



LACE
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2009 Bank Failures

The table below highlights the banking failures that have occurred in 2009 (currently sixty-four). A write-up on each of the banks noted below is provided on the following pages.

NAME	CITY	State	Total Assets (\$)	NPAs/Asset (%)	Leverage Capital/Assets (%)	Total Cap/Assets (%)	Tier 1/Asset (%)	ROA (%)	LACE Rating Prior Qtr.	LACE Rating Failed Qtr	Failure Date
Bank of Clark County	Vancouver	WA	464.8M	4.14	9.67	11.02	9.77	0.31	C- (2Q08)	C- (3Q08)	1/16/09
National Bank of Commerce	Berkeley	IL	458.8M	1.02	(10.26)	(15.59)	(15.59)	(16.52)	B+ (2Q08)	E (3Q08)	1/16/09
1st Centennial Bank	Redlands	CA	938.2M	12.02	4.43	8.18	6.89	(2.96)	E (2Q08)	E (3Q08)	1/23/09
MagnetBank	Salt Lake City	UT	300.7M	25.82	4.84	6.76	5.50	(9.71)	E (2Q08)	E (3Q08)	1/30/09
Ocala National Bank	Ocala	FL	235.9M	20.00	3.49	6.12	4.84	(6.75)	E (2Q08)	E (3Q08)	1/30/09
Suburban Federal Savings Bank	Crofton	MD	354.4M	13.71	1.33	3.09	1.83	(3.82)	E (2Q08)	E (3Q08)	1/30/09
Alliance Bank	Culver City	CA	1.11B	10.39	1.50	3.11	1.84	(5.87)	E (2Q08)	E (3Q08)	2/6/09
County Bank	Merced	CA	1.71B	7.61	3.12	6.53	3.87	(5.61)	E (2Q08)	E (3Q08)	2/6/09
FirstBank Financial Services	McDonough	GA	317.2M	34.33	2.31	4.46	3.13	(7.93)	E (2Q08)	E (3Q08)	2/6/09
Corn Belt B&TC	Pittsfield	IL	260.2M	3.98	2.94	5.30	4.00	(7.02)	B- (2Q08)	E (3Q08)	2/13/09
Pinnacle Bank	Beaverton	OR	71.9M	12.52	7.97	9.96	8.70	(4.16)	E (2Q08)	E (3Q08)	2/13/09
Riverside Bank of the Gulf Coast	Cape Coral	FL	523.7M	10.51	1.23	3.04	1.78	(9.40)	E (2Q08)	E (3Q08)	2/13/09
Sherman County Bank	Loup City	NE	135.4M	0.56	8.96	10.74	9.51	0.22	C+ (2Q08)	B- (3Q08)	2/13/09
Silver Falls Bank	Silverton	OR	134.2M	26.57	2.05	3.87	2.60	(6.82)	E (2Q08)	E (3Q08)	2/20/09
Heritage Community Bank	Glenwood	IL	235.2M	14.12	2.04	3.79	2.58	(9.01)	E (2Q08)	E (3Q08)	2/27/09
Security Savings Bank	Henderson	NV	238.3M	10.03	1.91	4.84	3.56	(11.96)	E (2Q08)	E (3Q08)	2/27/09

NAME	CITY	State	Total Assets (\$)	NPAs/ Asset (%)	Leverage Capital/ Assets (%)	Total Cap/ Assets (%)	Tier 1/ Asset (%)	ROA (%)	LACE Rating Prior Qtr.	LACE Rating Failed Qtr	Failure Date
Freedom Bank of Georgia	Commerce	GA	172.5M	12.48	2.73	4.72	3.44	(5.19)	E (2Q08)	E (3Q08)	3/6/09
Colorado National Bank	Colorado Springs	CO	123.5M	13.15	5.50	9.90	8.60	(6.92)	E (3Q08)	E (4Q08)	3/20/09
FirstCity Bank	Stockbridge	GA	285.0M	17.96	4.60	8.50	7.30	(2.57)	E (3Q08)	E (4Q08)	3/20/09
TeamBank N.A.	Paola	KS	669.8M	18.45	4.00	6.40	5.10	(5.02)	E (3Q08)	E (4Q08)	3/20/09
Omni National Bank	Atlanta	GA	979.6M	18.25	3.00	5.79	4.24	(1.40)	E (3Q08)	E (4Q08)	3/27/09
Cape Fear Bank	Wilmington	NC	473.5M	3.68	5.66	8.01	6.74	(1.13)	C- (3Q08)	E (4Q08)	4/10/09
New Frontier Bank	Greeley	CO	2.01B	7.82	7.70	10.39	9.12	(0.55)	E (3Q08)	E (4Q08)	4/10/09
Great Basin Bank of NV	Elko	NV	264.3M	4.21	2.04	4.45	3.16	(4.24)	E (3Q08)	E (4Q08)	4/17/09
American Sterling Bank	Sugar Creek	MO	181.3M	10.38	6.84	(2.31)	(2.31)	(9.89)	E (3Q08)	E (4Q08)	4/17/09
American Southern Bank	Kennesaw	GA	110.1M	14.48	7.40	9.33	8.38	(3.62)	E (3Q08)	E (4Q08)	4/24/09
First Bank of Beverly Hills	Calabasas	CA	1.49B	4.25	3.37	6.45	5.17	(6.39)	E (3Q08)	E (4Q08)	4/24/09
First Bank of Idaho, FSB	Ketchum	ID	491.7M	5.69	8.42	10.27	9.02	(0.28)	D (3Q08)	E (4Q08)	4/24/09
Michigan Heritage Bank	Farmington Hills	MI	179.7M	7.31	1.61	3.18	1.91	(4.74)	E (3Q08)	E (4Q08)	4/24/09
America West Bank	Layton	UT	299.4M	21.31	4.20	7.03	5.75	(3.58)	E (3Q08)	E (3Q08)	5/1/09
Citizens Community Bank	Ridgewood	NJ	44.3M	15.13	0.27	0.76	0.38	(6.01)	E (3Q08)	E (4Q08)	5/1/09
Silverton Bank NA	Atlanta	GA	3.16B	7.69	6.78	10.85	8.75	(1.00)	E (3Q08)	E (4Q08)	5/1/09
Westsound Bank	Bremerton	WA	334.6M	38.21	8.02	10.93	9.64	(5.16)	E (3Q08)	E (4Q08)	5/8/09
BankUnited, FSB	Coral Gables	FL	13.1B	12.44	(3.63)	(5.49)	(5.49)	(12.26)	E (4Q08)	E (1Q08)	5/21/09
Citizens National Bank	Macomb	IL	438.6M	4.30	2.21	3.41	4.55	(3.93)	E (3Q08)	E (4Q08)	5/22/09
Strategic Capital Bank	Champaign	IL	546.6M	6.91	3.47	4.48	5.74	1.18	E (3Q08)	E (4Q08)	5/22/09
Bank of Lincolnwood	Lincolnwood	IL	212.7M	17.87	1.16	2.63	1.33	(6.11)	E (3Q08)	E (4Q08)	6/5/09
Cooperative Bank	Wilmington	NC	966.8M	10.23	3.67	6.06	4.77	0.48	E (4Q08)	E (1Q09)	6/19/09
First NB of Anthony	Anthony	KS	157.0M	10.08	1.59	3.34	2.05	(12.31)	E (4Q08)	E (1Q09)	6/19/09
Southern Community Bank	Fayetteville	GA	371.7M	25.61	3.51	6.13	4.89	(4.65)	E (4Q08)	E (1Q09)	6/19/09

NAME	CITY	State	Total Assets (\$)	NPAs/Asset (%)	Leverage Capital/Assets (%)	Total Cap/Assets (%)	Tier 1/Asset (%)	ROA (%)	LACE Rating Prior Qtr.	LACE Rating Failed Qtr	Failure Date
Community Bank of West Georgia	Villa Rica	GA	201.2 M	19.1	3.58	5.89	4.61	(6.57)	E (4Q08)	E (1Q09)	6/24/09
Horizon Bank	Pine City	MN	84.8 M	13.21	1.10	2.79	1.50	(16.34)	E (4Q08)	E (1Q09)	6/24/09
MetroPacific Bank	Irvine	CA	75.32 M	15.71	3.51	2.79	4.08	(13.09)	E (4Q08)	E (1Q09)	6/24/09
Mirae Bank	Las Angeles	CA	480.6 M	6.30	3.12	5.55	4.23	(6.13)	D (4Q08)	E (1Q09)	6/24/09
Neighborhood Community Bank	Newnan	GA	212.6 M	22.27	2.25	4.09	2.79	(6.06)	E (4Q08)	E (1Q09)	6/24/09
Founders Bank	Worth	IL	966.5M	8.80	2.97	5.87	3.41	(11.81)	E (4Q08)	E (1Q09)	7/2/09
First NB of Danville	Danville	IL	164.7M	9.96	3.02	4.67	3.39	(16.98)	E (4Q08)	E (1Q09)	7/2/09
Rock River Bank	Oregon	IL	77.0M	10.04	0.86	1.74	0.87	(23.56)	E (4Q08)	E (1Q09)	7/2/09
John Warner Bank	Clinton	IL	71.1M	8.42	(2.55)	(3.00)	(3.00)	(29.38)	E (4Q08)	E (1Q09)	7/2/09
Elizabeth State Bank	Elizabeth	IL	58.7M	4.87	2.45	2.91	2.16	(22.27)	E (4Q08)	E (1Q09)	7/2/09
First State Bank	Winchester	IL	33.0M	2.87	(1.39)	(1.54)	(1.54)	(27.67)	E (4Q08)	E (1Q09)	7/2/09
Millennium State Bank of TX	Dallas	TX	126.7M	5.08	3.15	5.70	4.41	(9.29)	E (4Q08)	E (1Q09)	7/2/09
Bank of Wyoming	Thermopolis	WY	94.6M	18.19	4.05	8.81	7.53	(10.93)	E (4Q08)	E (1Q09)	7/10/09
Vineyard Bank NA	Rancho Cucamonga	CA	1.9B	20.91	3.49	5.44	4.16	(12.93)	E (4Q08)	E (1Q09)	7/17/09
Temecula Valley Bank	Temecula	CA	1.5B	11.54	3.99	5.44	4.16	(9.23)	E (4Q08)	E (1Q09)	7/17/09
BankFirst	Sioux Falls	SD	277.7M	41.91	5.90	8.68	7.25	(19.86)	E (4Q08)	E (1Q09)	7/17/09
First Piedmont Bank	Winder	GA	124.1M	25.17	4.16	6.26	5.01	(2.19)	E (4Q08)	E (1Q09)	7/17/09
Security Bank of Bibb County	Macon	GA	1.2B	12.43	4.48	6.86	5.59	(1.02)	E (4Q08)	E (1Q09)	7/24/09
Security Bank of Houston County	Perry	GA	383.1M	8.23	5.10	10.03	8.77	(1.19)	E (4Q08)	E (1Q09)	7/24/09
Security Bank of Jones County	Gray	GA	453.3M	6.17	5.77	10.43	9.18	0.97	E (4Q08)	E (1Q09)	7/24/09
Security Bank of Gwinnett County	Suwannee	GA	332.3M	32.36	1.12	2.79	1.50	(10.02)	E (4Q08)	E (1Q09)	7/24/09

NAME	CITY	State	Total Assets (\$)	NPAs/Asset (%)	Leverage Capital/Assets (%)	Total Cap/Assets (%)	Tier 1/Asset (%)	ROA (%)	LACE Rating Prior Qtr.	LACE Rating Failed Qtr	Failure Date
Security Bank of North Metro	Woodstock	GA	224.4M	20.01	1.98	4.00	2.73	(8.12)	E (4Q08)	E (1Q09)	7/24/09
Security Bank of North Fulton	Alpharetta	GA	209.1M	7.46	4.38	8.35	7.09	0.61	E (4Q08)	E (1Q09)	7/24/09
Waterford Village Bank	Williamsville	NY	61.4M	1.33	1.10	2.41	1.33	(3.24)		NB (1Q09)	7/24/09



January 20, 2009

Bank of Clark County, Vancouver, WA and National Bank of Commerce, Berkeley, IL closed by respective state regulators.

Bank of Clark County - On Friday January 16, the Washington Department of Financial Institutions closed Bank of Clark County and appointed the FDIC as receiver. Bank of Clark County was closed due to a poor financial condition as evidenced by increasing levels of nonperforming assets (NPAs) and declining earnings. See table below for a summary of Bank of Clark County's key financials as of September 30, 2008 (the bank's year-end financials have not been reported). Umpqua Bank, Roseburg, OR (LACE rating, "B-") assumed all of Bank of Clark County's insured deposits for \$112,000 and is expected to purchase \$30.4 million of the bank's assets. Bank of Clark County's two branches opened under the Umpqua Bank banner this morning due to the Martin Luther King holiday on Monday.

National Bank of Commerce was also closed on January 16. The Office of the Comptroller of the Currency closed the bank and appointed the FDIC as receiver. National Bank of Commerce appeared on the LACE *Watchlist* with an "E" rating in the third quarter. The bank was closed due to a continued poor financial condition as evidenced by: abnormally high NPAs, negative earnings, and negative capital ratios (see table below). Republic Bank of Chicago, Oak Brook, IL (LACE Rating, "D") assumed all of National Bank of Commerce's deposits and \$367 million of the failed assets. National Bank of Commerce's two locations opened Saturday morning as branches of Republic Bank of Chicago.

Name	City	State	Total Assets (\$Mil)	NPAs/ Assets (%)	Tier 1/ Assets (%)	ROA (%)	2Q08 LACE Rating	3Q08 LACE Rating
Bank of Clark County	Vancouver	WA	464.8	4.1	9.77	0.31	C-	C-
National Bank of Commerce	Berkeley	IL	458.8	1.0	(15.6)	(16.5)	B+	E

Industry Outlook

LACE Financial continues to maintain a negative outlook for the overall banking industry through 2009. These closures represent the 1st and 2nd bank failures of the year.

Ben Stewart and Caleb Mooney
 Financial Analysts
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January 26, 2009

1st Centennial Bank (Redlands, CA), closed by regulators.

On Friday January 23, the California Department of Financial Institutions closed 1st Centennial Bank and appointed the FDIC as receiver. The bank carried a LACE rating of “E” for three consecutive quarters dating back to 1Q08. First California Bank (LACE rating, “B+”) assumed 1st Centennial Bank’s insured deposits for a 5.29% premium and agreed to purchase \$293 million of the bank’s assets. The failed bank’s remaining assets will be held by the FDIC for further disposition. 1st Centennial Bank’s six branches opened this morning under the First California Bank banner.

At the time of failure, the bank was in extremely poor financial condition. 1st Centennial posted negative earnings for three consecutive quarters and experienced increasingly large numbers of nonperforming assets, especially in the construction and land development portfolio, during the same time period.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Tier 1 Capital (%)	ROA (%)	1Q08 LACE RATING	2Q08 LACE RATING	3Q08 LACE RATING
1 st Centennial Bank	Redlands	CA	938	12.02	6.89	(2.96)	E	E	E

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. This closure represents the third bank failure in 2009 and LACE Financial anticipates numerous additional banking closures in 2009.

Ben Stewart
Senior Financial Analyst
LACE Financial Corporation



February 2, 2009

MagnetBank (Salt Lake City, UT), Ocala National Bank (Ocala, FL), and Suburban Federal Savings Bank (Crofton, MD) closed by regulators.

MagnetBank - On Friday January 30, the Utah Department of Financial Institutions closed MagnetBank and appointed the FDIC as receiver. MagnetBank carried a LACE rating of “E” for four consecutive quarters dating back to 4Q07. The FDIC was unable to find another financial institution to take over MagnetBank, and plans to payout the insured depositors by mailing checks this morning.

Ocala National Bank was closed by the Office of The Comptroller of the Currency (OCC) on January 30 and the FDIC was named as receiver. CenterState Bank of Florida (LACE Rating, “B”) acquired all of the deposits of Ocala National Bank as well as \$23.5 million of the institution’s assets. Ocala National Bank had been rated “E” for five consecutive quarters and appeared on LACE Financial’s *Institutions of Concern* list starting in December of 2007. Ocala National Bank’s four offices opened this morning under the CenterState Bank of Florida banner.

Suburban Federal Savings Bank, a thrift, was also closed by the Office of Thrift Supervision (OTS) on Friday, January 30 and the FDIC was named as receiver. The Bank of Essex (LACE rating, “B”) assumed all of the failed thrift’s deposits as well as \$348 million of its assets at a \$45 million discount. Suburban Federal Savings Bank’s seven branches opened on Saturday as branches of The Bank of Essex.

As shown by the chart below, all three institutions were closed due to their poor financial conditions.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	1Q08 LACE RATING	2Q08 LACE RATING	3Q08 LACE RATING
MagnetBank	Salt Lake City	UT	301	25.8	4.84	(9.7)	E	E	E
Ocala National Bank	Ocala	FL	236	20.0	3.49	(6.75)	E	E	E
Suburban Federal Savings Bank	Crofton	MD	354	13.7	1.33	(3.8)	E	E	E

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. These closures represent six banking failures this year and we anticipate numerous additional banking closures in 2009.

Ben Stewart – Senior Financial Analyst, LACE Financial Corporation



February 9, 2009

Alliance Bank (Culver City, CA), County Bank (Merced, CA), and FirstBank (McDonough, GA), closed by regulators on Friday February, 6.

Alliance Bank, with \$1.1 billion-in-assets, was closed by the California Department of Financial Institutions and the FDIC was appointed as receiver. Alliance Bank carried a LACE rating of “E” for three consecutive quarters dating back to the first quarter of 2008 and appeared on the Institutions of Concern list in the second and third quarters of 2008, primarily to extremely poor asset quality. This morning, Alliance Bank’s branches opened as branches of California Bank & Trust Company (LACE rating: “B-”). California Bank & Trust Company acquired all of Alliance Bank’s deposits and is expected to purchase \$1.12 billion of the failed bank’s assets at a \$9.9 million discount. Additionally, the FDIC and California Bank & Trust Company have agreed to share the losses on loans made by Alliance Bank.

County Bank, with \$1.7 billion-in-assets, was also closed by the California Department of Financial Institutions on Friday and the FDIC was named as receiver. Westamerica Bank in San Rafael CA (LACE Rating, “A”) acquired all of County Bank’s deposits and will share County Bank’s loan losses with the FDIC. According to the media, Westamerica will be responsible for covering 20% of the losses on the first \$269 million and 5% thereafter. The failed bank’s 39 locations opened this morning under the Westamerica Bank banner. County Bank had been rated “E” for three consecutive quarters due to deteriorating asset quality, negative earnings, and a declining capital position.

FirstBank Financial Services, with \$317 million-in-assets, was closed by the Georgia Department of Banking and Finance on Friday, February 6 and the FDIC was named as receiver. Regions Bank of Birmingham, AL (LACE rating, “B-”) assumed all of the failed bank’s deposits as well as \$17 million of its assets. FirstBank’s four offices opened this morning as branches of Regions Bank. FirstBank was rated “E” for four consecutive quarters due primarily to poor asset quality, negative earnings, and weakening capital.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	1Q08 LACE RATING	2Q08 LACE RATING	3Q08 LACE RATING
Alliance Bank	Culver City	CA	1,110	10.39	1.50	(5.87)	E	E	E
County Bank	Merced	CA	1,710	7.61	3.12	(5.61)	E	E	E
FirstBank Financial Services	McDonough	GA	317	34.33	2.31	(7.93)	E	E	E

4Q08 Financial Summary

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. These closures represent nine banking failures this year and we anticipate numerous additional banking closures in 2009.



February 17, 2009

Corn Belt Bank and Trust Company (Pittsfield, IL), Pinnacle Bank (Beaverton, OR), Riverside Bank of the Gulf Coast (Cape Coral, FL), and Sherman County Bank (Loup City, NE) closed by regulators on Friday, February 13.

Friday the thirteenth was indeed an unlucky day for domestic banks as regulators closed four more domestic banks. In total, thirteen banks have failed in 2009; by contrast, only one bank failed by this time last year. As has been stated in several previous releases, LACE Financial expects numerous additional banking failures throughout 2009.

Corn Belt Bank and Trust Company, with \$260 million-in-assets, was closed by the Illinois Department of Financial Regulation and the FDIC was appointed as receiver. At the time of failure, Corn Belt Bank and Trust Company's LACE rating was "E." This morning, Corn Belt Bank and Trust Company's two branches opened as branches of Carlinville National Bank (LACE rating: "B+"). Carlinville National Bank acquired all of Corn Belt Bank and Trust Company's deposits for a premium of 1.75% but did not assume the failed bank's brokered deposits. On December 31, 2008, the FDIC issued a cease and desist order against Corn Belt Bank and Trust Company, citing inadequate management and capital levels as well as hazardous lending and collection practices, in addition to other issues.

Pinnacle Bank, with \$72 million-in-assets, was closed by the Oregon Division of Finance and Corporate Securities on Friday and the FDIC was named as receiver. Pinnacle Bank had been rated "E" for five consecutive quarters due to deteriorating asset quality and negative earnings. Additionally, the bank's liquidity position declined after it had lost some of its brokered deposits, leading to a cash deficiency. Washington Trust Bank (LACE rating: "B+") assumed all of Pinnacle Bank's deposits, including brokered deposits and agreed to purchase \$72 million of the failed bank's assets at a discount of \$7.6 million. Pinnacle Bank's single branch opened for business this morning as a branch of Washington Trust Bank, which will share the losses on \$66 million of Pinnacle Bank's assets with the FDIC

Riverside Bank of the Gulf Coast, with \$524 million-in-assets, was closed by the Florida Office of Financial Regulation and the FDIC was appointed as receiver. Riverside, which had been rated "E" for four consecutive quarters, and appeared on LACE Financial's *Institutions of Concern* list twice, was closed due to its poor financial condition, including inadequate capital, negative earnings, and exceptionally poor asset quality. TIB Bank (LACE rating: C-) assumed all of Riverside's deposits, less its brokered deposits, for a 1.3% premium and will purchase a portion of the failed bank's assets. This morning, Riverside Bank of the Gulf Coast's nine offices opened as branches of TIB Bank.

Sherman County Bank, with \$135 million-in-assets, was closed by the Nebraska Department of Banking and Finance and the FDIC was named receiver. Heritage Bank (LACE rating: "B") assumed all of Sherman County Bank's deposits and will purchase \$21.8 million of its assets. Sherman County Bank's four branches opened this morning under the Heritage Branch banner. Sherman County Bank, which also conducted business under the name Howard County Bank, appeared to be in good financial health at the end of fourth quarter, posting a modest net income of \$297,000, and strong capital ratios. However, it appears to LACE analysts that the bank made loans to approximately thirty farmers who used the funds in

commodities trading. The Nebraska State Banking Commission stated that when grain prices fell sharply last fall, the farmers owed more than the value of the grain they had pledged on their contracts. It is LACE Financial's opinion that the bank should not have made a loan greater than 15% of its capital to any particular group of investors. LACE will follow this failure to determine the specifics of the bank's demise.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Ratio (%)	ROA (%)	1Q08 LACE RATING	2Q08 LACE RATING	3Q08 LACE RATING
Corn Belt B&TC	Pittsfield	IL	260.20	3.98	2.94	(7.02)	C+	B-	E
Pinnacle Bank	Beaverton	OR	71.92	12.52	7.97	(4.16)	E	E	E
Riverside Bank of the Gulf Coast	Cape Coral	FL	523.67	10.51	1.23	(9.40)	E	E	E
Sherman County Bank	Loup City	NE	135.43	0.56	8.96	0.22	C	C+	B-

4Q08 Financial Summary

Ben Stewart
Senior Financial Analyst
LACE Financial Corporation



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February 23, 2009

Silver Falls Bank (Silverton, OR), closed by regulators.

On Friday February 20, the Oregon Department of Consumer and Business Services closed Silver Falls Bank (\$134 million-in-assets) and appointed the FDIC as receiver. The bank carried a LACE rating of “E” for two consecutive quarters due mainly to extremely poor asset quality and negative earnings. Citizens Bank on Corvallis Oregon (LACE rating, “B”) assumed all of Silver Falls Bank’s deposits and agreed to purchase \$13 million of the failed bank’s assets. Silver Falls Bank’s three locations opened this morning as branches of Citizens Bank.

At the time of failure, the seven-year-old bank was in extremely poor financial condition with a large portfolio of nonperforming loans, especially construction and land development loans, and was significantly undercapitalized.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	1Q08 LACE RATING	2Q08 LACE RATING	3Q08 LACE RATING
Silver Falls Bank	Silverton	OR	134.21	26.57	2.05	(6.82)	D	E	E

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. This closure represents the fourteenth bank failure in 2009 and LACE Financial anticipates numerous additional banking closures throughout the year.

Ben Stewart
Senior Financial Analyst
LACE Financial Corporation



March 2, 2009

Heritage Community Bank, Glenwood, IL and Security Savings Bank, Henderson, NV closed by respective state regulators.

Heritage Community Bank - On Friday February 27, the Illinois Department of Financial Professional Regulation closed Heritage Community Bank and appointed the FDIC as receiver. The bank was LACE rated "E" since December 2007 and appeared on the LACE *Institutions of Concern List* since March 2008. Heritage Community Bank was closed due to a poor financial condition as evidenced by increasing levels of nonperforming assets (NPAs), poor earnings, and low capital (See table below for the bank's key financials). MB Financial Bank, N.A., Chicago, IL (LACE rating, "B-") assumed all of Heritage Community Bank's deposits. In addition, \$230.5 million of Heritage Community's assets were purchased at a \$14.5 million discount under a loss-share agreement between MB Financial and the FDIC. Heritage Community Bank's four offices opened on Saturday as branches of MB Financial Bank.

Security Savings Bank was also closed on February 27. The Nevada Financial Institutions Division closed the bank and appointed the FDIC as receiver. Security Savings Bank, LACE rated "E" since December 2007, appeared on the LACE *Institutions of Concern List* for three consecutive quarters dating back to March 2008. The bank was closed due to a continued poor financial condition as evidenced by: poor capital ratios, negative earnings, and deteriorating asset quality (see table below). Bank of Nevada, Las Vegas, NV (LACE Rating, "B-") assumed all of Security Savings Bank's deposits and \$111.3 million of the failed bank's assets. Security Savings Bank's two locations reopened this morning as branches of Bank of Nevada.

Name	City	State	Total Assets (\$Mil)	NPAs/ Assets (%)	Tier 1/ Assets (%)	ROA (%)	2Q08 LACE Rating	3Q08 LACE Rating
Heritage Community Bank	Glenwood	IL	235.2	14.1	2.58	(9.01)	E	E
Security Savings Bank	Henderson	NV	238.3	10.0	3.56	(11.96)	E	E

4Q08 Financial Summary

Industry Outlook

LACE Financial continues to maintain a negative outlook for the overall banking industry through 2009. These closures represent the 15th and 16th bank failures of the year with ten failures occurring in February, the most in any one month since December of 1992.

Caleb Mooney, Financial Analyst
LACE Financial Corporation



March 9, 2009

Freedom Bank of Georgia (Commerce, GA), closed by regulators.

On Friday March 6, Freedom Bank of Georgia became the seventeenth bank to fail in 2009. The Georgia Department of Banking and Finance seized the bank and appointed the FDIC as receiver. Freedom Bank of Georgia carried a LACE rating of “E” for the past four consecutive quarters and appeared on the *Institutions of Concern* list for three consecutive quarters largely due to increasingly high levels of nonperforming assets, concentrated in its construction and land development portfolio, as well negative earnings. Freedom Bank of Georgia’s four branches opened this morning as branches of Northeast Georgia Bank (LACE rating, “B-”). Northeast Georgia Bank assumed all of Freedom Bank of Georgia’s deposits and is expected to purchase most of the failed bank’s assets. Additionally, Northeast Georgia Bank and the FDIC have agreed to share the losses on \$96.5 million of Freedom Bank of Georgia’s assets. Receivership

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	1Q08 LACE RATING	2Q08 LACE RATING	3Q08 LACE RATING
Freedom Bank of Georgia	Commerce	GA	172.45	12.48	2.73	(5.19)	E	E	E

Industry Outlook

LACE Financial maintains a negative outlook for the overall domestic banking industry and expects numerous additional banking failures throughout 2009.

Ben Stewart
 Senior Financial Analyst
 LACE Financial Corporation



March 23, 2009

Colorado National Bank (Colorado Springs, CO), FirstCity Bank (Stockbridge, GA), and Teambank National Association (Paola, KS), closed by regulators on Friday, March 20.

Colorado National Bank, with approximately \$124 million-in-assets, was closed by the Office of the Comptroller of the Currency (OCC) due to “unsafe and unsound practices.” The FDIC was appointed as receiver of the failed bank. Colorado National Bank carried a LACE rating of “E” for four consecutive quarters dating back to the first quarter of 2008 and appeared on the fourth quarter *Institutions of Concern* list, primarily due to poor asset quality and negative earnings. Colorado National Bank’s four branches opened as branches of Herring Bank (3Q08 LACE rating: “B”), which acquired approximately \$117 million of the failed bank’s assets as well as all of its deposits.

FirstCity Bank, with \$297 million-in-assets, was closed by the Georgia Department of Banking and Finance on Friday and the FDIC was named as receiver. As the FDIC could not find an institution to acquire FirstCity, the FDIC will mail checks to the bank’s insured depositors this morning. It is estimated that approximately \$778,000 of FirstCity’s \$278 million-in-deposits was uninsured. FirstCity Bank carried a LACE rating of “E” for five consecutive quarters and appeared on the *Institutions of Concern* list for four of those quarters, largely due to a poorly performing construction, land, and land development loan portfolio and increasing losses. Additionally, FirstCity Bank’s liquidity was of concern as it’s brokered deposits comprised approximately 62% of total deposits.

Teambank N.A., with \$670 million-in-assets, was closed by the OCC on Friday, March 20 and the FDIC was named as receiver. Great Southern Bank (3Q08 LACE rating, “C-”) assumed all of the failed bank’s deposits and reopened Teambank’s 17 branches under the Great Southern Bank banner this morning. Teambank was rated “E” during the third and fourth quarter 2008 rating periods and appeared on the 4Q08 *Institutions of Concern* list due primarily to poor asset quality and negative earnings.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08 LACE RATING
Colorado National Bank	Colorado Springs	CO	123.5	13.15	5.5	(6.92)	E	E	E
FirstCity Bank	Stockbridge	GA	285.0	17.96	4.6	(2.57)	E	E	E
Teambank N.A.	Paola	KS	669.8	18.45	4.0	(5.02)	D	E	E

4Q08 Financial Summary

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. A total of twenty banks and thrifts have failed this year. LACE anticipates numerous additional banking closures in 2009.

Ben Stewart, Senior Financial Analyst



March 30, 2009

Omni National Bank (Atlanta, GA), closed by the OCC.

On Friday March 27, Omni National Bank became the twenty-first bank to fail in 2009. The Office of the Comptroller of the Currency (OCC) seized the bank and appointed the FDIC as receiver. Omni National Bank carried a LACE rating of “E” for the past six consecutive quarters and appeared on the *Institutions of Concern* list during that time. As of December 31st, Omni National Bank was undercapitalized and was suffering from extremely poor asset quality, with over \$180 million in delinquent loans in its portfolio, and had been posting steadily increasing losses since the end of 2007. Additionally, the bank had been operating under an OCC Cease and Desist Order since October 7, 2008. As a buyer could not be found for Omni National Bank, SunTrust Bank (LACE rating, “C-”) will operate Omni’s six branches through April 27, 2009 to allow its customers to form new banking relationships. Any insured deposits not withdrawn prior to April 27 will automatically be transferred to SunTrust.

CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08 LACE RATING
Atlanta	GA	979.6	18.3	3.0	(1.4)	E	E	E

Industry Outlook

LACE Financial maintains a negative outlook for the overall domestic banking industry and expects numerous additional banking failures throughout 2009.

Ben Stewart
 Senior Financial Analyst
 LACE Financial Corporation



April 13, 2009

Cape Fear Bank (Wilmington, NC) and New Frontier Bank (Greeley, CO) closed by regulators on Friday, April 10.

Cape Fear Bank, an institution with \$473 million-in-assets, was closed by the North Carolina Office of Commissioner of Banks and the FDIC was appointed as receiver of the failed bank. The failed institution had been operating under an FDIC cease and desist order, which mandated that Cape Fear strengthen its management, improve its capital ratios, and diversify its lending portfolio among other issues. First Federal Savings and Loan Association of Charleston, South Carolina (LACE rating: "B-") acquired all of Cape Fear Bank's deposits and will purchase \$468 million of its assets. Cape Fear's eight branches reopened this morning as branches of First Federal.

New Frontier Bank, with \$2.01 billion-in-assets, was ordered to be closed by the Banking Board of the Colorado Division of Banking and the FDIC was named as receiver. An acquiring institution could not be found for New Frontier Bank; as such, the FDIC created the Deposit Insurance National Bank of Greeley, which will operate for a period of thirty days to allow insured depositors time to open new banking accounts. Since December 2, 2008, New Frontier has been operating under an FDIC cease and desist order, which required the bank to raise its Tier 1 and total risk-based capital ratios and improve asset quality as well as several additional issues. New Frontier Bank suffered from poor asset quality, especially its construction and land development portfolio, which, according to the media, included a \$24 million golf course loan and a loan of approximately \$30 million to a bankrupt dairy. Additionally, the failed bank posted a \$14 million loss in the fourth quarter of 2008.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08 LACE RATING
Cape Fear Bank	Wilmington	NC	473.5	3.68	5.66	(1.13)	C+	C-	E
New Frontier Bank	Greeley	CO	2,009.3	7.82	7.70	(0.55)	E	E	E

4Q08 Financial Summary

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. A total of twenty-three banks and thrifts have failed this year. LACE anticipates numerous additional banking closures in 2009.

Ben Stewart, Senior Financial Analyst



April 20, 2009

Great Basin Bank of NV (Elko, NV) and American Sterling Bank (Sugar Creek, MO) closed by regulators on Friday, April 17.

Great Basin Bank of NV, an institution with \$264 million-in-assets, was closed by the Nevada Financial Institutions Division and the FDIC was appointed as receiver of the failed bank. The failed institution had been operating with large amounts of nonperforming assets (NPAs), low regulatory capital ratios, and negative earnings (see table below). Nevada State Bank of Las Vegas, NV (LACE rating: “E”) acquired all of Great Basin’s deposits and will purchase \$252.3 million of its assets with the remaining being held by the FDIC. Great Basin’s five offices reopened this morning as branches of Nevada State Bank.

American Sterling Bank, with \$181 million-in-assets, was ordered to be closed by the Office of Thrift Supervision and the FDIC was named as receiver. American Sterling recorded significant amounts of NPAs, mounting losses, and negative capital ratios (see table below). The bank had been operating under an OTS issued cease and desist order since August of 2008 citing “unsafe and unsound” banking practices. In addition, the OTS issued American Sterling a prompt corrective action in January, regarding the bank’s capital ratios.¹ American Sterling was nearly bought by The Phoenix Companies in January, but the deal fell through. Metcalf Bank of Lee’s Summit, MO (LACE rating: “B”) has agreed to purchase all of the failed banks deposits and \$173.6 million of its assets with the FDIC retaining the rest. American Sterling Bank branches reopened Saturday under the Metcalf Bank banner.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08 LACE RATING
Great Basin Bank of NV	Elko	NV	264.3	4.21	2.04	3.16	(4.24)	C-	E	E
American Sterling Bank	Sugar Creek	MO	181.3	10.38	6.84	(2.31)	(9.89)	E	E	E

4Q08 Financial Summary

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. A total of twenty-five banks and thrifts have failed this year. LACE anticipates numerous additional banking closures in 2009.

Caleb Mooney, Financial Analyst

¹ A prompt corrective action is another form of an enforcement action used by the OTS.



April 27, 2009

American Southern Bank (Kennesaw, GA), First Bank of Beverly Hills (Calabasas, CA), First Bank of Idaho, Federal Savings Bank (Ketchum, ID), and Michigan Heritage Bank (Farmington Hills, MI) closed by regulators on Friday, April 24.

American Southern Bank founded in late 2005, was only rated by LACE Financial for two quarters prior to its closure by the Georgia Department of Banking and Finance last Friday. The failed bank carried an “E” rating during that time. American Southern Bank posted losses for five consecutive quarters as well as steadily increasing amounts of nonperforming assets including a \$2 million addition to the bank’s commercial and industrial loans portfolio. The bank, which was operating under an FDIC cease and desist order since March 31 of this year, was reopened this morning by the Bank of North Georgia (LACE rating, E), which acquired all of the failed bank’s non-brokered deposits.

First Bank of Beverly Hills, an institution with approximately \$1.5 billion-in assets, was closed on Friday, April 24 by the California Department of Financial Institutions. As an acquiring bank was not found, the FDIC mailed checks for non-brokered insured deposits this morning. First Bank of Beverly Hills had been operating under an FDIC cease and desist order since February 13th, 2009. The order directed the bank to merge or sell itself and to increase its Tier 1 capital by \$70 million. In addition to its poor capital position, the failed bank posted a loss during the second two quarters of 2008, leading to an “E” rating during those two quarters.

First Bank of Idaho, Federal Savings Bank, a thrift with approximately \$492 million-in-assets, was closed by the Office of Thrift Supervision (OTS) due to poor asset quality and negative earnings. U.S. Bank (LACE rating, C-) acquired all of First Bank of Idaho’s non-brokered deposits and opened the failed bank’s three branches this morning as branches of U.S. Bank. First Bank of Idaho was operating under an OTS cease and desist order since April 6 of this year. The order cited concerns with capitalization, asset quality, loan loss reserves, and liquidity among other issues. The thrift was rated “E” at the time of failure.

Michigan Heritage Bank was also closed on Friday as a result of extremely poor capitalization and excessive amounts of nonperforming assets. On December 16, 2009, the \$180 million-in-assets bank was ordered by the Federal Reserve (Fed) to address its asset quality, capital, liquidity and earnings. Additionally, it has been reported that the Fed ordered Michigan Heritage Bank to merge with another bank or sell itself by April 15. Michigan Heritage Bank’s three branch offices were opened under the Level One Bank (LACE rating, NB) name this morning. Level One Bank assumed the failed bank’s deposits less its brokered deposits for a 1.16% premium.² Michigan Heritage Bank carried an “E” rating for five consecutive quarters.

² NB stands for “new bank.” LACE does not rate banks which have been in business for less than three years.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08 LACE RATING
American Southern Bank	Kennesaw	GA	110	14.48	7.40	8.38	(3.62)	NB	E	E
First Bank of Beverly Hills	Calabasas	CA	1,491	4.25	3.37	5.17	(6.39)	C	E	E
First Bank of Idaho, FSB	Ketchum	ID	492	5.69	8.42	9.02	(0.28)	B-	D	E
Michigan Heritage Bank	Farmington Hills	MI	180	7.31	1.61	1.91	(4.74)	E	E	E

4Q08 Financial Summary

Industry Outlook

To date, regulators have closed a total of twenty-nine banks and thrifts, surpassing 2008's total of twenty-five. LACE Financial expects that this trend will continue throughout the year as banks continue to cope with earnings pressures, funding constraints, and deteriorating asset quality.

Ben Stewart
Senior Financial Analyst



May 4, 2009

America West Bank (Layton, UT), Citizens Community Bank (Ridgewood, NJ), and Silverton Bank, National Association (Atlanta, GA) closed by regulators on Friday, May 1.

Silverton Bank, National Association, a former bankers' bank with approximately \$3.2 billion-in-assets was closed on May 1 by the Office of the Comptroller of the Currency. Silverton Bank did not take deposits from the general public or make loans to individuals; instead, Silverton serviced 1,400 banks throughout the country. Due to Silverton Bank's importance to the banking system, rather than allow the bank to simply close, the FDIC created a bridge bank, Silverton Bridge Bank, National Association, to service the failed bank's client banks until a buyer can be located. Silverton Bank posted negative earnings in the third and fourth quarters of 2008, and the failed bank's asset quality deteriorated significantly in 2008 as its nonperforming assets increased by 377 percent from the year-ago period. Silverton Bank carried a LACE rating of "E" for three consecutive quarters.

America West Bank, with approximately \$299 million-in-assets, was closed by the Utah Department of Financial Institutions on Friday and the FDIC was named as receiver. The failed bank, which had been operating under an FDIC cease and desist order since September 9, 2008, carried a LACE rating of "E" for four consecutive quarters due to extremely poor asset quality, declining earnings, and deteriorating capital ratios. Cache Valley Bank in Logan, Utah (LACE rating: "A") assumed all of the failed bank's deposits and reopened America West's three branches this morning.

Citizens Community Bank, with approximately \$44 million-in-assets, was closed on Friday by the New Jersey Department of Banking and Insurance, which named the FDIC as receiver. Citizens Community Bank carried an "E" rating since December 2007 and has been operating under an FDIC cease and desist order since September 15 of 2008. At the time of failure, Citizens Community Bank was critically undercapitalized with a Tier 1 capital ratio of 0.38%. By way of comparison, a bank must have a Tier 1 capital ratio of at least 4% to be considered adequately capitalized by regulatory standards. Additionally, the failed bank posted a \$1 million loss in the fourth quarter and ranked in the bottom percentile of its peers in terms of asset quality and liquidity. New Jersey Community Bank in Freehold, New Jersey (LACE rating: NB)³ assumed all of the failed bank's deposits and opened Citizens Community Bank's single office as a branch of New Jersey Community Bank this morning.

³ "NB" stands for new bank. LACE Financial does not rate banks which have been in operation for fewer than three years or reaches at least \$100 million-in-assets.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08 LACE RATING
America West Bank	Layton	UT	299.4	21.31	4.20	5.75	(3.58)	E	E	E
Citizens Community Bank	Ridgewood	NJ	44.3	15.13	0.27	0.38	(6.10)	E	E	E
Silverton Bank	Atlanta	GA	3,155.3	7.69	6.78	8.57	(1.00)	E	E	E

4Q08 Financial Summary

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. A total of thirty-two banks and thrifts have failed this year. LACE anticipates numerous additional banking closures in 2009.

Ben Stewart
Senior Financial Analyst



May 11, 2009

Westsound Bank (Bremerton, WA) closed by regulators.

On Friday May 8, the Washington Department of Financial Institutions closed Westsound Bank (\$334.6 million-in-assets) and appointed the FDIC as receiver. The bank carried a LACE rating of “E” for four consecutive quarters and appeared on the LACE *Institutions of Concern List* since June 2008 due mainly to extremely poor asset quality and negative earnings. Westsound Bank’s nonperforming assets (NPAs) have been on the rise due to problems in their construction real estate portfolio, which totaled 55% of the institution’s NPAs as of March 31, 2009. Additionally, the bank has been unable to produce an income, losing nearly \$31 million in 2008 and \$4.3 million in the first quarter of 2009. The failed institution has been operating under an FDIC enforcement action since March 10, 2008 citing large quantities of poor quality loans, inadequate loan valuation reserve, less than satisfactory capital, and inadequate supervision by the board of directors. In addition, the bank’s holding company, WSB Financial Group, Inc., entered into a written agreement with the Federal Reserve on April 23, 2008.

Kitsap Bank of Port Orchard, WA (LACE rating, “B-”) assumed all of Westsound Bank’s non-brokered deposits and agreed to purchase \$49.3 million of the failed bank’s assets. Westsound Bank’s nine locations opened this morning as branches of Kitsap Bank.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08 LACE RATING
Westsound Bank	Bremerton	WA	334.6	38.21	8.02	(5.16)	E	E	E

Financials as of 3/31/09

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. This closure represents the thirty-third bank failure in 2009 and LACE Financial anticipates numerous additional banking closures throughout the year.

Caleb Mooney
 Financial Analyst
 LACE Financial Corporation



May 22, 2009

Florida's Largest Bank, BankUnited, FSB (Coral Gables, FL), closed by regulators.

On Thursday May 21, the OTS closed BankUnited, FSB (\$13.1 billion-in-assets) and appointed the FDIC as receiver. The thrift carried an "E" rating for five consecutive quarters and appeared on the LACE *Institutions of Concern List* since the September 2008 rating period, largely due to poor asset quality, continued negative earnings, and low capital. The thrift's loan portfolio, consisted of 77% of mortgage loans, continued to deteriorate as nonperforming assets comprised 12.44% of total assets, compared to 9.95% in the previous quarter. BankUnited posted a net loss of \$403 million in 1Q09, the thrift's sixth consecutive quarterly net loss, resulting in an annualized ROA of (12.26%). Due to the continued losses, BankUnited's total equity position fell to (\$477.5) million, resulting in a Tier 1-to-risk-weighted assets ratio of (5.49%), down from 2.31% in the previous period. In addition, BankUnited and its holding company, BankUnited Financial Corporation, entered into Cease & Desist Orders with the Office of Thrift Supervision (OTS) on September 19, 2008. Due to continued deterioration in the thrift's financial condition, the OTS issued BankUnited a Prompt Corrective Action Directive on April 14, 2009 requiring recapitalization by merger, acquisition, or sale.

BankUnited, a newly chartered federal savings bank, assumed all of the failed thrift's non-brokered deposits and \$12.7 billion of assets, with \$10.7 billion covered under a loss-share agreement with the FDIC. In addition, the newly chartered thrift will add \$900 million in capital to the institution. The failed institution's 86 locations opened this morning under the newly chartered BankUnited banner.

Name	City	State	Total Assets (\$Bil)	Total Equity (\$Mil)	NPAs/ Assets (%)	Capital/ Assets (%)	Tier 1/ Assets (%)	ROA (%)	3Q08 LACE Rating	4Q08 LACE Rating	1Q09 LACE Rating
BankUnited, FSB	Coral Gables	FL	13.1	(477.5)	12.44	(3.63)	(5.49)	(12.26)	E	E	E

Financials as of 3/31/09

Industry Outlook

LACE Financial maintains a negative outlook for the overall banking industry. This closure represents the thirty-fourth bank failure in 2009 and LACE Financial anticipates numerous additional banking closures throughout the year.

Caleb Mooney
 Financial Analyst
 LACE Financial Corporation



May 26, 2009

Citizens National Bank (Macomb, IL) and Strategic Capital Bank (Champaign, IL) closed by regulators on Friday, May 22, representing the thirty-fifth and thirty-sixth bank and thrift failures in 2009.

Citizens National Bank, with assets totaling approximately \$439 million as of March 31, 2009, was shuttered by the Office of the Comptroller of the Currency (OCC) last Friday due to the bank's poor financial condition. As of the end of the first quarter, Citizens National Bank was significantly undercapitalized by regulatory standards as its leverage capital ratio amounted to just 2.21% and its total capital-to-risk weighted capital ratio stood at 4.55%. Additionally, the bank posted a loss of \$4.3 million in the first quarter. Morton Community Bank (LACE rating, "B") assumed all of the failed bank's non-brokered deposits and reopened Citizens National Bank's seven branches on Saturday morning.

Strategic Capital Bank, an institution with \$547 million-in-assets, was closed by the Illinois Department of Financial and Professional Regulation, Division of Banking on Friday. The failed bank had been operating under an FDIC Cease and Desist Order issued in August of 2008 and amended in December of 2008. The Order cited, among other issues, Strategic Capital's high concentration of brokered deposits, inadequate risk diversification, and inadequate capital. Midland States Bank (LACE rating, "B") assumed all of Strategic Capital's deposits and is expected to purchase \$536 million of its assets. Strategic Capital Bank's single office reopened this morning as a branch of Midland States Bank.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08* LACE RATING
Citizens National Bank	Macomb	IL	438.6	4.30	2.21	3.41	(3.93)	C-	E	E
Strategic Capital Bank	Champaign	IL	546.6	6.91	3.47	4.48	1.18	D	E	E

1Q09 Financial Summary – *1Q09 ratings to be published within the next few weeks.

Ben Stewart
Senior Financial Analyst



LACE
Financial Corp.

June 8, 2009

Bank of Lincolnwood (Lincolnwood, IL), becomes the thirty-seventh bank to fail in 2009.

Bank of Lincolnwood, a bank with approximately \$218 million-in-assets as of the end of March, was closed on Friday by the Illinois Department of Financial and Professional Regulation, Division of Banking. Bank of Lincolnwood was critically undercapitalized at the time of failure and had been operating under an FDIC Cease and Desist order since April 21st of this year. The order cited numerous issues with Bank of Lincolnwood, including inadequate liquidity, hazardous lending practices, and detrimental management policies and ordered the bank to improve its capitalization within ninety days. Additionally, in the first quarter, the bank suffered from extremely poor asset quality with approximately \$38 million in nonperforming assets, and posted a \$13 million net loss as of March 31. Due to its poor financial condition, Bank of Lincolnwood has been rated, “E” for five consecutive quarters.

Bank of Lincolnwood’s two offices opened on Saturday as branches of Republic Bank of Chicago (LACE Rating, “D”), which acquired all of the failed bank’s deposits and agreed to purchase the majority of Bank of Lincolnwood’s assets.

NAME	CITY	State	Total Assets (\$mil)	NPAs/Assets (%)	Leverage Capital (%)	Tier 1/Asset (%)	ROA (%)	2Q08 LACE RATING	3Q08 LACE RATING	4Q08* LACE RATING
Bank of Lincolnwood	Lincolnwood	IL	212.7	17.87	1.16	1.33	(24.45)	E	E	E

1Q09 Financial Summary – *1Q09 domestic bank ratings to be published within the next few weeks.

Ben Stewart
Senior Financial Analyst



June 22, 2009

Cooperative Bank, First National Bank of Anthony, and Southern Community Bank failures mark forty bank failures in 2009.

Cooperative Bank (Wilmington, NC) was shut down last Friday, June 19, by the North Carolina Office of Commissioner of Banks and First Bank in Troy North Carolina (LACE Rating, “B”) assumed all of the failed bank’s non-brokered deposits. Cooperative Bank had been operating under an FDIC Cease and Desist order since March 12 of this year. The Order required Cooperative Bank to improve management, restore capital, address liquidity issues, and improve in several additional areas. As of the end of the first quarter of 2009, Cooperative Bank’s capital declined by 39 percent and the bank’s asset quality continued to decline with a 19 percent increase in nonperforming assets (NPAs). Additionally, the bank was under-capitalized by regulatory standards and ranked in the bottom percentile of similarly sized banks in terms of capital adequacy. Cooperative Bank’s twenty-four offices reopened this morning as branches of First Bank.

First National Bank of Anthony (Anthony, KS) was seized by the FDIC on Friday as a result of its poor financial condition. The failed bank, which was critically undercapitalized as of the end of March, lost \$5.1 million in the first quarter and suffered a 44 percent increase in NPAs during the same time period. Additionally, First National Bank of Anthony was issued a Consent Order by the Office of the Comptroller of the Currency (OCC) stipulating that the bank form a compliance committee, address its capital shortcomings, and “hire and ensure competent management” among other concerns. In order to protect the failed bank’s depositors, Bank of Kansas (LACE Rating, “A”) assumed all of First National Bank of Anthony’s deposits and reopened its six branches on Saturday.

Southern Community Bank, which was operating under an FDIC Cease and Desist order, was closed by the Georgia Department of Banking and Finance last Friday. The Cease and Desist order, cited, among other issues, “hazardous loan underwriting and administration practices” and “operating in apparent violation of laws, regulations, and/or statements of policy.” The bank reported dangerous concentrations of nonperforming assets throughout 2008 and into 2009 and only had reserves for loan and lease losses available to cover five percent of those NPAs at the end of March 2009. Additionally, the failed bank posted net losses for six consecutive quarters and had been ranked in the bottom percentile of its peers in terms of capital adequacy. United Community Bank (LACE Rating, “D”), in Blairsville, Georgia, acquired all of Southern Community Bank’s deposits and agreed to purchase \$364 million of the failed bank’s assets. Southern Community Bank’s five branches opened for business Saturday morning as branches of United Community Bank.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	3Q08 LACE Rating	4Q08 LACE Rating	1Q09 LACE Rating
Cooperative Bank	Wilmington	NC	966.8	10.2	3.7	4.8	0.48	D	E	E
First National Bank of Anthony	Anthony	KS	157.0	10.1	1.6	2.0	(12.31)	E	E	E
Southern Community Bank	Fayetteville	GA	371.7	25.6	3.5	4.9	(4.65)	E	E	E

Ben Stewart
Senior Financial Analyst



June 29, 2009

Five banks failed on Friday, June 26 – the largest number closed in a single day since 1992.

Community Bank of West Georgia (Villa Rica, GA) was taken into receivership last Friday after being closed by the Georgia Department of Banking and Finance. While the bank was not operating under any enforcement action at the time of failure, it was in extremely poor financial condition. The failed bank was undercapitalized with a 3.58 percent Tier 1 capital-to-leverage assets ratio, ranking the institution in the bottom percentile among its peers in terms of capital adequacy. Compounding this issue was five consecutive quarters of net losses, ultimately resulting in a return on assets of negative 6.57 percent at the end of the first quarter of 2009. As a result of these and other factors, *Community Bank of West Georgia* appeared on LACE *Institutions of Concern* lists for the last three consecutive quarters. As the FDIC was unable to find an acquiring institution for *Community Bank of West Georgia*, depositors will receive checks for the insured portion of their deposits in the mail.

Horizon Bank (Pine City, MN) was closed by the Minnesota Department of Commerce and the FDIC was appointed as receiver. On January 6 of this year, *Horizon Bank* was issued a Cease and Desist order by the FDIC for inadequate capital, liquidity, and allowances for loan and lease losses and for operating with “excessive levels of adversely classified loans or assets.” The failed bank carried an “E” rating for eight consecutive quarters and has appeared on the *Institutions of Concern* list since the second quarter of 2007 due to the above issues as well as consistently posting net losses since the second quarter of 2008. *Stearns Bank, National Association* (LACE Rating, “C”), in St. Cloud Minnesota, assumed all of the failed bank’s deposits and reopened its two branches under the *Stearns Bank* name on Saturday morning.

MetroPacific Bank (Irvine, CA), which had been operating under an FDIC Cease and Desist order for exactly one year, was closed by the California Department of Financial Institutions on Friday and all of its non-brokered deposits were assumed by *Sunwest Bank* (LACE Rating, “B-”). *MetroPacific* suffered from perpetually negative earnings, inadequate capitalization, exceptionally poor asset quality, and below average liquidity. As a result, the failed bank carried a rating of “E” since March 2008, when LACE began rating *MetroPacific Bank*. The failed bank’s sole location opened as a branch of *Sunwest Bank* this morning and the transition is not anticipated to impinge on *MetroPacific*’s customers’ banking relationships.

Mirae Bank (Las Angeles, CA), the largest bank to fail on Friday, with \$481 million-in-assets, was also shuttered by the California Department of Financial Institutions last week. The failed bank had been issued an FDIC Cease and Desist order in late April of this year ordering the *Mirae Bank* to increase its Tier 1 capital and to reduce “its reliance on volatile funding sources” such as brokered deposits. At the time of failure, *Mirae Bank*’s leverage capital stood at just

3.12 percent, ranking it in the lowest percentile of similarly sized banks in terms of capital adequacy. Additionally, the bank suffered from poor liquidity and consistently negative earnings since the fourth quarter of 2008. Wilshire State Bank (LACE Rating, “B”) agreed to purchase approximately \$449 million of the failed bank’s assets and to assume all of its deposits. As such, Mirae Bank’s five branches opened this morning under the Wilshire State Bank banner.

Neighborhood Community Bank (Newnan, GA), like Community Bank of West Georgia, was not subject to any enforcement actions prior to its closure. However, the bank had been in poor financial condition throughout 2008 and earlier, carrying a LACE Rating of “E” during that time. The failed bank held a large portfolio of nonperforming assets, with a concentration in risky construction, land, and land development loans. At the time of failure, Neighborhood Community Bank was classified as significantly undercapitalized by regulatory standards with a Tier 1 capital ratio of 2.79 percent and a leverage capital ratio of 2.25 percent. Additionally, Neighborhood Community Bank posted a net loss for six consecutive quarters, dating back to the fourth quarter of 2007. CharterBank (LACE Rating, “C+”), a thrift based in West Point Georgia assumed all of Neighborhood Community Bank’s deposits and reopened its four offices as CharterBank branches on Saturday morning.

Outlook

The most recent round of banking failures increases the year’s total to 45, almost double the 25 failures in 2008. LACE Financial expects this trend to continue throughout 2009 and into 2010 before the banking industry begins to stabilize.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	3Q08 LACE Rating	4Q08 LACE Rating	1Q09 LACE Rating
Community Bank of West Georgia	Villa Rica	GA	201.2	19.1	3.58	4.61	(6.57)	E	E	E
Horizon Bank	Pine City	MN	84.76	13.21	1.10	1.50	(16.34)	E	E	E
MetroPacific Bank	Irvine	CA	75.32	15.71	3.51	4.08	(13.09)	E	E	E
Mirae Bank	Las Angeles	CA	480.62	6.30	3.12	4.23	(6.13)	D	D	E
Neighborhood Community Bank	Newnan	GA	212.62	22.27	2.25	2.79	(6.06)	E	E	E

Ben Stewart
Senior Financial Analyst



July 6, 2009

Seven banks failed on Thursday, July 2 increasing the year's total failures to 52.

Last week, six of the seven bank failures occurred in Illinois, earning the state the dubious designation of the highest number of bank failures in 2009 with twelve closures.

Founders Bank (Worth, IL), with \$966 million-in-assets and eleven branches, was the largest bank to fail on July 2. Founders Bank carried a LACE Rating of "E" for five consecutive quarters before failing last Thursday. This bank, as well as the other five Illinois banks to fail last week, was reportedly controlled by The Campbell Group – a privately owned investment group. As of March 31, Founders Bank reported \$84.8 million in nonperforming assets, largely in various segments of its real estate loan portfolio, as well as a net annualized loss of \$28.5 million. The failed bank's low capital levels ranked it among the bottom percentile of its peers in terms of capital adequacy. All of Founders Bank's deposits were assumed by The PrivateBank & Trust Company (LACE Rating, "B-").

First National Bank of Danville (Danville, IL), suffered from inadequate capital and high levels of nonperforming assets. The bank's nonperforming assets were concentrated in its commercial and industrial loan portfolio and its non-farm, non-residential real estate portfolio in addition to \$2.8 million in nonperforming debt securities. Furthermore, the failed bank posted a net loss of \$7.4 million in the first quarter, resulting in an annualized ROA of (16.98%). First National Bank of Danville's deposits and its seven branches were assumed by First Financial Bank, NA (LACE Rating, "B"). First National Bank of Danville was rated "E" in the fourth quarter of 2008 and at the time of failure.

Rock River Bank (Oregon, IL), which carried a LACE Rating of "E" for two consecutive quarters, posted a net loss of \$4.8 million in the first quarter of 2009, as compared to a net income of \$282,000 in the first quarter of 2008. This loss, coupled with a 77% increase in nonperforming assets and an 89% decrease in equity capital as compared to the previous quarter, earned Rock River Bank an "E" rating in the first quarter of 2009. Harvard State Bank (LACE Rating "B-") acquired all of Rock River Bank's deposits and agreed to purchase approximately \$73 million of the failed bank's total assets. Rock River Bank's four branches opened this morning as branches of Harvard State Bank.

John Warner Bank (Clinton, IL) a \$71 million-in-assets bank with total equity capital of just \$2.6 million posted capital ratios ranging from (2.55%) to (3.00%) in the first quarter of this year. Additionally, the bank reported a net loss of \$5.7 million at the end of March, compared to a net profit of \$98,000 in the year-ago period. Asset quality was also a concern as John Warner Bank reported total nonperforming assets of \$6.5 million, a 22% increase from the previous quarter.

State Bank of Lincoln (LACE Rating, “B+”) acquired all of the failed bank’s deposits and reopened its three branches under the State Bank of Lincoln banner last Friday. John Warner Bank was rated “E” in the fourth quarter of 2008 and at the time of failure.

Elizabeth State Bank (Elizabeth, IL), a relatively small bank with approximately \$59 million-in-assets was closed by the Illinois Department of Financial and Professional Regulation, Division of Banking on Thursday evening. While the bank had not been operating under any publicly announced regulatory actions, it was significantly undercapitalized by regulatory standards and suffered from excessive nonperforming assets, concentrated in debt securities, as of the end of the first quarter of 2009. Galena State Bank & Trust Bank (LACE Rating, “C+”) assumed all of Elizabeth State Bank’s deposits and reopened the failed bank’s two branches under the Galena State Bank name this morning. Elizabeth State Bank carried a LACE Rating of “E” for four consecutive quarters.

First State Bank of Winchester (Winchester, IL) was the smallest bank to fail on July 2 with assets totaling just \$33 million and two branch offices. The bank posted a \$2.5 million net loss in the first quarter and reported negative capital ratios during the same time period due to a severe deterioration in equity. The First National Bank of Beardstown (LACE Rating, “A”) assumed all of First State Bank of Winchester’s deposits. At the time of failure, First State Bank of Winchester had been rated “E” for two consecutive quarters.

Millennium State Bank of Texas (Dallas, TX), was the only bank not affiliated with The Campbell Group to fail on July 2. Last Thursday, the Texas Department of Banking seized Millennium State Bank of Texas and appointed the FDIC as receiver. The bank had been rated “E” since the end of 2008 and was operating under an FDIC Cease and Desist order issued on May 19 of this year. The order required, among other things, that the bank increase its Tier 1 capital by \$3.3 million, decrease its nonperforming assets, and submit plans for improving its earnings and liquidity position. As a result of the above issues, Millennium State bank of Texas carried a LACE Rating of “E” in the fourth quarter of 2008 and the first quarter of 2009. The State Bank of Texas (LACE Rating, “E”) acquired all of the failed bank’s deposits and reopened its single office as a branch of State Bank of Texas this morning.

Outlook

The most recent round of banking failures increases the year’s total to 52, more than twice the number of failures in 2008. LACE Financial expects this trend to continue throughout 2009 and into 2010 before the banking industry begins to stabilize. Additionally, LACE Financial is concerned with The Campbell Group’s three remaining banks, Peotone Bank & Trust Company, First National Bank of Gilman, and Legacy Bank (Scottsdale, AZ), all of which are undercapitalized and rated “E”.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	3Q08 LACE Rating	4Q08 LACE Rating	1Q09 LACE Rating
Founders Bank	Worth	IL	966.46	8.80	2.97	3.41	(11.81)	E	E	E

First National Bank of Danville	Danville	IL	164.72	9.96	3.02	3.39	(16.98)	B-	E	E
Rock River Bank	Oregon	IL	77.04	10.04	0.86	0.87	(23.56)	B-	E	E
John Warner Bank	Clinton	IL	71.13	8.42	2.55	3.00	(29.38)	B+	E	E
Elizabeth State Bank	Elizabeth	IL	58.72	4.87	2.45	2.16	(0.30)	E	E	E
First State Bank of Winchester	Winchester	IL	32.98	2.87	(1.39)	(1.54)	(27.67)	C+	E	E
Millennium State Bank of Texas	Dallas	TX	126.72	5.08	3.15	4.41	(9.29)	C	E	E

Ben Stewart
Senior Financial Analyst



LACE
Financial Corp.

July 13, 2009

Fifty-Third Bank Fails in 2009

Bank of Wyoming (Thermopolis, WY), a small bank with a single branch and assets totaling \$70 million at the time of failure, was closed last Friday by the State of Wyoming's Division of Banking. The bank has been rated "E" for four consecutive quarters and was issued a cease and desist order by the FDIC in mid-October 2008. In addition to other issues, the order cites concerns with Bank of Wyoming's capital and liquidity positions, poor quality loans, "unsatisfactory lending and collection practices", and violations of numerous FDIC rules and regulations. In addition, the failed bank posted a net loss for the past four consecutive quarters. Central Bank and Trust (LACE Rating, "A") in Lander Wyoming has acquired all of Bank of Wyoming's deposits and has agreed to purchase approximately \$55 million of its assets.

1Q09 Financial Summary

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	3Q08 LACE Rating	4Q08 LACE Rating	1Q09 LACE Rating
Bank of Wyoming	Thermopolis	WY	94.60	18.19	4.05	18.19	(10.93)	E	E	E

Ben Stewart
Senior Financial Analyst



July 20, 2009

Four Bank Failures Reported by the FDIC on Friday, July 17.

Vineyard Bank, NA (Rancho Cucamonga, CA), with total assets of approximately \$1.9 billion was closed by the Office of the Comptroller of the Currency (OCC) last Friday due to the bank's poor financial condition as evidenced by its five consecutive "E" LACE Ratings. The failed bank has been operating under an OCC cease and desist order since July 2008. This order required Vineyard Bank to assemble a compliance committee, hire a new President/CEO and Chief Credit Officer, increase and maintain its capital ratios, address security shortcomings in its information technology system, and improve its liquidity position in addition to numerous asset quality issues. California Bank & Trust (LACE Rating, "C+") acquired all of Vineyard Bank's deposits, excluding its brokered deposits, which comprised 11.4% of total deposits. Vineyard Bank's sixteen branch offices were reopened under the California Bank & Trust Company banner this morning.

On Friday, July 17, the California Department of Financial Institutions closed **Temecula Valley Bank** (Temecula, CA) and appointed the FDIC as receiver. Temecula Valley Bank, which carried a LACE Rating of "E" for three consecutive quarters and ranked in the 4th percentile of its peers in terms of liquidity, has been struggling with increasing nonperforming loans over the past year. This is particularly apparent in the bank's nonperforming construction and land development portfolio, which more than doubled, in the first quarter of 2009. Additionally, the failed bank posted a net loss for three consecutive quarters and consistently weakening equity capital levels since the second quarter of 2008, culminating in a 55% decline in equity capital in the first quarter of 2009. In February of this year, Temecula Valley Bank was issued a cease and desist order by the FDIC requiring the bank to address concerns with its management, capital adequacy, loan quality, and earnings, in addition to several other topics. First-Citizens Bank & Trust Company in Raleigh, NC (LACE Rating, "A") acquired all of the failed bank's deposits except those owned by brokers, and reopened Temecula Valley Bank's eleven locations as branches of First-Citizens Bank & Trust Company this morning.

BankFirst (Sioux Falls, SD) was also among the most recent round of banking casualties as the South Dakota Division of Banking shuttered the bank on Friday. BankFirst, which carried a LACE Rating of "E" for seven consecutive quarters, largely due to five quarters of losses and consistently deteriorating asset quality, was operating under a prompt corrective action issued by the Federal Reserve stating that the bank was significantly undercapitalized as of April 20, 2009 and must raise capital or be sold or merged with another banking institution by July 15. Alerus Financial, NA (LACE Rating "B+") assumed all of BankFirst's deposits – which contained no brokered deposits – and reopened the failed bank's two offices as branches of Alerus Financial this morning.

First Piedmont Bank (Winder, GA), the smallest bank to fail last week with \$124 million-in assets and two branches was closed by the Georgia Department of Banking and Finance on Friday. The bank, which was rated “E” for six consecutive quarters, was not operating under any known enforcement actions but was suffering from weak liquidity, extremely poor asset quality, and negative earnings throughout 2008 and into 2009, as well as being undercapitalized at the time of failure. First American Bank and Trust Company (LACE Rating, “B”) assumed all of the failed banks deposits.

1Q09 Financial Summary

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	3Q08 LACE Rating	4Q08 LACE Rating	1Q09 LACE Rating
Vineyard Bank, NA	Rancho Cucamonga	CA	1,855.83	20.91	3.49	4.16	(12.93)	E	E	E
Temecula Valley Bank	Temecula	CA	1,492.41	11.54	3.99	4.16	(9.23)	E	E	E
BankFirst	Sioux Falls	SD	277.67	41.91	5.90	7.25	(19.86)	E	E	E
First Piedmont Bank	Winder	GA	124.09	25.17	4.16	5.01	(2.19)	E	E	E

Ben Stewart
Senior Financial Analyst



July 27, 2009

Security Bank Corporation's Six Banking Subsidiaries and Waterford Village Bank Closed by the FDIC on Friday, July 24 leading to sixty-four failures in 2009.

Security Bank Corporation, a \$2.8 billion-in-assets bank holding company with six subsidiary banks, entered into a Written Agreement with the Federal Reserve on May 12, 2009 pertaining to the holding company and its subsidiary banks listed below. The agreement required, among other things, that the company to submit a risk management plan within a period of sixty days and forbade the payment of dividends or the repurchase of stock without regulatory approval. Additionally, the written agreement stipulated that a capital maintenance plan be submitted to address the holding company as well as each individual bank. The six banks' combined twenty branches reopened Saturday morning as branches of State Bank and Trust Company – a relatively new bank established in late 2005 in Pinehurst, Georgia (LACE Rating, "B").

Security Bank of Bibb County with \$1.2 billion-in-assets was by far the largest of Security Bank Corporation's subsidiary banks and carried a LACE Rating of "E" for five consecutive quarters prior to its failure last Friday. At the end of the first quarter, Security Bank of Bibb County was adequately capitalized by regulatory standards with a leverage capital ratio of 4.48% and a Tier 1 capital ratio of 5.59%, however the bank ranked in the second percentile of its peer group in terms of capital adequacy. Additionally, Security Bank of Bibb County posted a net loss for five consecutive quarters and experienced a 40% spike in its nonperforming assets in the fourth quarter of 2008, which increased further in the first quarter of 2009.

Security Bank of Houston County posted a 57% increase in its nonperforming assets in the first quarter of 2009. This included a \$5.5 million increase in nonperforming construction, land, and land development loans and a \$3.1 million increase in real estate loans secured by non-residential and non-farm properties. The bank was technically well capitalized with Tier 1 capital and leverage capital ratios of 8.77% and 5.10% but still ranked in the bottom first percentile of similarly sized banks in terms of capital adequacy. Additionally, Security Bank of Houston County posted cumulative net losses for the past five quarters.

Security Bank of Jones County, like its above-mentioned sister banks, struggled with deteriorating asset quality throughout 2008 and into 2009 as the quality of its real estate lending portfolio softened. As a result of its asset quality, below average capital levels as compared to the bank's peers, and negative earnings in the last three quarters of 2008, Security Bank of Jones County has been rated "E" by LACE Financial for four consecutive quarters.

Security Bank of Gwinnett County was suffering from poor liquidity, extremely high concentrations of nonperforming assets, undercapitalization, and continued losses at the time of

failure. As a result, the bank carried a LACE Rating of “E” for six consecutive quarters. As of the end of the first quarter of 2009, the bank was critically undercapitalized with a Tier 1 and leverage capital ratio of 1.50% and 1.12%, respectively. As a point of reference, a bank must have a Tier 1 capital ratio greater than or equal to 6% and a leverage capital ratio of at least 5% to be classified as well capitalized. Similarly, at the end of March, Security Bank of Gwinnett County held \$64.8 million in nonperforming construction, land, and land development loans.

Security Bank of North Metro, a relatively small bank with \$224 million-in assets, was critically undercapitalized as of March 31, 2009 and has not posted a profit since the first quarter of 2008. The bank ranked in the bottom percentile of similarly sized institutions in terms of capital adequacy. Additionally, Security Bank of North Metro’s nonperforming assets-to-equity plus reserves ratio consistently ranked the bank at or near the bottom percentile of its peer group in terms of asset quality since 2007. Because of its extremely poor financial condition, Security Bank of North Metro carried a LACE Rating of “E” for 9 consecutive quarters and appeared on LACE Financial’s *Institutions of Concern* list for the past three quarters.

Security Bank of North Fulton was saddled with a \$5.3 million increase in nonperforming real estate loans secured by non-residential and non-farm properties at the end of the first quarter of this year. This increase coupled with a 25% decrease in equity capital overshadowed Security Bank of North Fulton’s first quarter return to profitability after four quarters of losses in 2008. Because of its poor asset quality and below average earnings, the bank was rated “E” for five consecutive quarters.

Waterford Village Bank, a de novo bank incorporated in December 2006 in Williamsville, New York, was the only bank failure last week that was unrelated to Security Bank Corporation. As is the case with most new banks, Waterford Village Bank had not posted a profit during its two and a half year existence and did not have any nonperforming assets prior to the first quarter of this year. However, while new banks often post exceptionally high regulatory capital levels, Waterford Village Bank’s capital ratios declined dramatically between the second and third quarters of 2009, around the time of the dismissal of Waterford Village Bank’s founder Kathleen Flemming in August.⁴ It is not clear if the dismissal of Ms. Flemming was related to the bank’s capital troubles as no official reason for her dismissal was reported. By the end of 2008, Waterford Village Bank was significantly undercapitalized with a leverage capital ratio of 2.57%, as a result, the FDIC issued the bank a cease and desist order in February of 2009, requiring the bank to improve management, increase its Tier 1 capital levels, and submit a profit and budget plan. Despite receiving \$3 million capital infusion – in the form of private investments – by the end of the first quarter of 2009, the bank was critically undercapitalized with a leverage capital ratio of 1.10%.⁵ Following the failure, Evans Bank, NA (LACE Rating, “B”) assumed all of the deposits, agreed to purchase virtually all of the assets of Waterford Village Bank, and reopened the failed bank’s single location under the Evans Bank banner this morning.

⁴ Source: Buffalo Business First: 8/15/08

⁵ Source Buffalo Business First: 2/20/09

1Q09 Financial Summary

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	Leverage Capital (%)	Tier 1/ Asset (%)	ROA (%)	3Q08 LACE Rating	4Q08 LACE Rating	1Q09 LACE Rating
Security Bank Corporation	Macon	GA	2,786.15	14.03	2.87	4.00	(2.65)	E	E	E
Security Bank of Bibb County	Macon	GA	1,183.97	12.43	4.48	5.59	(1.02)	E	E	E
Security Bank of Houston County	Perry	GA	383.06	8.23	5.10	8.77	(1.19)	E	E	E
Security Bank of Jones County	Gray	GA	453.30	6.17	5.77	9.18	0.97	E	E	E
Security Bank of Gwinnett County	Suwannee	GA	322.30	32.36	1.12	1.50	(10.02)	E	E	E
Security Bank of North Metro	Woodstock	GA	224.44	20.01	1.98	2.73	(8.12)	E	E	E
Security Bank of North Fulton	Alpharetta	GA	209.14	7.46	4.38	7.09	0.61	E	E	E
Waterford Village Bank	Williamsville	NY	61.44	1.33	1.10	1.33	(3.24)			NB ⁶

Ben Stewart
Senior Financial Analyst

⁶ "NB" stands for new bank