

VERIBANC

Beyond 'CAMELS'

WATCHLIST REPORT

*"A CUSTOM-COMPILED REPORT ON YOUR BANKS
AND/OR CREDIT UNIONS"*

VERIBANC[®], Inc.
Beyond 'CAMELS'
Post Office Box 608
Greenville, Rhode Island 02828
800-837-4226
FAX: 401-531-2290
www.veribanc.com

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www.veribanc.com Email: service@veribanc.com

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 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 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

THE WATCHLIST REPORT PREPARED FOR: Sample - TX

Data Page: 1

Inst Type	Institution Name	Home Office City	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 Qtr. (\$000)	Annualized Net Income (% of Equity)	EPL (% of Equity)	Unrec-ognized Investment Losses (% of Equity)
BK	AMERICAN BK OF TX Phone: (903)893-7555	SHERMAN	TX	GREEN/***			2,082,318	13.88	6,790	9.40	3.39	0.00
BK	BANK OF AMER NA Phone: (704)386-5478	CHARLOTTE	NC	GREEN/*		CD-04/07/14	1,433,716,000	12.47	3,624,000	8.11	11.83	1.52
BK	BROADWAY NB Phone: (210)283-6611	SAN ANTONIO	TX	GREEN/***/BB			2,890,779	10.44	5,680	7.53	5.12	1.48
BK	FIRST CMRL BK NA Phone: (830)379-8390	SEGUIN	TX	GREEN/***/BB			141,960	7.66	399	14.68	0.00	0.00
BK	FIRST NB Phone: (361)358-1530	BEEVILLE	TX	GREEN/***/B			296,509	7.94	514	8.74	0.00	0.03
CU	MOTOROLA EMP. Phone: (847)576-5199	SCHAUMBURG	IL	GREEN/***			860,572	9.14	978	4.97	2.03	0.00
BK	PROSPERITY BK Phone: (512)479-4092	EL CAMPO	TX	GREEN/***/BB		PR-12/30/13	18,638,685	15.44	64,171	8.92	0.00	2.77
CU	RANDOLPH-BROOKS Phone: (210)945-3333	LIVE OAK	TX	GREEN/***			5,717,040	12.16	18,192	10.47	0.00	0.00
BK	SCHERTZ B&TC Phone: (210)945-7400	SCHERTZ	TX	GREEN/***/B			199,828	11.37	431	7.59	10.07	0.00
BK	WELLS FARGO BK NA Phone: (605)575-6900	SIOUX FALLS	SD	GREEN/*		CD-04/13/11	1,373,600,000	10.04	4,889,000	14.19	12.32	0.07
BK	WOODFOREST NB Phone: (832)375-2000	THE WOODLANDS	TX	GREEN/***/B			3,884,304	8.94	16,137	18.59	3.69	3.13

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TERMS AND CONDITIONS

The information contained in the Report (the "Report") has been derived from data released by the federal government bank and/or credit union regulatory agencies, which have, in turn, received their information from the institutions that they regulate. Since VERIBANC has not verified independently the data on which the Report is based, VERIBANC makes no warranty, expressed or implied, or representation as to the accuracy, adequacy or completeness of the information contained in the Report. VERIBANC EXPRESSLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE that may exist with respect to the Report. VERIBANC further disclaims any and all liability for incidental or consequential damages. Your sole and exclusive remedy against VERIBANC, should any information contained in this report be inaccurate to your detriment, is limited to the return of the purchase price paid by you for the Report.

Since the information contained herein is based on federal regulatory agency reports published at substantial intervals and since the financial condition of the institution described herein may be subject to change within short periods of time, please consult the enclosed page(s) for the date when the data upon which the Report is based was released by the appropriate federal agency. Please check with VERIBANC or the management of the institution itself for additional, updated information should you deem that advisable.

The Report was prepared by VERIBANC at your specific request and for your own purposes. The Report is copyrighted and the ratings terminology is protected by trademark. You are cautioned that copying, or displaying, selling, distributing or otherwise transferring the Report, or any part of it, to any person, without the written consent of VERIBANC, is prohibited by law. Due to the sensitive nature of the information contained in the Report, VERIBANC urges you not to disclose the information to any person. In receiving the Report, you agree to indemnify VERIBANC, and to hold VERIBANC harmless, including all attorney's fees, from and against any claim or cause of action asserted against VERIBANC by any person to whom the Report or the information contained therein is distributed or made known by you.

**PLEASE READ CAREFULLY THE ACCOMPANYING EXPLANATORY PAGES
WHICH ARE AN INTEGRAL PART OF THIS REPORT.**

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CHART 1: Number (and Percentage) of FDIC-Insured Banks in each color code and star rating category

GREEN/***	GREEN/**	YELLOW/**	GREEN/*	YELLOW/*	GREEN/U	YELLOW/U	RED/U
5,107 (74.98%)	440 (6.46%)	522 (7.66%)	360 (5.29%)	217 (3.19%)	16 (0.23%)	73 (1.07%)	76 (1.12%)

CHART 1: Number (and Percentage) of Banks that have been consecutively Blue Ribbon

From 1 to 7 quarters (B)	For 8 or more quarters (BB)
1,086 (15.94%)	1,470 (21.58%)

CHART 2: Number (and Percentage) of all FDIC-Insured Banks with various Equity as a Percentage of Asset Levels

Under 3.0 Percent	3.0 to 5.0 Percent	5.0 to 7.0 Percent	7.0 to 10.0 Percent	Over 10.0 Percent
41 (0.60%)	73 (1.07%)	239 (3.51%)	2,676 (39.29%)	3,782 (55.53%)

CHART 3: Number (and Percentage) of all FDIC-Insured Banks with various Profit and Loss Levels

Profitable Banks	Banks with Modest Losses	Banks with Serious Losses
5,958 (87.48%)	800 (11.75%)	53 (0.78%)

CHART 4: Number (and Percentage) of all FDIC-Insured Banks with various levels of excess problem loans, securities and contracts more than ten percent of equity

10 to 25 Percent	25 to 50 Percent	50 to 75 Percent	75 to 100 Percent	Over 100 Percent
967 (58.57%)	428 (25.92%)	106 (6.42%)	43 (2.60%)	107 (6.48%)

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**CHART 1: Number (and Percentage) of Credit Unions
 in each color code and star rating category**

GREEN/***	GREEN/**	YELLOW/**	GREEN/*	YELLOW/*	GREEN/U	YELLOW/U	RED/U
4,066 (60.69%)	297 (4.43%)	2,044 (30.51%)	75 (1.12%)	156 (2.33%)	5 (0.07%)	25 (0.37%)	32 (0.48%)

**CHART 2: Number (and Percentage) of all NCUA-Insured Credit Unions with
 various Profit and Loss Levels**

Profitable Credit Unions	Credit Unions with Modest Losses	Credit Unions with Serious Losses
4,460 (66.57%)	2,222 (33.16%)	18 (0.27%)

**CHART 3: Number (and Percentage) of all NCUA-Insured Credit Unions with
 various Equity as a Percentage of Asset Levels**

Under 3.0 Percent	3.0 to 5.0 Percent	5.0 to 7.0 Percent	7.0 to 10.0 Percent	Over 10.0 Percent
18 (0.27%)	34 (0.51%)	251 (3.75%)	2,191 (32.70%)	4,206 (62.78%)

**CHART 4: Number (and Percentage) of all NCUA-Insured Credit Unions with various levels of
 excess problem loans, securities and contracts more than ten percent of equity**

10 to 25 Percent	25 to 50 Percent	50 to 75 Percent	75 to 100 Percent	Over 100 Percent
475 (75.16%)	95 (15.03%)	34 (5.38%)	12 (1.90%)	16 (2.53%)

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WATCHLIST REPORT

INTRODUCTION

VERIBANC[®] is pleased to present you with our Watchlist Report. The Watchlist Report is similar to our State Ratings Report in style and information content. However, it is custom-configured to the list of institutions (priced initially for one to fifty institutions) that you provide.

The listing of commercial banks, savings banks, savings associations (thrifts)^{*} and credit unions in this report are the result of selection operations performed on data supplied by the federal regulatory authorities for more than 15,000 financial institutions in the U.S. and its possessions. Following are the definitions which VERIBANC[®] uses for certain quantities involved in rating the institutions, along with other important information.

DESCRIPTIONS OF THE INFORMATION ON THE DATA PAGES

In the definitions that follow, the bold type corresponds to the headings on the report data page(s) that list the individual institutions. Abbreviations used on the data page(s) are also shown in bold type.

Institution Type indicates if the institution is a **BanK** (regulated by the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency or the Federal Reserve Board), a **Savings Association** (regulated by the Office of the Comptroller of the Currency) or a **Credit Union** (regulated by the National Credit Union Administration). Credit unions which do not have the federal insurance coverage of the National Credit Union Share Insurance Fund have the @ symbol following the institution type code.

Institution Name (First Line) is as carried in regulatory agency records, including abbreviations, if any. Since the amount of space on the report is limited to 32 characters, if the name exceeds that length, it is trimmed accordingly. Should any of the institution names be unclear, we cordially invite you to write or call VERIBANC[®] for clarification. Our address and phone number are listed on the title page of this report.

(Second Line) main office phone number

City (First Line) is also given according to regulatory records. For institutions with one or more branch offices, the indicated city represents either the location of the principal office or the office from which the institution reports to its regulatory authorities.

(Second Line) main office web address as carried in regulatory records. For space consideration the "www." has been removed.

State specifies the postal abbreviation for the state associated with the indicated city.

VERIBANC[®]'s Color Code and Star Rating system is based on a combination of criteria explained in the pages that follow. The number of institutions in each rating category is given in the graphs section of the report. VERIBANC[®]'s rating accuracy has been proven - - since 1981, more than 99

* As of 7/21/2011 all Savings Associations (Thrifts) are regulated by the OCC and the OTS was absorbed by this regulator. Effective January, 2012 all thrifts will become banks, per the 2010 Dodd-Frank Act.

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percent of all failing banks have fallen into VERIBANC[®]'s lower rating categories. Banks that receive special recognition from VERIBANC[®] for meeting unusually high standards and exceptional attention to safety and soundness are identified as "Blue Ribbon Banks". These institutions are denoted with the letter "B" following the Green/** rating designation. Banks that have received such recognition for eight or more consecutive quarters have the legend "BB".

Since 1982, when we began designating banks for this award, only one* Blue Ribbon Bank has failed.

Estimated Regulatory Capital Classification if less than "Well" capitalized - - The Federal Deposit Insurance Corporation ("FDIC") and Office of Thrift Supervision ("OTS") classify banks and Savings Associations as Well Capitalized (W), **Adequately Capitalized (A)**, **Undercapitalized (UC)**, **Significantly Undercapitalized (SU)** and **Critically Undercapitalized (CU)**. VERIBANC[®] replicates the FDIC and OTS's algorithms to estimate each bank and thrift's capital classification. If the institution is in the well-capitalized category or if it is a credit union, this column is left blank. (Estimated capital classification is not available for credit unions.)

Recent Regulatory Enforcement Actions? 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 follows on page 6.

Total Assets include loans, investments, buildings, equipment and all other resources held by the institution. Amounts are expressed in thousands of dollars.

Equity is given as a percentage of "Total Assets". Equity measures the amount invested by the institution's stockholders and excludes liabilities to its depositors and other creditors. For mutual institutions and for credit unions, equity is defined as assets less liabilities. Industry-wide distribution information for this measure of capital is presented in the graphics section of the report.

Net Income for the Reporting Period is after taxes and extraordinary items. Amounts are expressed in thousands of dollars. For banks, savings associations and credit unions, income is reported quarterly. For banks and credit unions (which report on a year-to-date basis), if net income for the previous period[†] is not available, net income for the quarter and annualized net income, described below, are estimated using the reported year-to-date amount. If such an estimate is used, the entries on the data page(s) are followed with the † symbol. The graphics section of the report contains industry-wide comparison information that indicates the number of profitable and unprofitable institutions.

Annualized Net Income is given as a percentage of equity (i.e., return on equity). Net income for the reporting quarter is multiplied by four. Institutions with negative equity have the entry **insolvent**. Institutions with zero or near-zero equity have the legend **N.A.**

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

[†]except for the first reporting period of the year when a prior period's "year-to-date" income is not needed. For banks and credit unions, when needed previous quarter income data is not available, the current reporting quarter's net income for these institutions is estimated by dividing their year-to-date net income by the quarter number.

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Excess Problem Loans, Securities and Contracts - - This entry, given as a percentage of equity, considers problem loans, problem debt securities and delinquent interest rate, foreign exchange and other derivative contracts. Instruments that are less than 90 days in arrears are excluded. Credits which have repayment guaranteed by the U.S. government or its agencies are also excluded (to the extent of the government guarantee) if the guaranteed amounts are stated in the institution's "call report". The loan loss reserve is then subtracted from the sum of the foregoing items. The "excess" amount, which is not allowed to be less than zero, is expressed as a percentage of equity.

Institutions with negative equity have the entry "insolvent". Institutions with zero or near-zero equity have the legend N.A. used. Industry-wide comparisons are provided in the graphics section.

Unrecognized Investment Losses are stated as a percentage of equity. This information, which is not available for savings associations, consists of the difference between the book (amortized cost) and fair market value of securities which a bank intends to hold until maturity. For credit unions, this entry is the book value less the market value of all investments, less the investment loss reserve, if any. Negative values of unrecognized investment losses are set to zero. Banks and credit unions with negative equity have the entry **insolvent**. Those with zero or near-zero equity have the legend **N.A.**

In addition to the situations noted above, if a data item for a particular institution is not available, not applicable or not meaningful, the notation **N.A.** is also used. The footnotes at the bottom of each data page present the applicable reporting date for each type of institution, as well as the corresponding date when the data were released by federal regulators. When VERIBANC[®] prepares reports based on the most recently available information, it is possible for one or two segments of the industry (i.e. banks, savings associations and/or credit unions) to have their data as much as one quarter "behind".

THE VERIBANC[®] COLOR CLASSIFICATION SYSTEM

The VERIBANC[®] 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 applied by VERIBANC[®] to determine the color category assigned to an institution are as follows:

GREEN The institution's equity exceeds five percent of its assets and it was profitable during the most recent reporting quarter. 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 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 institution's equity. The items that result in a yellow classification merit your attention.

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

THE VERIBANC[®] STAR CLASSIFICATION SYSTEM

In addition to the color code, VERIBANC[®] assigns each institution 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 exceeds five percent of assets, equity which exceeds four percent of assets after deducting for problem loans, securities and securities-type contracts in excess of loan loss reserves and positive net income of the most recent reporting period. Banks and thrifts must also satisfy all three regulatory capital requirements (see below) and must not have any recent, serious regulatory sanctions against them. In addition, insider lending at an institution must not exceed a significant percentage 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 for the group to receive at least a Two Stars rating. An institution may only have two or fewer volatile periods of asset growth/shrinkage over the past ten quarters. For banks and credit unions, problem investments also include investments that, if sold, would realize less than their cost plus specific investment reserves.
- **** The institution must meet any two of the three primary conditions for the Three Stars category and has equity which exceeds its unreserved problem loans, securities and securities-type contracts. If the institution had a net loss during the most recent reporting period, the loss was not significant. Banks and thrifts must also satisfy all three federal capital requirements (see below) and must not have any recent serious regulatory sanctions against them. Additionally, if the bank is owned by a holding company, all of the holding

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THE VERIBANC[®] STAR CLASSIFICATION SYSTEM (con't)

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(con't) 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 an institution that has three volatile periods of asset growth/ shrinkage over the past ten quarters. For banks and credit unions, that have investments with a current market value that is less than their cost, that difference must not exceed equity plus specific investment reserves.

- * The institution meets at least one of the primary conditions for the Three Stars category, reports equity which exceeds three percent of assets and also exceeds unreserved problem loans, securities and securities-type contracts. If the institution had a net loss during the most recent reporting period, the loss was not significant. Moreover, if the institution is a bank or a thrift, it 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 also receive no higher than a One Star rating if it has been subject to a serious regulatory sanction, or 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 Star rating. A One Star rating is assigned if an institution has four or more volatile periods of asset growth/shrinkage over the past ten quarters. 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 plus specific investment reserves.

NO STARS (U) The institution does not meet the criteria stated above.

*** All institutions under the control of their Federal Regulator or have been closed are identified with a "FAILED" designation.**

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ENFORCEMENT ACTION CATEGORIES AND CODES

<u>Enforcement Action Type</u>	<u>Description</u>
CC	Prompt Corrective action/Capital directives
CD	Cease and Desist/ Consent Order against an institution.
CP	Cease and Desist order against a Person
DI	Proceeding that threatens or that actually terminates Deposit Insurance
EN	Termination, withdrawal, completion, expiration of ENding of a previous enforcement action
EX	Amendment, modification, EXtension or continuation of a previous enforcement action.
FA	Formal Agreement/supervisory Agreements
FN	Other FiNe against a bank, e.g. – civil money penalty
FP	Fine levied against a Person (rather than an institution), e.g. – civil money penalty
OP	Other actions against an individual Person, e.g. Written Agreement
OT	OTHer – Cross Guarantee Liability, etc.
PR	Personal action involving Removal action against a person, including orders prohibiting individuals from future activity in the banking field.
RP	Restitution by an individual Person (rather than an institution)

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OTHER IMPORTANT INFORMATION

VERIBANC[®] emphasizes that it does not express an opinion, or give advice or a warranty, as to the strength of the institutions listed in this report. Our clients are cautioned that other criteria, objective and subjective, which state and federal bank regulators do not release to the public as a matter of course, may be important in assessing the strength of the financial firms on the list. The list of institutions herein is intended only as a brief guide for our clients and the information contained in them should not be considered or relied upon as representing the complete financial picture of any of the listed institutions.

VERIBANC[®] has extensive additional data for each of the banks listed on the page(s) which follow(s), including data on cash flow, balance sheets, past due and problem loans, repossessed real estate and all of the items released in the regulatory call reports. If you believe that additional information is necessary, VERIBANC[®] invites you to contact us for a quotation on your additional data needs.

Other special factors that apply to this list are described below:

- This report is in no way representative of the banking, thrift or credit union industry as a whole, or of any institutions other than those named.
- The information contained in this report has been derived from data released by the Federal Regulators that in turn have received their information from the banks, thrifts and credit unions themselves. Since VERIBANC[®] has not independently verified the data on which this report is based, it makes no warranty or representation as to its accuracy, adequacy or completeness.
- The data upon which this report is based is considered by the regulatory agencies to be preliminary. As such, it is subject to revision, amendment, rounding, forced balancing, correction of transcription errors and other adjustments.
- The information provided in this report is for the fiscal period stated on the data page(s) of the report. The date these data were released by the regulatory agencies to VERIBANC[®] is also indicated on the report data page(s). Other data exist, not available to VERIBANC[®] which provide similar, more current information about the institutions named in the report. This other data, when available, may materially change the amounts and indicators herein.
- VERIBANC[®] does not give warranty or advice, nor does it express an opinion, as to the financial condition of any financial institution. Accordingly, the report should not be taken to mean that VERIBANC[®] or the federal regulatory authorities consider any of the institutions mentioned herein to be either financially strong or in difficulty. The assessments of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency or the National

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Credit Union Administration on the financial viability of any one financial institution are not known to VERIBANC[®]. A review of the other data and criteria considered by federal regulators in assessing the financial condition of banks may be important in determining the condition of the institutions described in this report.

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 May 31,
Second Quarter (ending June 30) data are usually released by August 31,
Third Quarter (ending September 30) data are usually released by November 30,
Fourth Quarter (ending December 31) data are usually released by February 28.

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