

# VERIBANC<sup>®</sup>, Inc.

*The B.E.S.T. Banking Investment*

Post Office Box 1610

Woonsocket, Rhode Island

1-800-442-2657

[www.veribanc.com](http://www.veribanc.com) Email: [service@veribanc.com](mailto:service@veribanc.com)

## **FOREWORD**

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

### **THE B.E.S.T. . . . .**

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

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

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

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

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

Sincerely,  
VERIBANC<sup>®</sup>, Inc.



Michael M. Heller  
President

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**INTRODUCTION**

VERIBANC<sup>®</sup> is pleased to present you with our Savings Association Research Report. The Savings Association Research Report includes detailed information about thrifts that are often referred to as savings and loan associations ("S&Ls") or, as many of them are now chartered, federal savings banks. The data provided herein address a wide range of important performance measures, including the regulatory standards for tangible, core and total capital as percentages of ordinary assets and of risk-weighted assets. Also provided in this report is an estimate of the Office of Thrift Supervision's capital classification for the thrift(s). Several sections contain considerable detail about problem loans, distressed assets and repossessed property. In addition, we present information about the institution's structure, some facts about its officers and employees. A brief description of major subsidiaries is provided. Also included is whether or not the institution has been subject to recent regulatory enforcement actions.

The information presented in this report is extracted directly, or derived from, the quarterly financial releases provided by the Federal Regulators. This database applies to every federally insured Savings Association ("S&L") in the United States and its territories. The database is constructed by the Federal Regulators from all of the savings associations' quarterly condition and income ("thrift financial report" or "call report") filings. Normally the data are released approximately two months after the close of each fiscal quarter. Savings associations must file their reports within thirty days after each quarter's end. The remaining time is used by the OTS for pre-release screening and analysis. The data cycle is summarized in the table below. VERIBANC<sup>®</sup> revises its database and makes updated reports available within a few days of the release of the data by Federal Regulators

<u>Fiscal Period</u>	<u>Federal Regulators data release times - exact dates vary</u>
Jan. 1-Mar. 31	June 15
Apr. 1-June 30	September 15
July 1-Sept. 30	December 15
Oct. 1-Dec. 31	March 15

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

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

**DESCRIPTION OF THE DATA PAGES**

Data for the savings association(s) treated in this report follow immediately. The graphical supplement, which provides industry-wide context for the data, is presented after the data pages. A supplementary description of each item on the data pages follows as an appendix. The final part of the appendix describes VERIBANC<sup>®</sup>'s color code classification and star rating systems.

**APPENDIX: DETAILED DESCRIPTION OF THE DATA PAGES**

**THE HEADER, FOOTER AND REPORT ENTRIES**

The top of each data page contains the name of the savings association and the city and state of its home office or the office from which it reports to the Office of Thrift Supervision. Unless stated otherwise, the SAVINGS ASSOCIATION RESEARCH REPORT for the office listed in the data page heading includes data for all of the savings association's branches. (A financial institution's branches and home office report as a unit.)

The "Savings Association Reporting Date" given at the bottom of each data page identifies the closing date of the fiscal quarter to which the report applies. The date on which the new database files became available to VERIBANC<sup>®</sup> is also given at the bottom of each data page as is the date when the report was prepared and the page sequence number.

Numerical data in the report are presented in one of three ways. Dollar amounts are stated in thousands, generally rounded to the nearest thousand. Ratios are given as percentages carried to one hundredth of a percent. Numerical counts are given as whole numbers. If an entry is not available, not applicable or not meaningful, the notation N.A. is used. The data pages are divided into eleven main sections and, if appropriate, a supplement. Each of these is described below.

**I. OVERALL OPERATIONS**

- Item 1. **Total Assets** are stated for the fiscal quarter ending on the savings association reporting date given at the bottom of the page.
- Item 2. **Average Assets (Current and Previous Quarter)** are computed using total assets at the beginning and at the end of the fiscal quarter.
- Item 3. **Equity** provides a measure of a firm's economic value in accordance with methods customarily applied to most businesses. Please refer to Section IV "Capital Analysis" for further indicators of the savings association's capital strength.
- Item 4. **Tangible Capital** is usually defined as Equity (Item I.3 above) less goodwill. Currently, goodwill at many savings associations is the result of acquisitions in which the purchase price exceeded the equity of the purchased institution. Since this difference is amortized, it is subject to regulatory limitations and since many savings associations take into account the operations of subsidiaries when reporting their tangible capital to the OTS, tangible capital reported in this item and equity may not relate to each other in a simple fashion.

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## I. OVERALL OPERATIONS (CONTINUED)

- Item 5. **Annualized Net Income (Negative Sign Indicates Loss)** denotes earnings after taxes and extraordinary items. The annualized amount given is the net income for the indicated reporting quarter multiplied by four. The rationale for annualization is to provide an easy basis for comparison with familiar yearly norms.
- Item 6. **Total Deposits** are stated as of the end of the quarter.
- Item 7. **Total Brokered Deposits** are accounts that have been originated by a dealer or broker specializing in such placements. Formerly, institutions often reinvested costly brokered deposits in high risk activities hoping to increase profits. Such practices are now much rarer. A commission or finder's fee may be paid by the savings association's management to attract such deposits.
- Item 8. **Total Loans** are the sum of all mortgage and nonmortgage loans in the categories enumerated in Section V, "Lending Categories".
- Item 9. **Total Nonperforming and Problem Loans (Gross, before reserves)** are loans which are more than 90 days past due, have been assigned nonaccrual status, or have been restructured because of the borrower's difficulty with repayment.
- Item 10. **Loan Loss Reserves** are total amounts held in allowances for possible loan and mortgage securities losses.

## II. KEY OPERATING MEASURES

- Item 1. **Equity as a % of Assets** is computed from "Equity" (Item I.3) and "Total Assets" (Item I.1). Note that Equity must be at least five percent of assets to qualify for VERIBANC<sup>®</sup>'s top savings association safety rating. Graph One provides industry-wide perspective.
- Item 2. **Profitability (R.O.A.) as a % of Average Assets** is expressed as the annualized return on assets (R.O.A.). The calculation takes "Annualized Net Income" (Item I.5) as a percentage of average\* assets. Graph Two provides industry-wide distributional information.
- Item 3. **Percentage of Equity Lost During Quarter** is computed when "Annualized Net Income" (Item I.5) is negative. For savings associations that had positive net income during the most recent reporting quarter, "Profitable" is printed. For institutions with equity less than zero, the notation "Insolvent" is used. Graph Three presents industry-wide perspective.

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### II. KEY OPERATING MEASURES (CONTINUED)

- Item 4. **VERIBANC<sup>®</sup>'s Color Classification and Star Rating** is explained in detail at the end of this Appendix. Three main color categories are used. The order of preference is: GREEN, YELLOW and RED. Three Stars, Two Stars, One Star or No Stars are the star categories used. More stars are preferable. A table summarizing the color and star classification of the entire thrift industry follows the data pages.
- Item 5. **Color Classification and Star Rating - Previous Quarter** VERIBANC<sup>®</sup>'s ratings as of the fiscal quarter immediately preceding the quarter named in the footer.
- Item 6. **Provisional Color and Star Ratings (If Applicable)** represent VERIBANC<sup>®</sup>'s rating which is expected to be assigned when the next federal data release becomes available. The data used as the basis for the rating has been supplied by the institution itself under VERIBANC<sup>®</sup>'s "Early Bird" program. Since this information has not been verified or edited by the appropriate federal regulatory agency, the rating is accorded provisional status. In addition, VERIBANC<sup>®</sup> does not assign a provisional rating that is less favorable than the rating based on the latest available federal data. In the usual case, when no provisional rating is granted, "N.A." (Not applicable) is printed.
- Item 7. **Problem Loans as a % of Total Loans** gives the portion of the savings association's entire loan portfolio, "Total Loans" (Item I.8) that falls into the "Total Nonperforming and Problem Loans" (Item I.9) category. Graph Four illustrates how all federally insured savings associations group within this measure of asset quality.
- Item 8. **Excess Problem Loans as a % of Equity** defines excess problem loans as "Problem Loans" (Item I.9) less the "Loan Loss Reserves" balance (Item I.10). A value of 100 percent corresponds to a potential loss of the savings association's entire equity. Graph Five presents industry-wide perspective.
- Item 9. **Brokered Deposits as a % of Total Deposits** is computed by dividing "Total Brokered Deposits" (Item I.7) by "Total Deposits" (Item I.6) and expressing the result in percentage form. Heavy utilization of brokered deposits can increase a savings association's "Cost of Deposits" (Item III.7), reduce its "Spread Between Loan Yields and Deposit Costs" (Item III.8) and lower its "Net Interest Margin" (Item III.9). The distribution of brokered deposits, scaled by total deposits, is presented in Graph Six for all federally insured savings associations.

\* Averages are calculated by summing the value for the calendar quarter ending on the savings association reporting date (given in the report header) with the corresponding amount from the previous quarter, and dividing the result by two.

III. INCOME DETAILS AND ANALYSIS

Item 1. **Income Components (Annualized)**

- a. **Total Interest Income** includes interest from all mortgage loans, non-mortgage loans, leases, investments and deposits. A portion of fees ("Yield Adjustment") is included in accordance with GAAP accounting. The annualized amount given is the total interest income earned during the indicated reporting quarter, multiplied by four.
- b. **Net Interest Income** is computed as "Total Interest Income" (Item III.1.a) minus total interest expense. Total interest expense is calculated as the sum of deposit interest paid (less early withdrawal penalties), interest on Federal Home Loan Bank advances, subordinated debentures, mortgage-backed bonds, and all other borrowed money. The amount stated for net interest income applies to the indicated reporting quarter, multiplied by four to annualize.
- c. **Non-Interest Income** includes recurring income such as loan servicing fees, other loan fees and charges, service charges and fee income on deposit accounts, net income from mortgages held for sale, office building operations, real estate held for investment, other real estate owned, and leasing operations. The amount stated for non-interest income applies to the indicated reporting quarter, multiplied by four to annualize.
- d. **Non-Interest Expense (Overhead)** is computed as the sum of recurring expenses excluding interest expense. Overhead includes officers and employees' compensation, other employee-related expenses, directors' fees, legal expenses, office occupancy expenses, furniture, fixtures and equipment expenses, fees paid for marketing and professional services, loan servicing fees and amortization of deferred losses. The amount stated for non-interest expense applies to the indicated reporting quarter, multiplied by four to annualize.

Item 2. **Annualized Net Income for Quarter Ending (date)** is taken from the report for the previous quarter. The annualized amount given is that quarter's net income multiplied by four.

Item 3. **Annualized Net Income for Quarter Ending (date)** is taken from the report for the second previous quarter. The annualized amount given is that quarter's net income multiplied by four.

Item 4. **Annualized Net Income for Quarter Ending (date)** is taken from the report for the third previous quarter. The annualized amount given is that quarter's net income multiplied by four.

III. INCOME DETAILS AND ANALYSIS (CONTINUED)

- Item 5. **Total Net Income for Past Four Quarters** is the sum of net income for the current reporting quarter and each of the previous three quarters, i.e., the most recent full year of actual net income data available. This amount is also equal to the average of the annualized net income for the indicated reporting quarter (Item I.5) and the three previous quarters (Items III.2 through III.4). Note that if net income data for any of the past four quarters are missing, N.A. is printed in this entry.
- Item 6. **Annualized Gross Rate of Return (Yield) on all Loans and Mortgage Securities** expresses annualized interest income on all loans and mortgage-backed securities as a percentage of average\* loans and mortgage-backed securities held by the savings association. The industry-wide rate (parenthetical entry) is computed as the sum of all interest income on all loans and mortgage backed securities for all savings associations divided by the sum of all outstanding mortgage loans, non-mortgage loans, mortgage backed securities and leases for all savings associations.
- Item 7. **Cost of Deposits (Annualized)** expresses interest paid to depositors as a percentage of all deposits.
- Item 8. **Spread Between Loan Yields and Deposit Costs, Annualized** is the difference between the gross rate of return on loans and "Cost of Deposits (Annualized)" (Item III.7). Graph Seven presents industry-wide perspective.
- Item 9. **Annualized Net Interest Margin** expresses "Net Interest Income" (Item III.1.b) as a percentage of earning assets. Earning assets include cash, deposits, investment securities, mortgage pool securities, mortgages and other types of loans.
- Item 10. **Annualized Overhead (Non-Interest Expense) as a % of Average Assets** expresses "Non-Interest Expense" (Item III.1.d) as a percentage of average assets (Item I.2). Graph Nine presents overhead ranges for all federally insured savings associations.
- Item 11. **Annualized Net Non-Interest Expense as a % of Average Assets** expresses non-interest expense (Item III.1.d) and the provision for loan losses, less non-interest income (Item III.1.c) as a percentage of average assets (Item I.2). Net non-interest expense items include the provision for losses on interest bearing assets but exclude losses (or profit) on the sale of assets, foreclosed real estate, other repossessed assets and real estate held for investment. It also excludes losses (or gains) from the sale of loans and securities. Graph Ten provides industry perspective.

\*Averages are calculated by summing the value of total loans for the calendar quarter ending on the savings association reporting date (given in the report footer) with the corresponding amount from the previous quarter, and dividing the result by two.

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## IV. CAPITAL ANALYSIS

- Item 1. The following **Regulatory Capital Ratios** are the principal measures used by the Office of Thrift Supervision in assessing an institution's capital adequacy.
- a. **Tangible Capital as a % of Tangible Assets** is reported on a consolidated basis for all subsidiaries and similar entities owned by the savings association. Graph Eleven provides comparisons with the entire savings association industry.
  - b. **Leverage Ratio** is computed by dividing adjusted tier one capital by adjusted tangible assets. Current regulations mandate that tier one capital must equal or exceed 4.0 percent of adjusted tangible assets. Industry-wide distribution of tier one capital is presented in Graph 12.
  - c. **Total Capital as a % of Risk Assets** is computed by dividing reported adjusted total capital by risk-weighted assets and certain adjustments for assets held by the association that requires 1:1 capital allocations. Total Capital or "Tier One plus Tier Two Capital" includes: loan loss reserves, certain instruments issued before November 7, 1989 which may consist of "qualifying" subordinated debt, capital or net worth certificates and similar equity instruments that are mostly holdovers from previously-used "regulatory" or "RAP" accounting and certain nonwithdrawable deposit accounts (typically established by the institution's owners). Adjustments to total capital include deductions for certain types of assets and unusual interest rate risk exposure. Risk-adjusted assets have weighing factors assigned to each asset category in proportion to the degree of riskiness that regulators believe each category entails. The risk factors range from zero for cash and "full faith and credit" government securities to 50% for most single family mortgages, to 100% for second mortgages, home equity loans, consumer loans, business loans and similar types of lending. The minimum requirement for total capital as a percentage of risk-weighted assets is 8.0 percent. Industry-wide distributions of the total capital risk ratio are presented in Graph 13.
  - d. **Tier One Capital as a % of Risk Assets** is computed by dividing adjusted tier one capital (numerator of Item IV.1.b) by adjusted risk-weighted assets (the denominator of Item IV.1.c). This ratio is also known as the tier one risk ratio. The minimum requirement for the tier one risk ratio is 4.0 percent. Further detail is presented in Item 5 that follows.
- Item 2. **Allowable Goodwill and Intangibles** is the difference between tier one capital (numerator of Item IV.1.b) and tangible capital (Item I.4). This entry is ordinarily presented on a consolidated basis. Neither purchased mortgage servicing nor excess loan servicing is currently included in this entry.

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### IV. CAPITAL ANALYSIS (CONTINUED)

Item 3. **Liquidation Equity** is "Equity" (Item I.3) less the "Loan Portfolio Discount Estimate" (Item IV.3.a).

- a. **Loan Portfolio Discount Estimate** is the amount (if any) which would have to be subtracted from the total stated value of the savings association's loan and mortgage securities to bring the "Annualized Gross Rate of Return on all Loans and Mortgage Securities" (Item III.6) up to the industry-wide rate (parenthetical entry in Item III.6). Note that this item is zero if the institution's rate of return equals or exceeds the savings association industry average. The estimate is conservative in that it tends to understate the amount of discount appropriate to apply to a firm's aggregate loan portfolio.
- b. **Liquidation Equity as a % of Assets** expresses "Liquidation Equity" (Item IV.3) as a percentage of adjusted assets (Item I.1 less Item IV.3.a). Graph Fourteen provides industry-wide perspective.

Item 4. **Discounted Equity** is calculated by subtracting "Excess Problem Loans" (Item IV.4.a) from "Equity" (Item I.3) to assess the potential impact of future losses from "Nonperforming and Problem Loans" (Item I.9).

- a. **Excess Problem Loans** consists of "Nonperforming and Problem Loans" (Item I.9) minus "Loan Loss Reserves" (Item I.10). Note that this item is zero when loan loss reserves equal or exceed total nonperforming and problem loans.
- b. **Discounted Equity as a % of Assets** is derived by dividing "Discounted Equity" (Item IV.4) by adjusted assets (Item I.1 less Item IV.4.a). Graph Fifteen provides industry-wide perspective.

Item 5. **Estimated OTS Capital Classification** - the F.D.I.C. and Office of Thrift Supervision (OTS) have implemented a series of capital classifications for banks and thrifts. In descending order of desirability they are: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. While the OTS has not published detailed definitions of what constitute the boundaries of each of these categories, officials in the agency have indicated that the standards are the same as those set by the FDIC for banks.

Using the FDIC standards, tempered to account for slight differences between thrift and bank capital requirements and measures used by regulators, VERIBANC<sup>®</sup> estimates the capital classification of thrifts as follows. The lowest category associated with each of the indicated capital measures is the capital classification that is assigned.

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## IV. CAPITAL ANALYSIS (CONTINUED)

### Capital Ratio Range

	Total Capital* To Risk-Weighted Assets	Tier One Capital* To Risk-Weighted Assets	Tier One Capital* To Adjusted Total Assets
Well Capitalized (W)	10% or More	6% or More	5% or More
Adequately Capitalized (A)	8% to 10%	4% to 6%	4% to 5%
Under- capitalized (UC)	6% to 8%	3% to 4%	3% to 4%
Significantly Under- capitalized (SU)	under 6%	under 3%	2% to 3%
Critically Under- capitalized (CU)	not applicable	not applicable	under 2%

The abbreviations for each category, W, A, UC, SU or CU given in the table above, are the entries used to indicate VERIBANC<sup>®</sup>'s estimate of the appropriate capital classification applicable to the savings association.

## V. LENDING CATEGORIES

Items 1 through 4 summarize the savings association's loan portfolio by category.

Item 1. **Mortgage Loans, Total** is the sum of mortgage loan category Items 1.a through 1.e.

- a. **One-to-Four Family Residential**
- b. **Multifamily: Five or more Dwelling Units**
- c. **Nonresidential, Including Land Loans**

\* plus or minus certain additional instruments, as applicable

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### V. LENDING CATEGORIES (CONTINUED)

- d. **Construction Loans included above** breaks out the portion of the prior three loan categories which finances building projects.
- e. **Other** adjustments to the value of "Total Mortgage Loans" (Item V.1) are necessary because savings associations do not consider factors such as loans in process, reserves for losses, tax escrows, and accrued interest receivable in the individual mortgage loan categories above.

Item 2. **Mortgage Backed Securities, Total** includes mortgage pool securities insured or guaranteed by an agency of the United States Government. It also includes privately issued securities backed by mortgages.

Item 3. **Nonmortgage Loans, Total** is the sum of loan category Items 3.a through 3.e.

- a. **Commercial Loans, Including Leases**
- b. **Home Equity Loans (Excluding First Mortgages)**
- c. **Credit Cards and Related**
- d. **All Other Consumer Loans, Including Leases**
- e. **Other** adjustments to the value of "Total Nonmortgage Loans" (Item V.3) include loans in process, reserves for losses, and accrued interest receivable not reflected in the categories above.

Item 4. **New Mortgage Loans Made During the Quarter** gives the total of all mortgage loans closed by the savings association during the quarter.

### VI. PROBLEM ASSETS

- Item 1. **Nonperforming and Problem Loans, Total** lists the amount of loans for which payments are seriously late, repayment is in doubt, or the borrower has already experienced significant financial difficulties.
- a. **Over 90 Days Past Due but Still Accruing Interest** indicates loans for which, despite the borrower falling this far behind the repayment schedule, there is adequate collateral in place or other reason to believe payments will continue to be made.
  - b. **Nonaccrual** loans are amounts for which repayment is in such doubt that the lender no longer expects to receive interest in the course of the current fiscal year.

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### VI. PROBLEM ASSETS (CONTINUED)

- c. **Other Past Due and Nonaccrual Loans at Subsidiaries** identifies the difference between a savings association's fully consolidated holdings of problem assets vs. those held by the reporting institutions alone.
- d. **Restructured Troubled Debt** arises when the savings association provides financially weak borrowers with certain concessions that it would normally not consider. Troubled debt restructuring is often (but not always) the result of legal proceedings. In certain rare cases a savings association may report the same loan as both restructured and non-accrual. Such an instance may result in double counting of the same loan in both categories.

Item 2. **Past Due and Nonaccrual Loans by Category** are presented for each for the following lending areas.

- a. **Construction and Land Development Loans**
- b. **Mortgages on One-to-Four Family Homes**
- c. **All Other (Mostly Commercial) Mortgages**
- d. **Nonmortgage Commercial Loans and Leases**
- e. **Consumer Loans and Leases (Nonmortgage)**

Item 3. **Mortgages to Finance the Sale of Repossessed Real Estate** are written by the savings association specifically for the purpose of encouraging purchase of unwanted property. These loans can be at more favorable terms than the institution ordinarily extends to conventional buyers.

Item 4. **Reposessed Assets, Total** states the amount of foreclosed real estate and other reposessed items held by the savings association. Individual categories of reposessed assets are presented separately.

- a. **One-to-Four Family Homes**
- b. **Five or More Family Apartments**
- c. **Business Property and Land**
- d. **Other Reposessed Assets**, typically not routine real estate
- e. **Loss Reserves for Foregoing Items** represent an estimate by the savings association of its expected losses on holdings of foreclosed and reposessed assets.

**VI. PROBLEM ASSETS (CONTINUED)**

Item 5. **Real Estate Held for Investment, Total Amount** lists the value of property that the savings association believes will appreciate or generate a reasonable stream of income. Sometimes property, which would have been foreclosed, is disguised in this category. Amounts in each of the following categories are presented.

- a. **One-to-Four Family Homes**
- b. **Five or More Family Apartments**
- c. **Business Property and Land**
- d. **Loss Reserves for Foregoing Items** indicate the portion of the savings association's real estate investments which management acknowledges are doing poorly.

Item 6. **Total Real Estate Owned (REO)** is the total of repossessed assets (Item VI.4) and real estate held for investment (Item VI.5.)

- a. **Amount of REO in Excess of Reserves** states the net amount of real estate owned by the savings association after special set asides for losses are deducted. This quantity can never be less than zero.
- b. **Excess REO as a % of Assets** presents Item VI.6.a above as a percentage of total assets (Item I.1).

Item 7. **Mortgage Loans Foreclosed During the Quarter, Total Amount** is given. Individual categories are also presented in each of the following subsections.

- a. **One-to-Four Family Homes**
- b. **Construction and Land Development Loans**
- c. **All Other Mortgages**

Item 8. **Total Nonperforming Loans and Problem Assets** provides the sum of problem loans (Item I.9) and Real Estate Owned (Item VI.6).

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## VII. OTHER ASSETS

Item 1. **Total Cash, Investment Securities and Deposits** provides amounts in non-loan asset categories that apply to many savings associations. The subsections are:

- a. **Cash and Nonearning Deposits**
- b. **U.S. Government and Agency Securities**
- c. **Equity Securities**
- d. **Mortgage Derivative Securities**
- e. **All Other**

Item 2. **Equity Investment in Service Corporations and Subsidiaries, Net** lists holdings of stock, loans or similar interest in wholly or partially owned commercial entities less reserves for possible losses by those entities.

Item 3. **Fixed Assets**, net of depreciation, include office buildings, land, improved real estate, capitalized leases, leasehold improvements, furniture, fixtures and equipment used in the savings association's business operations.

## VIII. ASSET MANAGEMENT MEASURES

Item 1. **Total Mortgage Loans and Securities as a % of Total Loans** is obtained by dividing "Total Mortgage Loans" (Item V.1) and "Total Mortgage Backed Securities" (Item V.2) by "Total Loans" (Item I.8). Graph Sixteen provides comparison with all federally insured savings associations.

Item 2. **Repossessed Real Estate as a % of Total Assets** is obtained by dividing "Real Estate Owned" (Item V1.6) by "Total Assets" (Item I.1). The distribution of this measure across all savings associations is presented in Graph Seventeen.

## IX. LIABILITIES

Item 1. **Total Liabilities** include "Total Deposits" (Item I.6), "Nondeposit Borrowings" (Item IX.3) and other obligations of the savings association.

Item 2. **Time and Savings Deposits (including "CDs" - Certificates of Deposit)** exclude all deposits payable on a demand basis, i.e. NOW accounts, other transaction (checking) accounts, and Money Market Deposit Accounts.

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### IX. LIABILITIES (CONTINUED)

Item 3. **Nondeposit Borrowings, Total** is the sum of major non-deposit liabilities reflected in Items IX.3.a through IX.3.c that follow.

- a. **FHLBank Advances** denote borrowings from the Federal Home Loan Bank System.
- b. **Reverse Repurchase Agreements** are typically secured by securities or other liquid assets pledged by the savings association.
- c. **All Other Borrowings, Total** includes commercial paper, subordinated debt, mortgage-collateralized securities and similar items.

Item 4. **Total Number of Deposit Accounts** served by the thrift is stated.

### X. TYPICAL INTEREST RATES PAID ON DEPOSITS THIS QUARTER (ANNUALIZED YIELD)

Items 1. through 6. reflect average interest rates offered by the savings association during the last seven calendar days of the quarter. Effective rates are calculated using the annual interest rate and the frequency of interest compounding normally employed by the savings association, e.g. accounts compounded daily earn a higher effective interest yield than accounts paying the same rate which is compounded less frequently.

Item 1. **NOW (Interest-Bearing Checking) and Super NOW Accounts**

Item 2. **Money Market Deposits (MMDAs)**

Item 3. **Jumbo CDs (Over \$100,000) Maturing Within Two to Three Months**

Item 4. **Jumbo CDs Maturing Within Six to Twelve Months**

Item 5. **Small CDs (under \$100,000) Maturing Within Six to Twelve Months**

Item 6. **Small CDs Maturing Within Two to Three Years**

### XI. MISCELLANEOUS ITEMS

Item 1. **Net New Deposits Received during the Quarter** (exclusive of interest crediting) can be used to determine whether the institution's deposit base is growing or shrinking.

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XI. MISCELLANEOUS ITEMS (CONTINUED)

Item 2. **Uninsured Deposits as a Percentage of All Deposits** expresses amounts in single accounts which are in excess of the \$100,000 SAIF ("Savings Association Insurance Fund") insurance limit in relation to all deposits held by the savings association (Item I.6). Graph Eighteen provides industry-wide perspective.

Items 3. through 9 provide additional background information on the savings association.

Item 3. **Was There a Change in Control of the Institution During the Quarter?** Yes or No.

Item 4. **Any Loan in Excess of 20% of Equity and 0.25 % of Assets?** Not available after March 31, 1996.

Item 5. **Is Institution Owned by a Holding Company?** Not available after March 31, 1996.

Item 6. **Number of Employees** is specified on a "full-time equivalent" basis.

Item 7. **Average Annual Salary per Employee** is obtained by dividing all personnel compensation and expense by the number of employees (Item XI.6).

Item 8. **Lending to Officers, Directors or Principal Shareholders** gives the total amount of loans outstanding to the savings association's insiders.

Item 9. **Insider Loans as a % of Equity** expresses Item XI.8 above as a percentage of Item I.3.

Item 10. **Recent Regulatory Enforcement Actions**, If the institution has been subject to any enforcement action or sanction made public by the regulatory agencies, the most serious and most recent such action is indicated, along with the date of the action. The action is abbreviated by a two letter code, followed by a dash and the date. A table describing the codes and types of enforcement actions follows.

Enforcement  
Action Type

Description

CC

Prompt Corrective action/Capital directives

## VERIBANC<sup>®</sup>, Inc.

### XI. MISCELLANEOUS ITEMS (CONTINUED)

<u>Enforcement Action Type</u>	<u>Description</u>
CD	Cease and <b>D</b> esist orders, either against an institution or one or more of its employees. This is one of the most serious forms of regulatory discipline. When a cease and desist order is indicated, you should check with personnel at the institution to determine whether the order is against the institution itself or against individual employee(s).
CF	Penalties, usually <b>F</b> ines, for infractions associated with filing <b>C</b> all reports
CP	Cease and Desist order against an affiliated <b>P</b> erson or entity
DI	Proceedings that threaten termination or that actually terminate <b>D</b> eposit <b>I</b> nsurance
EN	Termination, withdrawal, completion, expiration or otherwise <b>E</b> NDing of a previous enforcement action
EX	Amendment, modification, <b>E</b> Xtension or continuation of a previous enforcement action. Also this action may include cancellation of an enforcement action if the cancellation occurs after an institution has been closed, i.e. if the action represents only "regulatory bookkeeping". If the continuing action is a "cease and desist" order, then category CD is automatically activated as well.
FA	<b>F</b> ormal <b>A</b> greements/supervisory agreements and consent orders
FN	Other <b>F</b> i <b>N</b> es
FP	<b>F</b> ine levied against a <b>P</b> erson (rather than an institution)

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## XI. MISCELLANEOUS ITEMS (CONTINUED)

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

### INFORMATION ABOUT THIS SAVINGS ASSOCIATION'S SUBSIDIARIES

For thrifts that report their subsidiary operations to regulators, the Savings Association Research Report indicates the largest of these operations. The chart lists the name of each subsidiary as reported by the parent thrift, the subsidiary's location and its total assets. In addition, up to three lines of business pursued by each subsidiary are presented. The abbreviations used on the data page are summarized as follows. The lines of business are presented in order of largest amount of revenue. Information in this section is reported at year-end only.

AISVC      **Appraisal, Inspection Services** - Appraisal of real estate and related construction loans, inspections, and abstracting.

## VERIBANC<sup>®</sup>, Inc.

### INFORMATION ABOUT THIS SAVINGS ASSOCIATION'S SUBSIDIARIES (CONTINUED)

<u>COMML</u>	<b>Commercial Lending</b> - The extension of credit to finance the activities of a business enterprise other than the acquisition or holding of real estate. Such lending includes loans to business enterprises for inventory, machinery, automobiles and trucks, and working capital for plant expansion.
<u>CONSL</u>	<b>Consumer Lending</b> - Lending to consumers for personal, family or household purposes. Such lending includes loans to consumers for purchase of personal property, for education, or for home improvement or equipment. For purposes of this schedule, home equity loans are classified as consumer lending activity. Consumers loans may be secured or unsecured and closed-end or open-end.
<u>ERSVC</u>	<b>Electronic Data Processing, Remote Service Units</b> - Includes: <ol style="list-style-type: none"><li>1. Clerical, accounting, data processing and internal auditing services;</li><li>2. Developing and operating storage facilities for microfilm or other duplicating records;</li><li>3. Establishing, owning, leasing, operating or maintaining remote service units.</li></ol>
<u>ETSVC</u>	<b>Escrow, Trustee Services</b> - Serving as an escrow agent or as trustee under deeds of trust, including executing and delivering conveyances, reconveyances, and transfers of title.
<u>FISUB</u>	<b>Finance Subsidiary</b> - An association's subsidiary whose sole purpose is to issue securities that the association is authorized to issue directly or, if the parent association is a mutual association, would be authorized to issue if it converted to the stock form; to remit the net proceeds of such securities issued to its parent association.
<u>INSBR</u>	<b>Insurance Brokerage, Agency</b> - Insurance coverage of liability, casualty automobile, life, health, accident, title insurance or other insurance. Also, the development and administration of life insurance, health insurance, and pension or retirement plans and other personnel benefit programs.
<u>MORTB</u>	<b>Mortgage Banking</b> - The brokerage and warehousing of loans (secured or unsecured) and the brokerage of real estate.
<u>MORTL</u>	<b>Mortgage Lending</b> - Operating loans and participations in loans which are secured by real estate.

## VERIBANC<sup>®</sup>, Inc.

### INFORMATION ABOUT THIS SAVINGS ASSOCIATION'S SUBSIDIARIES (CONTINUED)

<u>NA</u>	<b>Not Available or Not Applicable.</b>
<u>OTHER</u>	<b>Does not fit into the specific categories described.</b>
<u>PRMAN</u>	<b>Property Management &amp; Maintenance</b> - Maintaining and managing real estate for rental units and owner-occupied units.
<u>RCARB</u>	<b>Risk-Controlled Arbitrage</b> - A generic term for a strategy to manage interest rate risk and generate profits. This strategy generally involves the purchase of mortgage-backed securities (MBSs) using funds from the thrift's liquidity base or financed by a short-term liability, usually a reverse repurchase agreement (reverse repo). These newly purchased assets are then used as collateral to borrow additional funds that are invested in more MBSs. This series of transactions can be repeated for several iterations.
<u>RED&amp;S</u>	<b>Real Estate Development and Sales</b> - Acquiring unimproved real estate for prompt development or resale.
<u>RES&amp;R</u>	<b>Acquiring Improved Real Estate for Sale or Rental</b> - Acquiring improved real estate, including mobile homes, to rent or resell, or improving real estate by remodeling, renovating, or demolishing and rebuilding for sale or rental.
<u>SUBTH</u>	<b>Subsidiary Thrift</b> - A thrift association that is owned by another savings association (or a subsidiary of a thrift association) and operated as a subsidiary.

### COLOR CLASSIFICATION

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

<b>GREEN</b>	The savings association's equity exceeds five percent of its assets <u>and</u> it was profitable during the most recent reporting quarter. Based on the criteria used, this is the most favorable of the three color categories.
<b>YELLOW</b>	The savings association's equity is between three and five percent of its assets <u>or</u> it incurred a net loss in the most recent reporting quarter. Both of these conditions may apply. If there was a net loss, the loss was not

# VERIBANC<sup>®</sup>, Inc.

## COLOR CLASSIFICATION (CONTINUED)

**YELLOW** sufficient to erode a significant\* portion of the institution's  
(con't) equity. The items that result in a yellow classification  
merit your attention.

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

## STAR RATING

In addition to the color code, VERIBANC<sup>®</sup> assigns each savings association Three Stars (\*\*\*) , Two Stars (\*\*), One Star (\*) or No Stars (None). The star rating considers future trends and contingencies not accounted for in the color classification. The criteria used by VERIBANC<sup>®</sup> to determine the number of stars assigned to savings associations are as follows:

\*\*\* The savings association must meet the following primary conditions: equity that exceeds five percent of assets, equity which exceeds four percent of assets after deducting problem loans in excess of its loan loss reserves and positive net income for the indicated reporting quarter. Savings associations must also satisfy all three regulatory capital requirements (see below) and not have any recent serious regulatory sanctions against them. In addition, insider lending must not exceed 35 percent of equity.

\*\* The savings association meets any two of the three primary conditions for the Three Stars category and has equity that exceeds its unreserved problem loans. If the savings association had a net loss during the most recent reporting quarter, the loss was not significant. Thrifts must also satisfy all three regulatory capital requirements (see below) and not have any recent serious regulatory sanctions against them.

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

## VERIBANC<sup>®</sup>, Inc.

### STAR RATING (CONTINUED)

- \* The savings association 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. If the savings association had a net loss during the indicated reporting quarter, the loss was not significant. Moreover, the institution meets at least two of the three federal capital requirements for tier one (core) capital and total capital as a percentage of risk-weighted assets and tier one capital as a percentage of average assets. A savings association may receive no higher than a One Star rating if it has been subject to a serious regulatory sanction.

**NO STARS** The institution does not meet the criteria above.

## **SAVINGS ASSOCIATION RESEARCH REPORT**

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

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

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

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