

# VERIBANC

Beyond 'CAMELS'

## **HOLDING COMPANY RESEARCH REPORT**

**VERIBANC<sup>®</sup>, Inc.**

**Beyond 'CAMELS'**

Post Office Box 608

Greenville, Rhode Island 02828

800-837-4226

FAX: 401-531-2290

[www.veribanc.com](http://www.veribanc.com)

## **HOLDING COMPANY RESEARCH REPORT**

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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 a bank holding company.

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VERIBANC<sup>®</sup> has extensive data on cash flow, balance sheets, loan and investment portfolio distribution and call reports for all bank holding companies and their member banks 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.

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## FOREWORD

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

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

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

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

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

Thank you for your interest in the information VERIBANC<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

# VERIBANC<sup>®</sup>, Inc.

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**RESEARCH REPORT For: BANK OF AMERICA CORPORATION, CHARLOTTE, NC  
(Bank Operations Only - 3 Banks)**

Amounts in Thousands (\$000)	Quarter Ending	06/30/2014	03/31/2014	06/14 vs	12/31/2013	03/14 vs	09/30/2013	12/13 vs
	Bank Data Release Date	08/29/2014	05/30/2014	03/14	02/28/2014	12/13	11/30/2013	09/13
<b>I. OVERALL OPERATIONS</b>								
1. VERIBANC's Color Code and Star Classification (Chart 1)		GREEN/*	GREEN/*	N.A.	GREEN/*	N.A.	GREEN/*	N.A.
a. Ratings Effective Date		11/07/2014	08/01/2014	N.A.	04/30/2014	N.A.	02/04/2014	N.A.
2. Total Assets		\$1,632,502,000	\$1,643,016,000	-0.64%	\$1,619,216,000	1.47%	\$1,621,455,000	-0.14%
3. Total Equity Capital		\$203,996,000	\$202,093,000	0.94%	\$201,471,000	0.31%	\$201,678,000	-0.10%
4. Net Income for the Entire Past Year		\$19,081,000	\$19,467,000	-1.98%	\$21,272,000	-8.49%	\$19,834,859	7.25%
a. Quarterly Net Income, Annualized		\$18,088,000	\$17,632,000	2.59%	\$20,348,000	-13.35%	\$20,224,000	0.61%
5. Quarterly Net Income Before Extraordinary Items, Annualized		\$18,088,000	\$17,632,000	2.59%	\$20,348,000	-13.35%	\$20,224,000	0.61%
6. Total Loans		\$902,384,000	\$908,867,000	-0.71%	\$918,577,000	-1.06%	\$925,878,000	-0.79%
7. Total Deposits		\$1,261,395,000	\$1,263,489,000	-0.17%	\$1,251,704,000	0.94%	\$1,252,747,000	-0.08%
8. Insider Loans		\$6,000	\$6,000	N.A.	\$6,000	N.A.	\$6,000	N.A.
9. Number of Major Borrowers Who Are Insiders		1	1	N.A.	1	N.A.	1	N.A.
10. Liquid Assets		\$707,783,000	\$703,409,000	0.62%	\$663,706,000	5.98%	\$663,993,000	-0.04%
11. Total Problem Loans, Securities and Derivatives Contracts		\$32,802,000	\$36,032,000	-8.96%	\$37,645,000	-4.28%	\$41,286,000	-8.82%
<b>II. KEY OPERATING MEASURES</b>								
1. Excess Problem Loans, Securities & Derivatives Contracts as a % of Equity (Chart 2)		8.45%	9.73%	-13.18%	10.16%	-4.24%	10.98%	-7.40%
2. Equity as a Percentage of Assets (Chart 3)		12.50%	12.30%	1.59%	12.44%	-1.14%	12.44%	0.04%
3. Profitability, Quarterly R.O.A Annualized (Chart 4)		1.11%	1.07%	3.25%	1.26%	-14.60%	1.25%	0.75%
4. Liquidity (Chart 5)		56.11%	55.67%	0.79%	53.02%	4.99%	53.00%	0.04%
5. Insider Loans as a Percentage of Equity (Chart 6)		< 0.01%	< 0.01%	-0.93%	< 0.01%	-0.31%	< 0.01%	0.10%
6. Percentage of Equity Lost During Quarter (Chart 7)		0.00%	0.00%	N.A.	0.00%	N.A.	0.00%	N.A.
<b>III. COMPLIANCE WITH FEDERAL CAPITAL REQUIREMENTS</b>								
1. Tier 1 Capital		\$146,775,000	\$146,633,000	0.10%	\$148,068,000	-0.97%	\$146,463,000	1.10%
2. Total Risk-Based Capital		\$163,169,000	\$163,838,000	-0.41%	\$165,079,000	-0.75%	\$163,872,000	0.74%
3. Total Risk-Weighted Assets		\$1,131,671,000	\$1,143,495,000	-1.03%	\$1,149,753,000	-0.54%	\$1,142,454,000	0.64%
4. Total Risk-Based Capital Ratio		14.42%	14.33%	0.63%	14.36%	-0.21%	14.34%	0.10%
5. Tier 1 Risk-Based Capital Ratio		12.97%	12.82%	1.14%	12.88%	-0.43%	12.82%	0.45%
6. Tier 1 Leverage Ratio		9.37%	9.37%	0.01%	9.55%	-1.85%	9.48%	0.77%

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	Bank Data Release Date	08/29/2014	05/30/2014	03/14	02/28/2014	12/13	11/30/2013	09/13
<b>IV. LENDING CATEGORIES</b>								
1. Commercial and Industrial Loans, Total		\$206,995,000	\$207,230,000	-0.11%	\$228,244,000	-9.21%	\$226,722,000	0.67%
a. To U.S. Borrowers		\$153,778,000	\$153,400,000	0.25%	\$169,753,000	-9.63%	\$168,868,000	0.52%
b. To Foreign Borrowers		\$53,217,000	\$53,830,000	-1.14%	\$58,491,000	-7.97%	\$57,854,000	1.10%
2. Real Estate Lending from Domestic Offices of The Bank		\$390,234,000	\$398,168,000	-1.99%	\$407,113,000	-2.20%	\$414,956,000	-1.89%
a. Construction and Land Development		\$10,243,000	\$10,669,000	-3.99%	\$10,536,000	1.26%	\$10,517,000	0.18%
b. Secured by Farmland		\$1,419,000	\$1,265,000	12.17%	\$1,200,000	5.42%	\$1,226,000	-2.12%
c. Secured by One to Four Family Residential Units		\$325,610,000	\$332,848,000	-2.17%	\$340,845,000	-2.35%	\$350,418,000	-2.73%
d. Secured by Multifamily (five or more) Properties		\$5,942,000	\$6,178,000	-3.82%	\$6,012,000	2.76%	\$5,775,000	4.10%
e. Secured by Nonfarm, Nonresidential Properties		\$47,020,000	\$47,212,000	-0.41%	\$48,520,000	-2.70%	\$47,020,000	3.19%
3. Real Estate Lending from Foreign Offices of The Bank		\$2,316,000	\$3,176,000	-27.08%	\$2,066,000	53.73%	\$1,949,000	6.00%
4. Loans to Financial Institutions, Total		\$16,394,000	\$17,838,000	-8.10%	\$17,135,000	4.10%	\$17,738,000	-3.40%
a. To Institutions in the U.S.		\$714,000	\$955,000	-25.24%	\$237,000	302.95%	\$328,000	-27.74%
b. To Banks in Foreign Countries		\$15,680,000	\$16,883,000	-7.13%	\$16,898,000	-0.09%	\$17,410,000	-2.94%
5. Agricultural-Related Loans		\$2,582,000	\$2,471,000	4.49%	\$2,377,000	3.95%	\$2,282,000	4.16%
6. Loans To Individuals for Household, Family and Other Personal Expenditures		\$177,312,000	\$175,312,000	1.14%	\$180,924,000	-3.10%	\$178,106,000	1.58%
a. Credit Cards		\$101,019,000	\$99,980,000	1.04%	\$104,842,000	-4.64%	\$101,364,000	3.43%
b. Auto Loans		\$29,064,000	\$29,463,000	-1.35%	\$29,891,000	-1.43%	\$30,777,000	-2.88%
c. Other Consumer Loans		\$50,988,000	\$51,346,000	-0.70%	\$52,090,000	-1.43%	\$52,891,000	-1.51%
7. Loans To Foreign Governments and Official Institutions		\$1,406,000	\$937,000	50.05%	\$950,000	-1.37%	\$967,000	-1.76%
8. Loans to States and Political Subdivisions of the U.S.		\$13,253,000	\$13,972,000	-5.15%	\$15,639,000	-10.66%	\$15,005,000	4.23%
9. Lease Financing Receivables, Total		\$20,033,000	\$19,974,000	0.30%	\$18,943,000	5.44%	\$18,519,000	2.29%
a. Due from U.S. Lessees		\$16,441,000	\$16,765,000	-1.93%	\$15,859,000	5.71%	\$15,745,000	0.72%
b. Due from Foreign Lessees		\$3,592,000	\$3,209,000	11.94%	\$3,084,000	4.05%	\$2,774,000	11.18%
10. Other Loans and Adjustments for Unearned Income Included in All Categories		\$73,784,000	\$71,524,000	3.16%	\$46,852,000	52.66%	\$51,479,000	-8.99%
11. Total Foreign Loans Included in Foregoing Items		\$106,936,000	\$110,154,000	-2.92%	\$110,149,000	< 0.01%	\$110,679,000	-0.48%
12. Portion of Commercial and Industrial and 'Other' Loans Above That Finance Real Estate Investment Activities		\$7,818,000	\$7,922,000	-1.31%	\$8,293,000	-4.47%	\$8,342,000	-0.59%

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	Bank Data Release Date	08/29/2014	05/30/2014	03/14	02/28/2014	12/13	11/30/2013	09/13
<b>V. DETAILS OF PROBLEM LOANS, SECURITIES AND DERIVATIVES CONTRACTS</b>								
1. Past Due 90 Days or More and Still Accruing		\$19,657,000	\$21,190,000	-7.23%	\$24,099,000	-12.07%	\$26,829,000	-10.18%
a. To Domestic Addresses		\$19,619,000	\$21,169,000	-7.32%	\$24,041,000	-11.95%	\$26,813,000	-10.34%
b. To Foreign Addresses (If Any)		\$18,000	\$8,000	125.00%	\$17,000	-52.94%	\$0	N.A.
2. Nonaccruing Loans		\$15,353,000	\$17,370,000	-11.61%	\$17,809,000	-2.47%	\$20,140,000	-11.57%
a. To Domestic Addresses		\$15,195,000	\$17,195,000	-11.63%	\$17,570,000	-2.13%	\$19,833,000	-11.41%
b. To Foreign Addresses (If Any)		\$152,000	\$165,000	-7.88%	\$223,000	-26.01%	\$258,000	-13.57%
3. Renegotiated (Restructured) Debt		\$14,211,000	\$14,983,000	-5.15%	\$15,397,000	-2.69%	\$15,483,000	-0.56%
4. Excess Problem Loans, Debt Securities and Derivatives Contracts		\$17,239,000	\$19,671,000	-12.36%	\$20,478,000	-3.94%	\$22,136,000	-7.49%
5. Categories of Problem Assets								
a. Agriculture		\$3,000	\$4,000	-25.00%	\$4,000	N.A.	\$29,000	-86.21%
b. Real Estate		\$32,386,000	\$35,860,000	-9.69%	\$39,108,000	-8.31%	\$43,848,000	-10.81%
1. Construction and Land Development		\$109,000	\$157,000	-30.57%	\$168,000	-6.55%	\$292,000	-42.47%
2. Secured by Farmland		\$40,000	\$39,000	2.56%	\$36,000	8.33%	\$37,000	-2.70%
3. One to Four Family Mortgages		\$27,939,000	\$31,325,000	-10.81%	\$34,654,000	-9.61%	\$38,986,000	-11.11%
4. One to Four Family Home Equity Loans		\$3,731,000	\$3,725,000	0.16%	\$3,598,000	3.53%	\$3,740,000	-3.80%
5. Multifamily (five or more) Properties		\$21,000	\$16,000	31.25%	\$23,000	-30.43%	\$39,000	-41.03%
6. Nonfarm, Nonresidential Properties		\$546,000	\$598,000	-8.70%	\$629,000	-4.93%	\$754,000	-16.58%
c. To Individuals		\$1,354,000	\$1,492,000	-9.25%	\$1,635,000	-8.75%	\$1,685,000	-2.97%
1. Credit Card Loans		\$991,000	\$1,095,000	-9.50%	\$1,192,000	-8.14%	\$1,191,000	0.08%
2. Auto Loans		\$29,000	\$31,000	-6.45%	\$36,000	-13.89%	\$37,000	-2.70%
3. Other Personal, Installment and Consumer Loans		\$334,000	\$366,000	-8.74%	\$407,000	-10.07%	\$457,000	-10.94%
d. Commercial, Industrial and Other Loans		\$863,000	\$913,000	-5.48%	\$822,000	11.07%	\$997,000	-17.55%
e. Lease Financing		\$26,000	\$23,000	13.04%	\$57,000	-59.65%	\$65,000	-12.31%
f. Financial Institutions		\$0	\$0	N.A.	\$7,000	-100.00%	\$6,000	16.67%
g. Foreign Governments		\$0	\$0	N.A.	\$0	N.A.	\$0	N.A.
6. Debt Securities		\$378,000	\$268,000	41.04%	\$275,000	-2.55%	\$339,000	-18.88%
7. Delinquent Off-Balance Sheet Derivatives Contracts (Market Value)		\$0	\$0	N.A.	\$0	N.A.	\$0	N.A.
8. Portion of Commercial and Industrial and 'Other' Problem Loans Above That Finance Real Estate Investment Activities		\$4,000	\$12,000	-66.67%	\$18,000	-33.33%	\$23,000	-21.74%

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	Bank Data Release Date	08/29/2014	05/30/2014	03/14	02/28/2014	12/13	11/30/2013	09/13
<b>VI. LOAN LOSS RESERVES</b>								
1. Balance of Allowance at End of Previous Quarter		\$16,361,000	\$17,167,000	-4.70%	\$19,150,000	-10.36%	\$20,933,000	-8.52%
2. Recoveries Credited to Allowance		\$748,000	\$468,000	59.83%	\$620,000	-24.52%	\$626,000	-0.96%
3. LESS: Charge-Offs		\$1,819,000	\$1,856,000	-1.99%	\$2,209,000	-15.98%	\$2,012,000	9.79%
4. Provision for Loan and Lease Losses		\$421,000	\$969,000	-56.55%	\$334,000	190.12%	\$9,000	> 1,000%
5. Other Adjustments		-\$148,000	-\$387,000	61.76%	-\$728,000	46.84%	-\$406,000	-79.31%
6. Balance as of Bank Reporting Date		\$15,563,000	\$16,361,000	-4.88%	\$17,167,000	-4.70%	\$19,150,000	-10.36%
<b>VII. LOAN MANAGEMENT MEASURES</b>								
1. Loan Loss Reserves as a Percentage of Total Loans (Chart 9)		1.72%	1.80%	-4.19%	1.87%	-3.68%	2.07%	-9.64%
2. Net Loan Losses as a Percentage of Loan Loss Reserves (Chart 10)		6.88%	8.48%	-18.88%	9.26%	-8.35%	7.24%	27.89%
3. Net Loan Losses as a Percentage of Equity (Chart 11)		0.53%	0.69%	-23.56%	0.79%	-12.92%	0.69%	14.76%
4. Problem Loans, Secs & Cntrcts as a % of Total Lns (Chart 12)		3.64%	3.96%	-8.31%	4.10%	-3.26%	4.46%	-8.09%
5. Percent of Loan Portfolio Maturing or Repriceable (Chart 13)								
a. Within Three Months of Bank Reporting Date		50.07%	50.08%	-0.01%	49.33%	1.53%	48.62%	1.46%
b. Between Three and Twelve Months of Bank Reporting Date		4.50%	4.21%	7.04%	4.70%	-10.49%	4.88%	-3.79%
c. Between One And Three Years of Bank Reporting Date		10.35%	10.13%	2.19%	10.01%	1.19%	9.67%	3.51%
d. Between Three and Five Years from Bank Reporting Date		7.17%	6.90%	3.87%	6.64%	3.95%	6.67%	-0.51%
e. Between Five and Fifteen Years from Bank Reporting Date		9.79%	10.03%	-2.39%	10.26%	-2.19%	10.20%	0.56%
f. Over Fifteen Years from Bank Reporting Date		16.45%	16.77%	-1.90%	17.16%	-2.26%	17.81%	-3.65%
6. Foreign Loans as a Percentage of Total Loans (Chart 14)		11.85%	12.12%	-2.22%	11.99%	1.07%	11.95%	0.31%
<b>VIII. LIQUID ASSETS SUMMARY</b>								
1. Cash and Due from Depository Institutions		\$170,546,000	\$173,284,000	-1.58%	\$149,634,000	15.81%	\$151,157,000	-1.01%
2. U.S. Treasury Securities and Obligations of Other (Non-Treasury) U.S. Government Agencies and Corporations Available for Sale		\$212,828,000	\$213,287,000	-0.22%	\$195,123,000	9.31%	\$197,998,000	-1.45%
3. Securities Issued by States and U.S. Political Subdivisions Available For Sale		\$6,391,000	\$5,702,000	12.08%	\$5,291,000	7.77%	\$4,507,000	17.40%
4. Federal Funds Sold and Securities Purchased To Be Re-Sold		\$18,743,000	\$17,961,000	4.35%	\$21,789,000	-17.57%	\$14,070,000	54.86%
5. Net Assets in Trading Accounts		\$60,267,000	\$58,535,000	2.96%	\$55,294,000	5.86%	\$57,649,000	-4.09%
6. Market Value of Other Debt Securities Available for Sale		\$9,527,000	\$10,620,000	-10.29%	\$11,709,000	-9.30%	\$12,347,000	-5.17%
7. Market Value of Equity Securities		\$12,086,000	\$11,244,000	7.49%	\$10,422,000	7.89%	\$9,966,000	4.58%
8. Loans and Leases Maturing within 12 Months		\$211,231,000	\$206,646,000	2.22%	\$204,389,000	1.10%	\$209,565,000	-2.47%

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	Bank Data Release Date	08/29/2014	05/30/2014	03/14	02/28/2014	12/13	11/30/2013	09/13
<b>IX. LIABILITIES</b>								
1. Total Liabilities		\$1,428,506,000	\$1,440,923,000	-0.86%	\$1,417,745,000	1.63%	\$1,419,777,000	-0.14%
2. Volatile Liabilities		\$353,316,000	\$355,047,000	-0.49%	\$353,812,000	0.35%	\$353,826,000	-0.00%
a. Total Demand Deposits		\$195,695,000	\$193,136,000	1.32%	\$195,096,000	-1.00%	\$187,567,000	4.01%
b. Time Deposits Maturing Within One Year		\$156,431,000	\$140,442,000	11.38%	\$142,685,000	-1.57%	\$146,367,000	-2.52%
c. Federal Funds Purchased and Securities Sold Under Repurchase Agreements		\$28,050,000	\$32,487,000	-13.66%	\$32,167,000	0.99%	\$39,267,000	-18.08%
d. Demand Notes Issued to the U.S. Treasury and Other Short Term Liabilities for Borrowed Money		\$51,042,000	\$58,330,000	-12.49%	\$53,400,000	9.23%	\$50,422,000	5.91%
3. Brokered Deposits		\$48,642,000	\$50,302,000	-3.30%	\$51,132,000	-1.62%	\$51,791,000	-1.27%
4. Estimated Uninsured Deposits		\$570,062,250	\$581,937,250	-2.04%	\$583,295,250	-0.23%	\$584,322,500	-0.18%
5. Foreign Deposits		\$101,248,000	\$99,354,000	1.91%	\$96,100,000	3.39%	\$90,586,000	6.09%
<b>X. LIABILITY MEASURES</b>								
1. Volatile Liabilities as a Percentage of Liquid Assets (Chart 15)		49.92%	50.48%	-1.10%	53.31%	-5.32%	53.29%	0.04%
2. Brokered Deposits as a Percentage of Total Deposits (Chart 16)		3.86%	3.98%	-3.14%	4.08%	-2.54%	4.13%	-1.19%
3. Foreign Deposits as a Percentage of Total Deposits (Chart 17)		8.03%	7.86%	2.08%	7.68%	2.42%	7.23%	6.18%
4. Uninsured Deposits as a Percentage of Total Deposits		45.19%	46.06%	-1.88%	46.60%	-1.16%	46.64%	-0.09%
<b>XI. REAL ESTATE HOLDINGS</b>								
1. Foreclosed Property Held by U.S. Offices, Total		\$634,000	\$632,000	0.32%	\$615,000	2.76%	\$658,000	-6.53%
a. Construction and Land Development		\$65,000	\$71,000	-8.45%	\$77,000	-7.79%	\$95,000	-18.95%
b. Farmland		\$0	\$0	N.A.	\$0	N.A.	\$0	N.A.
c. One to Four Family Residential Units		\$513,000	\$510,000	0.59%	\$487,000	4.72%	\$510,000	-4.51%
d. Multifamily (five or more) Properties		\$4,000	\$4,000	N.A.	\$4,000	N.A.	\$5,000	-20.00%
e. Non-farm, Non-residential Properties		\$52,000	\$47,000	10.64%	\$47,000	N.A.	\$48,000	-2.08%
2. Foreclosed Property Held by Overseas Offices		\$0	\$1,000	-100.00%	\$1,000	N.A.	\$0	N.A.
3. Total Real Estate Owned (REO)		\$1,607,000	\$1,680,000	-4.35%	\$1,967,000	-14.59%	\$2,158,000	-8.85%

**RESEARCH REPORT For: BANK OF AMERICA CORPORATION, CHARLOTTE, NC  
(Bank Operations Only - 3 Banks)**

Amounts in Thousands (\$000)	Quarter Ending	06/30/2014	03/31/2014	06/14 vs	12/31/2013	03/14 vs	09/30/2013	12/13 vs
	Bank Data Release Date	08/29/2014	05/30/2014	03/14	02/28/2014	12/13	11/30/2013	09/13
<b>XII. MISCELLANEOUS ITEMS</b>								
1. Percentage of Foreign Ownership		0.00%	0.00%	N.A.	0.00%	N.A.	0.00%	N.A.
2. Held to Maturity (HTM) Securities		\$60,022,000	\$55,120,000	8.89%	\$55,150,000	-0.05%	\$54,649,000	0.92%
3. Unrecognized HTM Securities Losses		\$841,000	\$2,014,000	-58.24%	\$2,720,000	-25.96%	\$1,798,000	51.28%
4. Unrecognized HTM Securities Losses as a Percentage of Equity		0.41%	1.00%	-58.63%	1.35%	-26.18%	0.89%	51.43%
5. Derivatives								
a. On-balance Sheet Mortgage Derivative Securities		\$18,089,000	\$23,240,000	-22.16%	\$28,233,000	-17.68%	\$34,380,000	-17.88%
b. Structured Notes and High Risk Mortgage Derivative Securities		\$9,273,000	\$9,978,000	-7.07%	\$11,849,000	-15.79%	\$8,273,000	43.22%
c. Losses (Recognized and Unrecognized) in Foregoing Item		\$1,000	\$0	N.A.	-\$1,000	100.00%	\$1,000	-200.00%
d. Notional Amount of Off-Balance Sheet Derivatives		\$37,280,515,000	\$36,421,739,000	2.36%	\$39,115,070,000	-6.89%	\$41,892,750,000	-6.63%
6. Recent Regulatory Enforcement Action		CD-04/13/11	N.A.		N.A.		N.A.	

**RESEARCH REPORT For: BANK OF AMERICA CORPORATION, CHARLOTTE, NC  
SUMMARY DATA FOR INDIVIDUAL MEMBER BANKS**

Institution Name	Home Office City	State	Color Code and Star Rating	Estimated Regulatory Capital Classification if less than "Well"	Recent Regulatory Enforcement Actions?	Total Assets (\$000)	Equity (% of Assets)	Net Income for Qtr. (\$000)	Annualized Net Income (% of Equity)	EPL (% of Equity)	Unrecognized Investment Losses (% of Equity)
BANK OF AMERICA NA	CHARLOTTE	NC	GREEN/*		CD-04/07/14	1,454,742,000	12.56	3,262,000	7.14	9.97	0.46
FIA CARD SERVICES NA	WILMINGTON	DE	GREEN/*		CD-04/07/14	151,062,000	12.51	1,122,000	23.75	0.00	0.00
BANK OF AMERICA CALIFORNIA	SAN FRANCISCO	CA	GREEN/*			26,698,000	8.99	138,000	23.01	46.27	0.00

# VERIBANC®, INC.

## TERMS AND CONDITIONS

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

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

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

**VERIBANC<sup>®</sup>, Inc.**  
 Beyond 'CAMELS'  
 Post Office Box 608  
 Greenville, Rhode Island 02828  
 800-837-4226 [www.veribanc.com](http://www.veribanc.com)  
 Email: [service@veribanc.com](mailto:service@veribanc.com)

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

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	- - - - Number (and Percentage) of Banks - - - -			
GREEN/***	5,397 (81.08%)	5,360 (79.68%)	5,107 (74.98%)	5,346 (77.58%)
GREEN/**	431 (6.48%)	447 (6.64%)	440 (6.46%)	447 (6.49%)
YELLOW/**	265 (3.98%)	279 (4.15%)	522 (7.66%)	302 (4.38%)
GREEN/*	331 (4.97%)	379 (5.63%)	360 (5.29%)	433 (6.28%)
YELLOW/*	141 (2.12%)	140 (2.08%)	217 (3.19%)	199 (2.89%)
GREEN/U	14 (0.21%)	17 (0.25%)	16 (0.23%)	16 (0.23%)
YELLOW/U	44 (0.66%)	60 (0.89%)	73 (1.07%)	81 (1.18%)
RED/U	33 (0.50%)	45 (0.67%)	76 (1.12%)	67 (0.97%)
<b>TOTALS</b>	<b>6,656</b>	<b>6,727</b>	<b>6,811</b>	<b>6,891</b>
Ratings Effective Date	11/07/2014	08/01/2014	04/30/2014	02/04/2014

**Blue Ribbon Bank counts and as a Percentage of all Banks**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	- - - - Number (and Percentage) of Blue Ribbon Banks - - - -			
1-7 consecutive quarters	1,112 (16.71%)	1,038 (15.43%)	1,086 (15.94%)	1,166 (16.92%)
8 or more consecutive quarters	1,646 (24.73%)	1,608 (23.90%)	1,470 (21.58%)	1,471 (21.35%)
<b>TOTALS</b>	<b>2,758</b>	<b>2,646</b>	<b>2,556</b>	<b>2,637</b>

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**CHART 2: FDIC-Insured Banks with excess problem loans,  
 securities and contracts more than ten percent of equity**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
10 to 25 Percent	900	918	967	1,066
25 to 50 Percent	319	374	428	455
50 to 75 Percent	81	87	106	115
75 to 100 Percent	39	35	43	49
Over 100 Percent	70	90	107	123

**CHART 3: Equity as a Percentage of Assets for all FDIC-Insured Banks**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
Under 3.0 Percent	26	35	41	44
3.0 to 5.0 Percent	39	54	73	72
5.0 to 7.0 Percent	146	190	239	219
7.0 to 10.0 Percent	2,332	2,601	2,676	2,646
Over 10.0 Percent	4,113	3,847	3,782	3,910

**CHART 4: Profitability for all FDIC-Insured Banks**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
Under 0.5 Percent	1,683	1,985	2,274	1,957
0.5 to 1.0 Percent	2,395	2,498	2,303	2,356
1.0 to 1.5 Percent	1,566	1,419	1,358	1,549
1.5 to 2.0 Percent	592	481	516	614
Over 2.0 Percent	420	344	360	415

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 Greenville, Rhode Island 02828  
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**CHART 5: Liquid Assets as a Percentage of Deposits for all FDIC-Insured Banks**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
0 to 20 Percent	288	260	275	253
20 to 40 Percent	1,483	1,457	1,451	1,395
40 to 60 Percent	2,549	2,603	2,653	2,721
60 to 80 Percent	1,637	1,715	1,734	1,823
Over 80 Percent	699	692	697	695

**CHART 6: Insider Loans as a Percentage of Equity for all FDIC-Insured Banks**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
Under 5 Percent	3,052	3,088	3,066	3,103
5 to 15 Percent	1,864	1,839	1,871	1,942
15 to 25 Percent	893	922	930	927
25 to 35 Percent	411	424	449	444
Over 35 Percent	436	453	493	473

**CHART 7: Profits and Losses for all FDIC-Insured Banks**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
Profitable Banks	6,201	6,233	5,958	6,279
Banks with Modest Losses	439	473	800	574
Banks with Serious Losses	16	21	53	38

**CHART 8: Regulatory Capital Classification for all FDIC-Insured Banks**

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
Critically Under-Capitalized	4	7	7	6
Significantly Under-Capitalized	23	22	26	36
Under-Capitalized	30	37	39	36
Adequately Capitalized	51	56	71	78
Well Capitalized	6,548	6,605	6,668	6,735

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CHART 9: Loan Loss Reserves as a Percentage of Total Loans for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
0.0 to 0.5 Percent	204	178	190	189
0.5 to 1.0 Percent	1,056	983	1,007	939
1.0 to 1.5 Percent	2,453	2,386	2,383	2,266
1.5 to 2.0 Percent	1,541	1,622	1,636	1,736
Over 2.0 Percent	1,358	1,512	1,546	1,715

CHART 10: Net Loan Losses as a Percentage of Loan Loss Reserves for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
Under 0 Percent	1,807	2,020	1,451	1,643
0 to 15 Percent	4,333	4,285	4,481	4,585
15 to 30 Percent	307	244	524	396
30 to 45 Percent	78	64	146	109
Over 45 Percent	74	58	147	96

CHART 11: Net Loan Losses as a Percentage of Equity for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
Under 0 Percent	1,809	2,021	1,456	1,646
0 to 1 Percent	4,197	4,153	4,208	4,322
1 to 2 Percent	348	283	583	468
2 to 3 Percent	128	119	223	184
Over 3 Percent	174	151	341	271

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CHART 12: Problem Loans as a Percentage of Total Loans for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
0 to 5 Percent	5,800	5,794	5,770	5,707
5 to 10 Percent	619	662	728	835
10 to 15 Percent	128	150	172	196
15 to 20 Percent	45	44	57	64
Over 20 Percent	20	31	35	43

CHART 13: Percentage of all FDIC-Insured Banks' Loans  
 Maturing or Repriceable within Various Intervals

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Percentage of Banks -----			
0 to 3 Months	44.25%	44.06%	44.08%	43.98%
3 to 12 Months	7.07%	6.97%	7.32%	7.69%
12 to 36 Months	11.85%	11.94%	11.88%	11.66%
36 to 60 Months	11.84%	11.87%	11.75%	11.63%
60 to 80 Months	13.75%	13.85%	13.73%	13.55%
Over 80 Months	11.25%	11.31%	11.24%	11.49%

CHART 14: Foreign Loans as a Percentage of Total Loans for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
0 to 10 Percent	239	246	240	231
10 to 20 Percent	9	10	9	10
20 to 30 Percent	4	4	3	3
30 to 40 Percent	3	3	3	3
Over 40 Percent	4	5	5	5

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CHART 15: Volatile Liabilities as a Percentage of Liquid Assets for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
0 to 25 Percent	129	133	132	140
25 to 50 Percent	919	989	879	919
50 to 75 Percent	2,032	2,150	2,120	2,190
75 to 100 Percent	1,581	1,555	1,663	1,681
Over 100 Percent	1,995	1,900	2,017	1,961

CHART 16: Brokered Deposits as a Percentage of Total Deposits for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
0.0 to 1.0 Percent	531	543	570	585
1.0 to 2.0 Percent	340	346	354	371
2.0 to 3.0 Percent	272	267	249	257
3.0 to 4.0 Percent	206	208	204	208
Over 4.0 Percent	1,226	1,217	1,217	1,214

CHART 17: Foreign Deposits as a Percentage of Total Deposits for all FDIC-Insured Banks

Quarter Ending	06/30/2014	03/31/2014	12/31/2013	09/30/2013
Data Release Date	08/29/2014	05/30/2014	02/28/2014	11/30/2013
	----- Number of Banks -----			
0 to 5 Percent	80	84	92	83
5 to 10 Percent	13	13	10	11
10 to 15 Percent	2	4	7	4
15 to 20 Percent	4	3	2	4
Over 20 Percent	16	14	17	17

# VERIBANC®, Inc.

## INTRODUCTION

VERIBANC® is pleased to present you with the Holding Company Research Report. Patterned after our Bank Research Report, the Holding Company Research Report summarizes data from each member bank and applies the same automated analysis we perform for individual banks. A summary of the condition of each bank member of the holding company is also provided.

The information presented in this report is extracted directly, or derived from, the quarterly financial releases provided by the applicable Regulatory Agencies (Federal Reserve, Federal Deposit Insurance Corporation (F.D.I.C.) and the Office of the Comptroller of the Currency. This database applies to every federally insured commercial bank and savings bank in the United States and its territories. The data are assembled by the Federal Regulators from all of the banks' quarterly condition and income ("call report") filings with their various regulatory agencies. Normally the data are released during the second month after the close of each fiscal quarter. Most banks\* must file their reports within a month after the close of each quarter. The remaining time used by the regulatory agencies for pre-release screening and analysis. The data cycle is summarized in the table below. VERIBANC® revises its database and makes updated reports available within a few days of the release of new data.

Fiscal period	Bank must file with federal regulatory agency by*	Regulatory Agency releases data - exact release date varies
Jan. 1-Mar. 31	April 30	May 31
Apr. 1-June 30	July 30	August 31
July 1-Sept. 30	Oct. 30	November 30
Oct. 1-Dec. 31	Jan. 30	February 28

The information presented in this report represents VERIBANC®'s effort to select the most important items from the banks' 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 its original electronic format onto paper, we have instead chosen those items which we believe provide the most insight about each holding company. 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.

Note that this report is based on data from only the banks that are owned by the holding company or by subsidiary holding companies. Excluded are other enterprises that belong to the holding company, such as non-banking companies or other holding companies.

Another special cautionary note about this report is also appropriate. Ordinarily, regulatory activity by the FDIC, the Federal Reserve Board, the Office of the Comptroller of the Currency and the various state banking agencies is directed at individual banks, not holding companies. Therefore, this report should not be used to make inferences about the financial condition of an individual bank except as indicated on the page which lists each bank member of the holding company; if more

\* Certain large institutions are given an additional 15 days to file.

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information about a bank is sought, VERIBANC<sup>®</sup>, Inc. possesses considerable resources in this regard.

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

The summarizing of data over all of the banks in the holding company(ies) presented in this report is performed as follows.

- Dollar amounts and numerical count items for each bank are added together to obtain each report entry.
- Ratio quantities are computed using summarized entries in both the numerator and denominator. For example, in calculating equity as a percentage of assets, "summarized equity" is divided by "summarized assets."
- The VERIBANC<sup>®</sup> color classification and star rating of a holding company (described more fully on pages A-12 and A-13) is based on summary values of equity, assets and net income and the other variables from which the rating is derived. Note that an individual member bank can possess a different color and star rating than that of its holding company.
- The summarization over the member banks of the holding company is not a true consolidation insofar as insufficient data is available to account for interbank transactions among the banks listed in this report. VERIBANC<sup>®</sup> believes that, for most holding companies, a full consolidation of the banking subsidiaries would result in only modest differences from the amounts reported herein.
- Miscellaneous Items (described on page A-9) include "Percentage of Foreign Ownership," which is computed as an asset-weighted average of the foreign ownership percentage range for each member bank.

Following the sixth data page is a summary financial report for each<sup>\*</sup> of the banks owned by the holding company described in this report. They are ranked by asset size. The graphical supplement, which provides industry-wide context for the data, follows the data pages. In generating the graphs, only individual bank data (i.e., no holding company aggregates) are used. The appendix that follows presents more detailed descriptions of the data page entries. Data for the holding company or companies treated in the report follow immediately.

\* As carried by the Federal Regulators in their database as of the bank reporting date indicated in the heading of each data page. Please be aware that the Federal Regulators is often not fully up-to-date with holding companies' exact composition and/or sometimes excludes certain banks from the database. Therefore, it is important that you review this list of member banks on which the summarizing computations are performed.

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

**THE HEADER AND REPORT ENTRIES**

The top of each data page contains the name of the holding company and the city and state of its home office. Unless stated otherwise, the HOLDING COMPANY RESEARCH REPORT for the office listed in the data page heading includes data for all of the company's member bank subsidiaries as recorded by the applicable federal regulators, as well as the date when the report was prepared

The "Quarter Ending" dates are given on the first line of the data grid for each page and identifies the applicable financial quarter. This is the closing date of the fiscal quarter to which the report applies. The date on which the new data became available to VERIBANC® follows the Quarter Ending date on each data page.

Numerical data in the report are presented in one of three ways. Dollar amounts are stated in units that are rounded to the nearest thousand. Ratios are given as percentages carried to one hundredth of a percent. Numerical counts are given as whole numbers. The data pages are divided into twelve sections, each of which is described below.

**I. OVERALL OPERATIONS**

Item 1. **VERIBANC®'s Color and Star Classification** 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. Assignments of Three Stars, Two Stars, One Star or No Stars (U) are possible, with more stars being preferable. Chart 1 summarizes the color and star classification of the entire banking industry follows the data pages.

- a. **Ratings Effective Date** - Date ratings were last updated.
- b. **Provisional Color and Star Rating** (is only presented if it is applicable) represents the VERIBANC® 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®'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® does not assign a provisional rating, which is less favorable than the rating based on the latest-available federal data.

Item 2. **Total Assets** are stated for the fiscal quarter ending on the bank reporting date given at the bottom of the page.

Item 3. **Total Equity Capital** is stated as of the end of the quarter.

# VERIBANC<sup>®</sup>, Inc.

## I. OVERALL OPERATIONS (continued)

- Item 4. **Net Income for the Entire Past Year** is after taxes and extraordinary items.
- a. **Quarterly Net Income, Annualized<sup>†</sup>** is the net income for the reporting quarter, multiplied by four.
- Item 5. **Quarterly Net Income Before Extraordinary Items Annualized** is after taxes but before adjustment for extraordinary income or expenses. Annualization is performed by multiplying the quarterly amount by four.
- Item 6. **Total Loans** are the sum of all mortgage loans, nonmortgage and other loans in the categories enumerated in Section IV, "Lending Categories".
- Item 7. **Total Deposits** are stated as of the end of the quarter.
- Item 8. **Insider Loans** are total lending to bank officers, directors, principal shareholders or their related interests.
- Item 9. **Number of Major Borrowers Who Are Insiders** includes officers, directors and principal shareholders who owe more than \$500,000 or five percent of the bank's capital (whichever is less).
- Item 10. **Liquid Assets** are summarized in Section VIII.
- Item 11. **Total Problem Loans, Securities and Derivatives Contracts** include all outstanding past due, non-accrual and renegotiated debt items (including problem debt securities) as well as the book value of delinquent interest rate, foreign exchange and other derivatives contracts. Exceptions are those items which are less than 90 days in arrears or have repayment guaranteed by the U.S. government or its agencies. Specific categories are presented in Section V.

## II. KEY OPERATING MEASURES

- Item 1. **Excess Problem Loans, Securities & Derivatives Contracts as a % (Percentage) of Equity** -- defined as "Total Problem Loans, Securities and Contracts" (Item I.11) less the "Loan Loss Reserve Balance as of Bank Reporting Date" (Item VI.6). "Equity" is "Total Equity Capital" (Item I.3). A value of 100 percent corresponds to a potential loss of all of a bank's equity capital. Chart 2 presents industry-wide perspective.
- Item 2. **Equity As A Percentage Of Assets** is computed from "Total Equity Capital" (Item I.3) and "Total Assets" (Item I.2). Chart 3 provides industry-wide distribution information. Note that a common minimum standard used by analysts is that equity should be at least five percent of assets.

<sup>†</sup> In certain rare cases, income data for the current quarter are unavailable. In those instances, we provide an annualized estimate based on the "year to date" value of net income along with a footnote identifying the estimate as such.

## II. KEY OPERATING MEASURES (continued)

- Item 3. **Profitability** is expressed as annualized return on assets (R.O.A.). The calculation takes "Quarterly Net Income, Annualized" (Item I.4.a) as a percentage of "Total Assets" (Item I.2). Chart 4 presents industry-wide perspective.
- Item 4. **Liquidity** expresses "Liquid Assets" (Item I.10) as a percentage of "Total Deposits" (Item I.7). Chart 5 shows liquidity ranges for all banks.
- Item 5. **Insider Loans As A Percentage Of Equity** are computed from "Insider Loans" (Item I.8) and "Total Equity Capital" (Item I.3). The distribution of insider lending over the banking industry is presented in Chart 6.
- Item 6. **Percentage of Equity Lost During Quarter** represents the net loss during the most recent quarter as a percentage of the institution's equity. For banks that had positive net income during the most recent reporting quarter, zero percent is printed. For institutions with negative equity, the notation "Insolvent" is used. Chart 7 shows how many banks were profitable, how many had losses and how many had serious losses.

## III. COMPLIANCE WITH FEDERAL CAPITAL REQUIREMENTS

- Item 1. **Tier 1 Capital** consists principally of equity, non-cumulative perpetual preferred stock and minority interests in subsidiaries, less intangible assets. However, the exact definition is complicated and subject to change.
- Item 2. **Total Risk-Based Capital** consists principally of tier 1 capital, a portion of loan loss reserves and debt instruments which must be paid in the form of stock ("tier 2" capital) and, for large banks, special capital accounts earmarked to buffer market risk to securities and derivatives holdings ("tier 3" capital).
- Item 3. **Total Risk-Weighted Assets** represent the total of assets and credit equivalent amounts of off-balance sheet items which regulators have decided possess different degrees of riskiness. The amount in each risk category is multiplied by a numerical weight, which accounts for how risky each category is. The total is larger when the riskiness of assets is greater.
- Item 4. **Total Risk-Based Capital Ratio** is generated from formulas used by federal regulators. For an institution to meet the minimum federal requirement, its total risk-based capital ratio must be at least eight percent. To qualify for the characterization "well capitalized," a bank's total risk-based capital ratio must be at least ten percent.
- Item 5. **Tier 1 Risk-Based Capital Ratio** is also computed according to regulatory formulas. The minimum federal requirement for this ratio is 4.0 percent. For an institution to be considered "well capitalized" by the FDIC, its tier 1 risk ratio must be at least six percent.

### III. COMPLIANCE WITH FEDERAL CAPITAL REQUIREMENTS (continued)

Item 6. **Tier 1 Leverage Ratio** is "Tier 1 Capital" (Item III.1) divided by average assets, adjusted for certain additional regulatory definition factors. The average is taken over the most recent quarter. For an institution to meet minimum regulatory standards, its leverage ratio must be at least four percent. To qualify for the characterization "well capitalized", a bank's leverage ratio must be at least five percent.

### IV. LENDING CATEGORIES

Items 1 through 10 summarize the bank's loan portfolio loan types.

Item 11. **Total Foreign Loans Included in Foregoing Items** consist of all lending from domestic offices of the bank to overseas borrowers and all lending from overseas offices (as applicable) except to U.S. borrowers. Both short term and long term debt is included.

Item 12. **Portion of Commercial and Industrial (Item IV.1) and "Other" Loans (Item IV.10) Above That Finance Real Estate Investment Activities** is loans which are made to real estate ventures or to organizations whose income is derived primarily from real estate ventures.

### V. DETAILS OF PROBLEM LOANS, SECURITIES AND DERIVATIVES CONTRACTS

Item 1. **Past Due 90 Days Or More And Still Accruing** are loans, debt securities and derivatives contracts held by the bank on which repayments have fallen 90 days or further behind schedule.

Item 2. **Nonaccruing Loans** are loans and debt securities on which no payments have been received for 90 days or more and for which the bank considers repayment unlikely. Also included are loans being subjected to collection procedures but where collateral or guarantees are not of sufficient value to discharge all of the debt.

Item 3. **Renegotiated (Restructured) Loans** have had the terms readjusted in favor of the borrower due to deterioration of the borrower's ability to repay. Typical adjustments can include reduction in interest rate, deferral of principal repayment and/or extension of time for repayment.

Item 4. **Excess Problem Loans, Debt Securities and Derivatives Contracts** are the amount by which all of the bank's 90 or more days past due, nonaccrual and renegotiated/restructured loans, debt securities and derivatives contracts, net of government guarantees, exceed the loan loss reserve. This item represents the extent to which the bank's equity would be reduced if all of the problem items was charged off during the report quarter.

**V. DETAILS OF PROBLEM LOANS, SECURITIES AND DERIVATIVES CONTRACTS  
(continued)**

- Item 5. **Categories of Problem Assets** are listed in items a. through g. Six subcategories of real estate-related problem loans and three subcategories of delinquent personal loans are presented. Since the real estate subcategories exclude renegotiated debt, the total of the subcategories can be less than the amount given in Item V.5.b.
- Item 6. **Debt Securities** is the total of debt securities and miscellaneous assets not enumerated above which are 90 days or more past due, or which have been placed in nonaccrual status.
- Item 7. **Delinquent Off-Balance Sheet Derivatives Contracts** is the total market value carried as assets on all derivatives for which amounts due the bank are more than 90 days past due.
- Item 8. **Portion of Commercial and Industrial and "Other" Problem Loans Above that Finance Real Estate Investment Activities** shows amounts of problem loans not specifically categorized as real estate loans and not secured by property which nonetheless are associated with real estate development.

**VI. LOAN LOSS RESERVES**

- Item 1. **Balance Of Allowance At End Of Previous Quarter** is the total amount held in the loan loss reserve at the beginning of the report quarter's activity. A ‡ symbol (referring to a footnote at the bottom of the data page, if applicable) indicates that an Allocated Risk Transfer Reserve is maintained separately from the ordinary loan loss reserve. The Allocated Risk Transfer Reserve is a special reserve set aside by certain banks to apply to possible overseas lending losses, particularly in regard to various "Third World" foreign loans. The Loan Loss Reserve Amounts reported herein, and for Items 2 through 6 below, are an aggregate of the ordinary loan loss reserve and Allocated Risk Transfer Reserves, if any.
- Item 2. **Recoveries Credited To Allowance** accounts for previously charged off loans which have proved collectible during the quarter.
- Item 3. **LESS Chargeoffs**, are loans that have been written off.
- Item 4. **Provision For Possible Loan Or Lease Losses** is the amount added to the loan loss reserve account in anticipation of future problem loan charge-offs.
- Item 5. **Other Adjustments** include the effects of revisions to previous reports that affect current entries in the loan loss reserve; also included are the effects of acquisitions, divestitures and changes in the allowance due to foreign currency fluctuations.
- Item 6. **Balance As Of Bank Reporting Date** is the amount of the loan loss reserve allowance as of the end of the reporting quarter.

## VII. LOAN MANAGEMENT MEASURES

- Item 1. **Loan Loss Reserves As A Percentage Of Total Loans** are computed by dividing the loan loss reserve "Balance as of Bank Reporting Date" (Item VI.6) by "Total Loans" (Item I.6) and expressing the result in percentage form. Chart 9 provides industry-wide perspective.
- Item 2. **Net Loan Losses As A Percentage Of Loan Loss Reserves** are calculated as loan charge-offs less recoveries during the report quarter. This difference is divided by the loan loss reserve "Balance as of Bank Reporting Date" (Item VI.6) and expressed in percentage form. Charge-offs less recoveries are given by "Losses Charged to Allowance" (Item VI.3) minus "Recoveries Credited to Allowance" (Item VI.2). The distribution of net loan losses to loan loss reserves for all federally-insured commercial banks is presented in Chart 10.
- Item 3. **Net Loan Losses As A Percentage Of Equity** are determined by dividing net loan losses (as defined in Item 2 immediately preceding) by "Total Equity Capital" (Item I.3) and expressing the result in percentage form. Chart 11 indicates distribution over the commercial banking industry.
- Item 4. **Problem Loans, Securities, & Contracts As A % Of Total Loans** states the portion of the bank's entire loan portfolio as well as securities and derivatives contracts that fall into the "Total Problem Loans, Securities and Derivatives Contracts" (Item I.11) category. Chart 12 illustrates how all federally-insured commercial banks group according to this measure of asset quality.
- Item 5. **Percent Of Loan Portfolio Maturing Or Repricable** presents several ranges of loan duration for the bank's portfolio as of the end of the report quarter. Loans are considered repricable if their interest rate can be adjusted to reflect current market rates. Chart 13 indicates the portions of all commercial banks' loans, which fall into each of the given duration intervals.
- Item 6. **Foreign Loans As A Percentage Of Total Loans** are computed by dividing "Total Foreign Loans" (Item IV.11) by "Total Loans" (Item I.6) and expressing the results in percentage form. Chart 14 provides industry-wide perspective.

## VIII. LIQUID ASSETS SUMMARY

- Items 1 through 3 present a listing of the bank's position in cash and highly marketable securities, which are considered by management to be "available for sale".
- Item 4. **Federal Funds Sold and Securities** purchased under agreements to re-sell them.

**VIII. LIQUID ASSETS SUMMARY (continued)**

- Item 5. **Net Assets In Trading Accounts** includes all negotiable instruments held for short term resale. Examples of trading account assets include certificates of deposit, commercial paper, bankers' acceptances, government securities, bonds, notes, debentures and precious metals that the bank intends to liquidate. The reported figure is "net" of all trading account assets less trading account liabilities.
- Item 6. **Market Value of Other Debt Securities Available for Sale** includes amounts of private (e.g. not government-backed) certificates of participation in mortgage securities, mortgage derivatives and other debt instruments.
- Item 7. **Market Value of Equity Securities** includes investments in mutual funds, Federal Reserve stock, federally-sponsored agency stock and other equity instruments.
- Item 8. **Loans and Leases Maturing Within 12 Months** states the portion of the bank's portfolio, which is expected to be repaid within one year of the reporting date.

**IX. LIABILITIES**

- Item 1. **Total Liabilities** of the bank are stated as of the end of the report quarter.
- Item 2. **Volatile Liabilities** are obligations of the bank that mature rapidly or could be called in quickly, i.e. usually within a few days but possibly extending for as long as one year. Four categories are given.
- Item 3. **Brokered Deposits** consist of all deposits placed through a dealer, broker or other third party agent. Both, single and multiple investor participation instruments, are included.
- Item 4. **Estimated Uninsured Deposits** present the total amount over \$250,000 in accounts holding over \$250,000 or, if available, the bank's estimate of amounts of uninsured funds it holds for depositors. In their quarterly regulatory filings, banks are instructed to develop their own estimate if it is inaccurate to simply sum amounts over \$250,000 in deposit accounts larger than \$250,000.
- Item 5. **Foreign Deposits** include deposits from banks in foreign countries, foreign branches of U.S. banks, foreign governments and official institutions. Also included are all deposits in foreign branches of the bank except those placed by banks in the U.S. Note that this item is not reported by many small banks, which hold no foreign deposits.

## X. LIABILITY MEASURES

- Item 1. **Volatile Liabilities As A Percentage Of Liquid Assets** are computed by dividing "Volatile Liabilities" (Item IX.2) by "Liquid Assets" (Item I.10) and expressing the result in percentage form. Chart 15 provides industry-wide perspective.
- Item 2. **Brokered Deposits As A Percentage Of Total Deposits** are computed by dividing "Brokered Deposits" (Item IX.3) by "Total Deposits" (Item I.7) and expressing the result in percentage form. The distribution of brokered deposits, scaled by total deposits, for all federally-insured banks, is presented in Chart 16.
- Item 3. **Foreign Deposits As A Percentage Of Total Deposits** are computed by dividing "Foreign Deposits" (Item IX.6) by "Total Deposits" (Item I.7) and expressing the result in percentage form. Note this percentage is zero when the entry "Foreign Deposits" (Item IX.6) is not available, a situation which often applies to small banks. Chart 17 indicates ranges of the foreign deposits component of total deposits for all federally-insured banks which report foreign deposits.
- Item 4. **Uninsured Deposits as a Percentage of Total Deposits** express amounts, which are estimated to be in excess of the FDIC's insurance, limit (Item IX.4) in relation to all deposits held by the bank (Item I.7).

## XI. REAL ESTATE HOLDINGS

- Item 1. **Foreclosed Property held by U.S. Offices, Total** includes all of the bank's property holdings that it has received (or will receive) in lieu of debt payments. Specific subcategories are listed. The total excludes the bank's business premises, foreclosure holdings in overseas offices (see Item XI.2 below) and properties that the bank distinguishes as "investments."
- Item 2. **Foreclosed Property Held by Overseas Offices** indicates real estate, typically in other countries, that is being managed by a bank's non-U.S. branches or sub-sidiaries.
- Item 3. **Total Real Estate Owned (REO)** is the total of the foregoing three items.

## XII. MISCELLANEOUS ITEMS

- Item 1. **Percentage Of Foreign Ownership** is stated as of the end of the report quarter.
- Item 2. **Held-to-Maturity (HTM) Securities** are those instruments that the bank has stated it intends to hold until they mature. Their "book" value is presented.
- Item 3. **Unrecognized HTM Securities Losses** is the book value of the bank's "Held-to-Maturity Securities" (Item XII.3 above) less their market value.

**XII. MISCELLANEOUS ITEMS (continued)**

Item 4. **Unrecognized HTM Securities Losses as a Percentage of Equity** divides "Unrecognized HTM Securities Losses" (Item XII.4) by "Total Equity Capital" (Item I.3) and expresses the result as a percentage.

Item 5. **Derivatives** holdings of the bank are highlighted in the following subcategories:

- a. **On-Balance Sheet Mortgage Derivatives** indicates the book value of all held-to-maturity mortgage derivative securities and the market value of all available-for-sale mortgage derivative securities.
- b. **Structured Notes and High Risk Mortgage Derivative Securities** represents the total market value amount of on-balance sheet derivatives holdings singled out by regulators for special reporting.
- c. **Losses (Recognized and Unrecognized) in Foregoing Item** states the difference between book value and market value of structured notes and high risk mortgage derivative securities given in Item XII.6.b above.
- d. **Notional Amount of Off-Balance Sheet Derivatives** states the holdings of all off-balance sheet interest rate, foreign currency, equities and commodities contracts.

Item 6. **Effect of Regulatory Enforcement Actions** - If a holding company has been subject to a serious<sup>†</sup> regulatory sanction, the company is limited to a One Star rating. If the bank holding company owns one bank only, and that bank has been subject to a serious regulatory sanction, the highest number of stars that can be assigned is One. If the holding company owns multiple member banks, and the holding company itself has been subject to a serious regulatory enforcement action, the highest number of stars that can be assigned is one.

<u>Enforcement Action Type</u>	<u>Description</u>
CC	Prompt Corrective action/Capital directives
CD	Cease and Desist/ Consent Order against an institution.
CP	Cease and Desist order against a Person
DI	Proceeding that threatens or that actually terminates Deposit Insurance
EN	Termination, withdrawal, completion, expiration of ENding of a previous enforcement action

<sup>†</sup> Action types CC, CD or FA in the table that follows.

# VERIBANC®, Inc.

## XII. MISCELLANEOUS ITEMS (continued)

<u>Enforcement Action Type</u>	<u>Description</u>
EX	Amendment, modification, <b>EX</b> ension or continuation of a previous enforcement action.
FA	<b>F</b> ormal <b>A</b> greement/supervisory Agreements
FN	Other <b>Fi</b> Ne against a bank, e.g. – civil money penalty
FP	<b>F</b> ine levied against a <b>P</b> erson (rather than an institution), e.g. – civil money penalty
OP	<b>O</b> ther actions against an individual <b>P</b> erson, e.g. Written Agreement
OT	<b>O</b> ther – Cross Guarantee Liability, etc.
PR	<b>P</b> ersonal action involving <b>R</b> emoval action against a person, 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)

## SUMMARY DATA FOR INDIVIDUAL MEMBER BANKS

The following section provides a description of items on the final data page(s) of the report, a bank-by-bank compilation of summary financial information for individual members of the holding company. The details on these pages pertain only to the member banks, not the holding company itself.

VERIBANC®'s **Color Code** and **Star Rating** system is based on a combination of criteria explained in the section that follows. Banks which receive special recognition from VERIBANC® for meeting unusually high standards and exceptional attention to safety and soundness are identified as "Blue Ribbon Banks". These institutions are denoted with the letter "**B**" following the Green/\*\*\*/ ratings designation. Banks which have received such recognition for eight or more consecutive quarters have the legend "**BB**". **Since 1982, when we began designating banks for this award, only one\* Blue Ribbon Bank has failed.**

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

## VERIBANC®, Inc.

### SUMMARY DATA FOR INDIVIDUAL MEMBER BANKS (continued)

**Estimated Regulatory Capital Classification if less than "Well" capitalized** - - The Federal Deposit Insurance Corporation ("FDIC") classifies banks as Well Capitalized (W), **Adequately Capitalized (A)**, **Undercapitalized (UC)**, **Significantly Undercapitalized (SU)** and **Critically Undercapitalized (CU)**. VERIBANC® replicates the FDIC's algorithms to estimate each bank's capital classification. If the institution is in the well-capitalized category, this column is left blank.

**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 after the descriptions of the color and star ratings.

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

**Equity** is given as a percentage of "Total Assets". Equity measures the amount invested by the institution's stockholders and excludes liabilities to its depositors and other creditors. For mutual institutions and for credit unions, equity is defined as assets less liabilities.

**Net Income for the Reporting Quarter** is after taxes and extraordinary items. Amounts are expressed in thousands of dollars. For banks, which report on a year-to-date basis, if net income for the previous quarter<sup>†</sup> is not available, net income for the quarter and annualized net income, are estimated using the year-to-date amount. If such an estimate is used, the entries are followed with the † symbol.

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

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

**Unrecognized Investment Losses** are stated as a percentage of equity. This information consists of the difference between the book (amortized cost) and fair market value of securities which a bank intends to hold until maturity. Negative values of unrecognized investment losses are set to zero. Banks with negative equity have the entry insolvent. Those with zero or near-zero equity have the legend **N.A.**

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In addition to the situations noted above, if a data item for a particular institution is not available, not applicable or not meaningful, the notation **N.A.** is used.

### 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:

- GREEN**      The holding company's equity exceeds five percent of its assets and it has operated profitably during the most recent reporting quarter. Of the three color categories, this is the highest based on the criteria described.
- YELLOW**     The holding company's equity is between three and five percent of its assets or it incurred a net loss during the most recent reporting quarter. Both of these conditions may apply. If there was a net loss, the loss was not sufficient to erode a significant portion of the holding company's equity<sup>†</sup>. The items that result in a yellow classification merit your attention.
- RED**          The holding company's equity is less than three percent of its assets or it incurred a significant net loss during the most recent reporting quarter. The items that result in a red classification deserve your close attention.

### STAR RATING

In addition to the color code, VERIBANC<sup>®</sup> assigns each holding company Three Stars (\*\*\*) , Two Stars (\*\*), One Star (\*) or No Stars (U). The star rating considers future trends and contingencies not accounted for in the color classification. The holding company's rating is developed by considering together the financial reports of all bank subsidiaries owned (as indicated by the F.D.I.C. in its quarterly call report releases) by the same ultimate parent. The criteria used by VERIBANC<sup>®</sup> 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 for problem loans, securities and securities-type contracts in excess of loan loss reserves and positive net income of the most recent reporting

**STAR RATING (continued)**

- \*\*\*  
(con't)                    period. Banks and thrifts must also satisfy all three regulatory capital requirements (see below) and must not have any recent, serious regulatory sanctions against them. In addition, insider lending at an institution must not exceed a significant percentage of equity. If the bank is owned by a holding company, all of the holding company's banks, taken together as if they were a single bank, must meet the criteria necessary for the group to receive at least a Two Stars rating. An institution may only have two or fewer volatile periods of asset growth/shrinkage over the past ten quarters. For banks and credit unions, problem investments also include investments that, if sold, would realize less than their cost plus specific investment reserves.
- \*\*                            The institution must meet any two of the three primary conditions for the Three Stars category and has equity which exceeds its unreserved problem loans, securities and securities-type contracts. If the institution had a net loss during the most recent reporting period, the loss was not significant. Banks and thrifts must also satisfy all three federal capital requirements (see below) and must not have any recent serious regulatory sanctions against them. Additionally, if the bank is owned by a holding company, all of the holding company's banks, taken together as if they were a single bank, must meet the criteria necessary for the group to receive at least a Two Stars rating. A Two Stars rating is applied to an institution that has three volatile periods of asset growth/shrinkage over the past ten quarters. For banks and credit unions, that have investments with a current market value that is less than their cost, that difference must not exceed equity plus specific investment reserves.
- \*                            The institution meets at least one of the primary conditions for the Three Stars category, reports equity which exceeds three percent of assets and also exceeds unreserved problem loans, securities and securities-type contracts. If the institution had a net loss during the most recent reporting period, the loss was not significant. Moreover, if the institution is a bank or a thrift, it meets at least two of the three federal capital requirements for tier one (core) capital and total capital as a percentage

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### STAR RATING (continued)

\* (con't) of risk weighted assets and tier one capital as a percentage of average assets. A bank may also receive no higher than a One Star rating if it has been subject to a serious regulatory sanction, or if all of the banks in its holding company, taken together as if they were a single bank, receive a One Star or a No Star rating. A One Star rating is assigned if an institution has four or more volatile periods of asset growth/shrinkage over the past ten quarters. Also, a bank or credit union may receive a One Star rating if, absent other reasons for downrating as stated above, the difference between the cost and current market value of its investments exceeds the institution's equity plus specific investment reserves.

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

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

VERIBANC<sup>®</sup> invites you to recheck the ratings of your banks, thrifts, and credit unions when the next set of data is released by the government regulatory agencies. The approximate dates when new information is expected to replace VERIBANC<sup>®</sup>'s current data on banks, savings banks, thrifts and credit unions are:

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

VERIBANC<sup>®</sup> HOPES YOU FIND THIS REPORT USEFUL  
AND WELCOMES YOUR COMMENTS