - FEDERAL REGULATORS' RELEASE DATE --- WHEN THE REGULATOR PROVIDED THE DATA TO VERIBANC**
  - LATEST RATINGS UPDATED THROUGH --- THE LAST DATE VERIBANC REVISED ANY RATING**