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BLUE BANK REPORT[®]

INTRODUCTION

The BLUE BANK REPORT[®] presents commercial banks and savings banks, within specified geographical regions, which meet very high financial standards. The report also lists key financial data for these banks and presents graphical data that compare them to the rest of the banking industry. The premium banks are designated by VERIBANC[®] as BLUE RIBBON BANKS[™].

The banks listed in this report are the result of sorting operations performed on data supplied by the Federal Regulators approximately 8,000 banks in the U.S. and its possessions. Each bank is listed in accordance with the location of its “home” office or the office from which it reports financial information to regulatory authorities. (Please check your city or town for a branch office near you.) The screening criteria are described below. Following discussion of the BLUE RIBBON BANK[™] criteria are definitions of the various quantities involved. Other important information is also provided. Graphical data, which summarize the distribution of key financial ratios over the commercial banking industry as a whole, follow the list of BLUE RIBBON BANKS[™].

The information in this report is based on the Federal Regulators' release of Reports of Income and Reports of Condition filed by each bank for the fiscal quarter ending on the “reporting date” stated at the bottom of each page of data in the report. Information from earlier reporting periods is considered as well. Also stated at the bottom of each data page is the date (“release date”) when the Federal Regulators released the most recent information used in this report.

CRITERIA USED TO SELECT BLUE RIBBON BANKS[™]

Banking analysts do not agree on appropriate measures of a bank's strength and therefore, do not agree on which bank is “stronger” than another. Similarly, VERIBANC[®] has access only to certain financial information and has no way of measuring other objective and subjective criteria that may be important in assessing the strength of banks. Consequently, we cannot give to our clients a warranty, opinion or advice as to the strongest or safest banks in each part of the country.

VERIBANC[®], rather than attempting to define the “strongest” or to diagnose which banks in each region are explicitly “stronger”, has used a different approach. The VERIBANC[®] BLUE RIBBON BANKS[™] criteria are used to identify those institutions which appear to be operating profitably, which possess substantial assets and which meet or exceed certain other criteria (described below), based on data made available by the Federal Regulators in its two most recent releases of call reports.

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Banks listed on the blue-colored pages which follows are presented in the order of their profitability during the most recent financial quarter.

All of the following conditions must be satisfied for a bank to be classified as BLUE RIBBON BANKS[™]. The first three criteria must be met in each of the two most recent financial quarters:

- Total assets must exceed \$50 million.
- Equity must exceed 7.5 percent of assets.
- Net income after extraordinary items and taxes must be positive (i.e., the bank must be profitable).

The following criteria must also be met in the most recent financial quarter:

- Loans must total at least one percent of assets.
- At least 50 percent of assets must be funded by deposits.
- Liquid assets (securities available for sale and other assets readily convertible to cash within one year) must be at least 30 percent of total deposits[†].
- Equity, discounted for problems loans, securities and delinquent derivatives contracts in excess of loan loss reserves, must exceed six percent of total assets.
- Equity, discounted for problem loans, securities, delinquent derivatives contracts, depreciated held-to-maturity securities and half of real estate owned (REO) in excess of loan loss reserves must exceed five percent of total assets.
- Problem assets, including REO, must not exceed 2.5 percent of total assets.
- Total overseas lending must not exceed the bank's equity.
- Liquidity (liquid assets divided by deposits) must not have increased by more than 50 percent or decreased by more than 33 percent since the previous quarter.
- Brokered deposits must not exceed ten percent of total deposits.
- Foreign deposits must not exceed ten percent of total deposits.
- Insider lending must not exceed 25 percent of equity or ten percent of loans.
- Gross off-balance sheet commitments, including derivatives contracts, must not exceed total assets.
- Regulatory capital ratios (Leverage, Tier One Risk and Total Capital Risk) must exceed the thresholds established by the FDIC for the "Well Capitalized" classification.

The bank may not have had two or more volatile periods of asset growth/shrinkage over the past ten quarters.

If the bank is owned by a holding company, every other bank that belongs to the same holding company owner (even if ownership is through a different subsidiary holding company) must meet the following conditions for the latest quarter:

[†] or, alternatively, liquid assets plus securities not available for sale (i.e., being held until their maturity) must be at least 45 percent of total deposits and one of the following two conditions must apply. The excess of amortized cost over market value of securities being held until maturity must be 1) less than net income for the quarter, or 2) insufficient to, if deducted from equity, reduce equity below 7.5 percent of assets.

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- Each bank's equity must exceed three percent of its assets.
- If any bank suffered a net loss during the quarter, that loss must have amounted to less than 18.75% of its end-of-quarter equity.

In addition to the foregoing, the bank must not have been subject to regulatory sanctions, as outlined below:

- Any cease and desist order, supervisory agreement, memorandum of understanding, prompt corrective action or similar order.
- Two or more call report penalties, other fines, restitution orders, removal-prohibition orders or extensions of a previously issued order of similar type.
- Any three or more less serious or unspecified types of actions, such as home mortgage disclosure violations, or actions against personnel associated with the bank.

The foregoing two criteria describe institutions that are not in VERIBANC[®]'s lowest (Red, No-Stars) category. Additionally, the holding company must receive a VERIBANC[®] star rating of Two Stars or Three Stars for the latest quarter. Star classification criteria for holding companies are as follows. VERIBANC[®] assigns holding companies Three Stars (***), Two Stars (**), One Star (*) or No Stars (U). The holding company's rating is developed by considering all bank subsidiaries taken together, as if they were a single bank, owned by the same ultimate parent. The criteria used by VERIBANC[®] to determine the number of stars assigned to a holding company are then applied as with a bank, i.e.,

*** The institution must meet the following primary conditions: equity which exceeds five percent of assets, equity which exceeds four percent of assets after deducting problem loans, securities and derivatives contracts in excess of its loan loss reserves and positive net income for the most recent reporting quarter. All three regulatory capital requirements, as they are calculated for banks must also be satisfied (see below) and it must not have been subject to any recent serious regulatory sanction. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. In addition, insider lending must not exceed 35 percent of equity. A bank may only have two or fewer volatile periods of asset growth/shrinkage over the past ten quarters. Problem investments also include securities being held to maturity that, if sold, would realize less than their cost.

** The institution meets any two of the three primary conditions for the Three Stars category and has equity that exceeds its unreserved problem loans, securities and derivatives contracts. If the bank had a net loss during the most recent reporting quarter the loss was not significant[†]. All three regulatory capital requirements, as they are calculated for banks, must also be

[†]A loss is considered significant when, over a single quarter, it exceeds 18.75% of a bank's equity

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satisfied (see below) and it must not have been subject to any recent serious regulatory sanction. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. A Two Stars rating is applied to a bank that has three volatile periods of asset growth/shrinkage over the past ten quarters. For banks that have held-to-maturity securities investments with a current market value that is less than their cost, that difference must not exceed equity.

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

Moreover, in addition to the foregoing, if a multibank holding company has been subject to a serious regulatory sanction, the highest rating the holding company can receive is One Star.

NO STARS The institution does not meet the criteria above.

SPECIAL PROVISION

A bank which received the Blue Ribbon designation during the prior quarter remains eligible for this classification if it misses one, and only one, of the financial criteria by less than ten percent. This special provision is applicable for only one quarter during each six-month period.

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ADDITIONAL LISTS OF BANKS

Blue Bank Branch Supplement

The main part of the BLUE BANK REPORT[®] lists banks with home offices in the designated region. The supplement identifies BLUE RIBBON BANKS[™] with branch offices in the designated region even though their home office is outside of the region. In cases where the bank has more than one branch office within the designated region, the branch located in the region's largest city is listed in the report supplement.

Green Three Stars Supplement

In an effort to increase the number of banks within a geographical area, which can be recognized as meeting high financial standards, VERIBANC[®] includes a supplemental list of banks. These banks do not meet all of the Blue Ribbon criteria; however, the banks listed in the GREEN, THREE STARS BANK SUPPLEMENT do satisfy the conditions required for a bank to receive VERIBANC[®]'s ordinary high rating - - Green with Three Stars.

The supplement presents the 50 largest banks (by asset size) in the state containing the region of interest, which receive VERIBANC[®]'s Green Three Stars rating. For regions that encompass several states, the banks listed in the supplement are those located in the first state which describes the region. Note that some states have fewer than 50 institutions that receive the Green Three Stars rating. In those states, only this smaller group of qualifying banks is listed.

DEFINITIONS

VERIBANC[®] uses the following definitions in the course of describing the banks listed in its BLUE BANK REPORT[®].

Profitability Ratio: Net income for the most recent reporting quarter is annualized (multiplied by four), then divided by total assets. The resulting fraction is then expressed as a percentage.

Equity/Assets Ratio: Equity capital for the most recent reporting quarter is divided by total assets. The resulting fraction is then expressed as a percentage.

Liquidity Ratio: Liquid assets are divided by total deposits and expressed as a percentage. Liquid assets are defined as the sum of: cash and amounts due from depository institutions, securities classified as available for sale, federal funds sold, securities purchased under resale agreements, net assets in trading accounts and loans and leases maturing within 12 months.

Total Assets: Total assets are stated as of the end of the most recent reporting quarter.

Total Equity: Total equity is stated as of the end of the most recent reporting quarter.

Net Income For The Quarter: Net income is reported for the most recent reporting quarter.

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BB: This margin symbol indicates that the bank has been designated as a Blue Ribbon Bank continuously for at least eight consecutive quarters.

OTHER IMPORTANT INFORMATION

VERIBANC[®] emphasizes that it does not express an opinion or give advice or a warranty as to the strength of the banks on its BLUE BANK REPORT[®] lists and GREEN THREE STARS lists. Our clients are cautioned that other criteria, objective and subjective, which the Federal Regulators does not release to the public as a matter of course, may be important in assessing the strength of the banks on the lists. The BLUE BANK REPORT[®] lists are intended only as a brief guide for our clients and the information contained in them should not be considered or relied upon as representing a complete picture of the financial condition of the listed banks.

VERIBANC[®] maintains extensive additional data on each of the banks on the BLUE BANK REPORT[®] lists and GREEN THREE STARS lists, including data on cash flow, balance sheets, loan and investment portfolio distributions and call reports. If you require additional information, VERIBANC[®] invites your inquiries. The BLUE BANK REPORT[®] lists and Green Three Stars lists are updated every quarter.

This report considers savings banks as well as commercial banks if the area to which it applies contains savings banks. Of course, whether or not savings banks are listed depends upon their meeting the criteria of the report. Note that savings banks are primarily located in the Northeastern U.S. and a few places in the Great Lakes and Pacific Northwest regions.

A FEW FINAL NOTES

We hope you find this report helpful. Please contact us if you have any questions, comments or suggestions. If you wish to obtain an annual subscription to the BLUE BANK REPORT[®], the cost is \$126, a 10 percent discount from the quarterly rate.

If your institution is not included herein, or you would find a more extensive compilation of its financial condition to be helpful, we invite you to order our Bank Research Report or Savings Association Research Report. The Research Report presents an introductory summary of an institution's assets, capital (including regulators' "capital classification"), deposits, loans, income, insider transactions and problem lending. Nine other sections follow which detail key operating measures, a breakdown of lending by category (including foreign loans and real estate loans), loan loss reserve positions, problem loan specifics, weaknesses in securities and derivatives contracts holdings, foreclosed real estate, loan management measures, liquid assets, special liabilities measures and more. A tabular and graphical section relates the Research Report's financial ratios and other measures to the entire industry. The cost of the Research Report, which includes our special color code and star rating, is \$45 per institution.

If a quick-look "executive" summary type of report on your institution is of interest, you should order our color-coded and star-rated Short Form Report. At \$25 per institution, it provides VERIBANC[®]'s rating and the numbers that back up the rating. A "plain-English" format is used. The presentation and explanation in the Short Form Report provides financial information about the institution's equity, income, reserves, problem loans and compliance with regulatory capital standards.