



**LACE**  
Financial Corp.

## 2008 Bank Failures

The table below highlights the banking failures that have occurred in 2008 (currently twenty-five). A write-up on each of the banks noted below is provided on the following pages.

NAME	CITY	State	Total Assets (\$)	NPAs/Asset (%)	NPAs/Equity (%)	Leverage Capital/Assets (%)	Total Cap/Assets (%)	Tier 1/Asset (%)	ROA (%)	LACE Rating Prior Qtr.	LACE Rating Failed Qtr	Failure Date
<a href="#">Douglass NB</a>	Kansas City	MO	58.5M	11.03	217.48	2.43	5.41	4.1	(5.91)	E (2Q07)	E (3Q07)	1/25/08
<a href="#">Hume Bank</a>	Hume	MO	18.7M	5.19	48.30	7.83	11.57	10.3	(1.47)	D (3Q07)	E (4Q07)	3/07/08
<a href="#">ANB Financial N.A.</a>	Bentonville	AR	2.1B	19.85	231.87	1.89	3.50	2.2	(3.89)	D (3Q07)	E (4Q07)	5/09/08
<a href="#">First Integrity Bank NA</a>	Staples	MN	54.7M	8.41	111.26	4.45	6.50	5.2	(6.69)	E (3Q07)	E (4Q07)	5/30/08
<a href="#">IndyMac Bank, F.S.B.</a>	Pasadena	CA	32.0B	6.19	83.56	5.74	5.76	9.0	(2.10)	E (4Q07)	E (1Q08)	7/11/08
<a href="#">First National Bank of Nevada</a>	Reno	NV	3.4B	4.64	56.62	6.24	9.70	8.4	(1.92)	B+(4Q07)	E (1Q08)	7/25/08
<a href="#">First Heritage Bank N.A.</a>	Newport Beach	CA	254.0M	1.29	9.44	12.16	15.66	14.4	(4.86)	B (4Q07)	B- (1Q08)	7/25/08
<a href="#">First Priority Bank</a>	Bradenton	FL	259.0M	16.31	211.96	4.25	5.95	4.67	(4.49)	E (4Q07)	E (1Q08)	8/01/08
<a href="#">The Columbian Bank and Trust Company</a>	Topeka	KS	252.1M	7.51	90.90	7.06	10.01	7.32	2.88	E (4Q07)	E (1Q08)	8/22/08
<a href="#">Integrity Bank</a>	Alpharetta	GA	1.1B	32.64	510.36	3.00	7.06	3.83	(6.06)	E (4Q07)	E (1Q08)	8/29/08
<a href="#">Silver State Bank</a>	Henderson	NV	1.97B	13.50	124.76	6.56	8.86	7.57	(3.82)	B+ (4Q07)	E (1Q08)	9/5/08
<a href="#">Ameribank, Inc.</a>	Northfork	WV	104M	33.74	320.35	2.14	2.63	2.85	(13.25)	E (1Q08)	E (2Q08)	9/22/08
<a href="#">Washington Mutual</a>	Henderson	NV	307B	3.74	34.92	12.44	7.94	8.40	(2.78)	C- (1Q08)	D (2Q08)	9/25/08
<a href="#">Main Street Bank</a>	Northville	MI	97M	8.53	224.78	2.28	4.20	2.94	(10.62)	E (1Q08)	E (2Q08)	10/10/08
<a href="#">Meridian Bank</a>	Eldred	IL	39.2M	4.36	83.39	4.02	6.64	5.39	(3.79)	E (1Q08)	E (1Q08)	10/10/08
<a href="#">Alpha Bank &amp; Trust Company</a>	Alpharetta	GA	354.1M	18.93	213.63	5.27	6.96	5.67	(3.56)	E (1Q08)	E (2Q08)	10/24/08
<a href="#">Freedom Bank</a>	Bradenton	FL	270.8M	15.55	166.17	2.00	3.45	2.20	(6.65)	E (1Q08)	E (2Q08)	10/31/08



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NAME	CITY	State	Total Assets (\$)	NPAs/Asset (%)	NPAs/Equity (%)	Leverage Capital/Assets (%)	Total Cap/Assets (%)	Tier 1/Asset (%)	ROA (%)	LACE Rating Prior Qtr.	LACE Rating Failed Qtr	Failure Date
<a href="#">Franklin Bank, S.S.B.</a>	Houston	TX	5.09B	12.13	240.12	2.11	5.11	3.37	(9.79)	E (1Q08)	E (2Q08)	11/7/08
<a href="#">Security Pacific Bank</a>	Los Angeles	CA	528M	18.06	240.4	3.14	5.00	3.71	(18.12)	E (1Q08)	E (2Q08)	11/7/08
<a href="#">The Community Bank</a>	Loganville	GA	634M	8.53	349.5	3.71	5.39	4.06	(5.3)	E (1Q08)	E (2Q08)	11/21/08
<a href="#">Downey S&amp;LA</a>	Newport Beach	CA	12.78B	13.82	100.8	7.48	14.74	13.41	(5.6)	E (1Q08)	E (1Q08)	11/21/08
<a href="#">PFF Bank &amp; Trust</a>	Pomona	CA	266M	19.22	266.2	4.53	6.72	5.58	(6.1)	E (1Q08)	E (1Q08)	11/21/08
<a href="#">First GA Community BK</a>	Jackson	GA	256.4M	27.42	270.5	6.0	8.9	7.6	(1.56)	E (2Q08)	E (3Q08)	12/5/08
<a href="#">Haven Trust Bank</a>	Duluth	GA	559.6M	11.89	201.2	4.4	6.2	4.9	(3.23)	E (2Q08)	E (3Q08)	12/12/08
<a href="#">Sanderson State Bank</a>	Sanderson	TX	38.2M	6.99	78.5	8.6	13.8	12.6	(2.49)	E (2Q08)	E (3Q08)	12/12/08



January 28, 2008

**Douglass National Bank, Kansas City, Missouri closed by the Office of the Comptroller of the Currency.**

On January 25, the Office of the Comptroller of the Currency (OCC) closed Douglass National Bank and appointed the FDIC as the bank's receiver. The failed bank had approximately \$58.5 million in total assets and \$53.8 million total deposits. Conversations with the FDIC confirmed that regulators have worked with bank management over the past two years to attempt to address Douglass National Bank's deficiencies. However, the Bank was ultimately closed due to increasing loan losses which totaled \$5.6 million over the past two years. The closure of Douglass National Bank represents the first bank failure this year.

Liberty Bank and Trust Company, New Orleans, LA, with a LACE rating of "B," has agreed to purchase \$55.7 million of the failed bank's assets less a discount of \$6.1 million. This morning, Douglass' three branches reopened under the Liberty Bank banner. The FDIC will hold approximately \$2.8 million of Douglass' assets.

LACE Financial has rated Douglass National Bank at "E" since December 2005 and they have been noted on LACE Financial's *Institutions of Concern* List during this time (see below table for a brief summary of key financial ratios). LACE informed our clients, through our *Institutions of Concern* releases, that Douglass National Bank was under an OCC Order since March 2006.

NAME	CITY	State	Total Assets (\$Mil)	NPAs/Asset (%)	NPAs/Equity (%)	Total Cap/Assets	Tier 1/Asset (%)	ROA (%)	Jun 2007 LACE RATING	Sept 2007 LACE RATING
Douglass NB	Kansas City	MO	58.52	11.03	217.48	2.43	4.11	-5.91	E	E

**Industry Outlook**

LACE Financial does not expect any improvement in the current banking environment before the end of 2008 and we anticipate several additional banking closures this year.

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March 10, 2008

**Hume Bank, Hume, Missouri closed by the Commissioner of Missouri's Division of Finance.**

On March 7, the Commissioner of Missouri's Division of Finance closed Hume Bank and the FDIC was appointed as the bank's receiver. Discussions with the FDIC revealed that the bank was closed primarily because of impropriety in the form of poor lending practices. Hume Bank carried an "E" LACE rating at the time of failure due primarily to a significant increase in nonperforming assets and a decrease in earnings.<sup>1</sup> Hume Bank had approximately \$18.7 million in total assets and \$13.6 million total deposits of which the FDIC insured \$12.5 million. The remaining \$1.1 million in deposits was in 33 different accounts each valued above the federal deposit limit and therefore were not insured by the FDIC. The closure of Hume Bank represents the second bank failure this year, following Douglass National Bank's failure on January 25.

Security Bank, Rich Hill, MO, with a LACE rating of "C+," has agreed to purchase \$2.7 million of Hume's assets and to assume \$12.5 million of the failed bank's insured deposits for a discount of 4.26 percent. This morning, Hume Bank's single branch reopened under the Security Bank banner.

NAME	CITY	State	Total Assets (\$Mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital/ Assets	Tier 1/ Asset (%)	ROA (%)	Sept 2007 LACE RATING	Dec 2007 LACE RATING
Hume Bank	Hume	MO	18.7	5.19	48.3	7.63	10.28	-1.47	D	E

**Industry Outlook**

LACE Financial maintains a negative outlook for the overall banking industry and we anticipate several additional banking closures through 2008.

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<sup>1</sup> LACE Ratings, based on fourth quarter financial information, were distributed to Preliminary Watch List subscribers last week and should be uploaded to our website shortly.



May 13, 2008

**ANB Financial, Bentonville, Arkansas closed by the Office of the Comptroller of the Currency**

On May 9, the Office of the Comptroller of the Currency closed ANB Financial N.A. and the FDIC was appointed as the bank's receiver. The bank was closed primarily because of insufficient capitalization and significant deterioration in assets during 4Q07. The problem loans occurred primarily in construction, land, and land development loans along with commercial real estate loans increasing from \$58 million to \$329 million and \$3 million to \$39 million, respectively. These two loan categories represented 88 percent of nonperforming loans.

ANB Financial carried an “E” LACE rating at the time of failure and maintained a “D” rating since 1Q07 (appearing in our Watchlist since 4Q06). Additionally, ANB appeared on the LACE 4Q07 Institutions of Concern list due primarily to a dramatic increase in nonperforming assets, extremely low capital, and negative earnings. At the time of failure, ANB Financial had approximately \$1.9 billion in total assets and \$1.8 billion in total deposits. The closure of ANB Financial N.A. represents the third bank failure this year, following Douglass National Bank’s failure in January and Hume Bank in March.

Pulaski Bank and Trust Company, Little Rock, AR, with a LACE rating of “B-,” will purchase \$235.9 million of ANB’s assets and \$212.9 million of the failed bank's insured deposits for a premium of 1 percent. Yesterday, ANB’s nine branches reopened under the Pulaski Bank and Trust Company’s name.

NAME	CITY	State	Total Assets (\$Bil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital/ Assets	Tier 1/ Asset (%)	ROA (%)	3Q07 LACE RATING	4Q07 LACE RATING
ANB Financial N.A.	Bentonville	AR	1.90	19.85	231.87	1.89	2.19	-3.89	D	E

**Industry Outlook**

LACE Financial continues to hold a negative outlook for the overall banking industry and we anticipate numerous banking closures through 2008 and into 2009.

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June 2, 2008

**First Integrity Bank NA, Staples, Minnesota closed by the Office of the Comptroller of the Currency.**

On Friday May 30, the Office of the Comptroller of the Currency closed First Integrity Bank and the FDIC was appointed as the bank's receiver. First Integrity Bank was closed due to poor financial condition and has been rated "E" by LACE Financial since 2Q07 mainly because of extremely poor asset quality, weak capital, and negative earnings. The Bank held approximately \$54.7 million in total assets and \$50.3 million total deposits. First Integrity Bank represents the fourth Bank Failure of 2008.

First International Bank and Trust, Watford City, ND, with a LACE rating of "B," has assumed all of First Integrity's deposits and is purchasing \$35.8 million of the failed bank's assets for a premium of \$2.03 million. The balance of First Integrity's assets will be retained by the FDIC. On May 31, First Integrity Bank's two branches reopened as branches of First International Bank.

NAME	CITY	State	Total Assets (\$Mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital/ Assets	Tier 1/ Asset (%)	ROA (%)	3Q07 LACE RATING	4Q07 LACE RATING
First Integrity Bank NA	Staples	MN	54.7	8.41	111.26	4.45	5.23	-6.69	E	E

**Industry Outlook**

LACE Financial maintains a negative outlook for the overall banking industry and we anticipate several additional banking closures through 2008.

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July 14, 2008

**IndyMac Bank, F.S.B., Pasadena, California closed and seized by the Office of Thrift Supervision.**

On July 11, the Office of Thrift Supervision closed IndyMac Bank, F.S.B. (“IndyMac”) and the FDIC was appointed receiver. The closure followed a published report in late-June of financial soundness and oversight concerns, which led to a liquidity crisis (approximately \$1.3 billion of withdrawn deposits over several days). Conversations with the FDIC confirm that the withdrawal of deposits was the primary factor behind the closure and that the cost to the deposit insurance fund could reach as high as \$8 billion. IndyMac held approximately \$32 billion in total assets and \$19 billion total deposits at the time of closure. IndyMac represents the fifth bank failure this year, the largest regulated thrift closure, and the second largest banking institution to close in U.S. history.

Prior to the public announcement, IndyMac carried a below investment grade LACE rating since 3Q07 (see table below for ratings) and appeared on our *Institutions of Concern* list for two consecutive quarters. The poor ratings were primarily due to deteriorating asset quality, particularly in residential and construction loans, and reported combined losses of \$842 million over the last three quarters ending 1Q08.

According to the FDIC, all non-brokered insured deposit accounts and substantially all of the assets of IndyMac were transferred to IndyMac Federal Bank, FSB (a newly chartered FDIC insured institution). IndyMac Federal Bank, FSB assumed normal operations today under the FDIC’s control to maintain banking services to the communities formerly served by IndyMac and to maximize the value of the bank for a future sale.

NAME	CITY	State	Total Assets (\$Bil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital (%)	ROA (%)	3Q07 LACE RATING	4Q07 LACE RATING	1Q08 LACE RATING
IndyMac Bank, F.S.B.	Pasadena	CA	32.01	6.19	83.56	5.74	-2.1	D	E	E

**Industry Outlook**

LACE Financial has continued to maintain a negative outlook for the overall banking industry and we anticipate additional banking closures in the near future.

Ben Stewart  
 Financial Analyst, LACE Financial Corporation



July 28, 2008

**First National Bank of Nevada and First Heritage Bank N.A. closed by the Office of the Comptroller of the Currency.**

On July 25, the Office of the Comptroller of the Currency closed First National Bank of Nevada (Reno, NV) and First Heritage Bank National Association (Newport Beach, CA) and appointed the FDIC as the receiver. First National Bank Holding Company in Scottsdale, AZ owned both banks. The closures of these banks represent the sixth and seventh bank failures this year.

LACE Financial believes that the financial condition of the holding company precipitated the closing of First National Bank of Nevada and First Heritage Bank N.A. particularly given the recent cease and desist order issued by the Federal Reserve last month (this order was made public on July 25). This order primarily required the bank holding company to present a capital plan for itself and each of its subsidiary banks due primarily to a continued deterioration of capital levels and asset quality in the second quarter.

According to the FDIC, Mutual Bank of Omaha in Omaha, NE (LACE Rating “B”) acquired all deposits of both banks. The banks’ combined twenty-eight branches opened today as branches of Mutual of Omaha Bank and resumed normal operations.

**Table 1. Financial Summary as of 1Q08**

Name	City	State	Total Assets (\$mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital (%)	ROA (%)	3Q07 LACE Rating	4Q07 LACE Rating	1Q08 LACE Rating
First National Bank Holding Company	Scottsdale	AZ	3,866*	9.37	180.21	1.31	(15.23)	C-	E	E
First National Bank of Nevada	Reno	NV	1,634	4.64	56.62	6.24	(1.92)	A	B+	E
First Heritage Bank N.A.	Newport Beach	CA	158	1.29	9.44	12.16	(4.86)	A	B	B-

\* Includes First National Bank of Arizona’s assets. This bank subsidiary was merged into First National Bank of Nevada on 6/30/08

**Industry Outlook**

LACE Financial maintains a negative outlook for the overall banking industry and we anticipate additional banking closures through 2009.

Ben Stewart  
 Financial Analyst  
 LACE Financial Corporation



August 4, 2008

**First Priority Bank, Bradenton, Florida closed by the Commissioner of the Florida Office of Financial Regulation.**

On August 1, the Florida Office of Financial Regulation closed First Priority Bank and appointed the FDIC as receiver. First Priority was closed due to poor capitalization, aggressive/unsafe lending practices, and was operating under a recently issued enforcement action. SunTrust Bank (LACE rating, “B-”) assumed all of First Priority’s insured deposits without paying a premium and is expected to purchase \$42 million of the failed bank’s assets. The six branches of First Priority bank opened for business this morning under the SunTrust Bank banner.

Prior to the closure, First Priority carried the lowest LACE rating since 3Q07 (see table below for ratings) and appeared on our *Institutions of Concern* list for two consecutive quarters. The poor ratings were primarily due to very poor asset quality, particularly in construction loans, and negative earnings over six consecutive quarters.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital (%)	ROA (%)	3Q07 LACE RATING	4Q07 LACE RATING	1Q08 LACE RATING
First Priority Bank	Bradenton	FL	259	16.31	211.96	4.25	-4.49	E	E	E

**Industry Outlook**

LACE Financial has continued to maintain a negative outlook for the overall banking industry and we anticipate additional banking closures.

Ben Stewart  
 Financial Analyst  
 LACE Financial Corporation



August 25, 2008

**The Columbian Bank and Trust Company Topeka, Kansas closed by the Kansas Bank Commissioner.**

On Friday August 22, the Kansas Bank Commissioner closed The Columbian Bank and Trust Company and appointed the FDIC as receiver. Citizens Bank and Trust, Chillicothe, MO, (LACE rating, “B-”) assumed all of Columbian Bank’s insured deposits for a premium of 1.125% and is expected to purchase \$85.5 million of the failed bank’s assets. The nine branches of Columbian Bank opened for business this morning under the Citizens Bank and Trust banner.

Prior to the closure, The Columbian Bank and Trust Company carried a noninvestment grade rating LACE rating since 2Q07 and an “E” rating since 4Q07, appearing on the LACE *Institutions of Concern* list for 1Q08. The poor ratings were primarily due to poor asset quality, concentrated in construction loans.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital (%)	ROA (%)	3Q07 LACE RATING	4Q07 LACE RATING	1Q08 LACE RATING
The Columbian B&TC	Topeka	KS	752	7.51	90.90	7.06	2.88	D	E	E

**Industry Outlook**

LACE Financial has continued to maintain a negative outlook for the overall banking industry and we anticipate additional banking closures.

Ben Stewart & Ashley Phillips  
 Financial Analysts  
 LACE Financial Corporation



September 2, 2008

**Integrity Bank, Alpharetta, Georgia closed by the Georgia Department of Banking and Finance.**

On Friday August 29, the Georgia Department of Banking and Finance closed Integrity Bank and appointed the FDIC as receiver. Integrity Bank was closed due to poor financial condition, primarily as a result of deteriorating asset quality in its construction, land, and land development loan portfolio (comprised nearly 93% of the bank's non performing assets). Since February 2008, Integrity Bank has operated under an FDIC enforcement action, which cited several deficiencies, such as inadequate capital reserve levels, poor loan underwriting practices, and inadequate management. Regions Bank, Birmingham, AL, (LACE rating, "B") assumed all of Integrity Bank's deposits for a premium of 1.012% and is expected to purchase \$34.4 million of the failed bank's assets. The five branches of Integrity Bank opened for business this morning under the Regions Bank banner.

Prior to the closure, Integrity Bank carried a LACE "E" rating since 2Q07, and has appeared on the LACE *Institutions of Concern* list since 3Q07.

NAME	CITY	State	Total Assets (\$bil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital (%)	ROA (%)	2Q-4Q07 LACE RATING	1Q08 LACE RATING	2Q08 LACE RATING
Integrity Bank	Alpharetta	GA	1.1	32.64	510.36	3.00	-6.06	E	E	E

**Industry Outlook**

LACE Financial has continued to maintain a negative outlook for the overall banking industry. This closure represents the 10<sup>th</sup> bank failure this year and we anticipate several additional banking closures over the next few months.

Ashley Phillips  
 Financial Analyst  
 LACE Financial Corporation



September 8, 2008

**Silver State Bank, Henderson, NV closed by the Nevada Financial Institutions Division.**

On Friday September 5, the Nevada Financial Institutions Division closed Silver State Bank and appointed the FDIC as receiver. Silver State Bank was closed due to a poor financial condition, primarily as a result of deteriorating asset quality, over-exposure to risky real-estate loans, and negative earnings. The bank's asset quality declined dramatically between first and second quarters 2008 as nonperforming assets increased from \$71 million to \$266 million. Additionally, Silver State Bank posted a half-year loss of \$75 million, compared to a \$13 million loss in first quarter. Nevada State Bank, Las Vegas, NV (LACE rating, "C-") assumed all of Silver State Bank's insured deposits for a premium of 1.3%. The seventeen branches of Silver State Bank opened for business this morning as branches of Nevada State Bank or National Bank of Arizona (LACE Rating, "C+").

On August 15, LACE Financial issued a release to its clients downgrading Silver State Bank and its holding company, Silver State Bancorp, from "D" to "E."

<b>Total Assets (\$Bil)</b>	<b>Net Income (\$Mil)</b>	<b>NPAs/CAP (%)</b>	<b>Reserves/NPAs (%)</b>	<b>Leverage Capital/Assets (%)</b>	<b>Tier 1/Assets (%)</b>	<b>ROA (%)</b>	<b>Pervious LACE Rating</b>	<b>Current LACE Rating</b>
1.97	(\$75.24)	124.76	25.68	6.56%	7.57%	(3.82)	D	E

**Industry Outlook**

LACE Financial continues to maintain a negative outlook for the overall banking industry through the remainder of this year and into 2009. This closure represents the 11<sup>th</sup> bank failure in 2008 and we anticipate several additional banking closures in the near future.

Ben Stewart & Ashley Phillips  
 Financial Analysts  
 LACE Financial Corporation



September 22, 2008

**Ameribank, Inc. Northfork, West Virginia closed by the Office of Thrift Supervision.**

The Office of Thrift Supervision closed Ameribank, Inc. on September 19 and named the FDIC as the thrift's receiver. The thrift was operating under an OTS cease and desist order issued on October 19, 2007. The order stated that Ameribank's lending practices were unsafe and unsound and forbade the thrift from originating additional rehabilitation loans for distressed properties.

Ameribank carried a sub-investment grade LACE rating since 1Q07, an "E" rating (LACE's lowest rating) since the second quarter of 2007, and appeared on our *Institutions of Concern* list beginning in the second quarter of 2007. The poor ratings were primarily due to deteriorating asset quality, high residential real estate concentrations, and negative earnings beginning in the third quarter of 2007. Additionally, Ameribank was seriously undercapitalized as of June 30, 2008.

All of Ameribank's deposits, including uninsured deposits and brokered deposits, and a small portion of its assets (\$23 million) were assumed by Pioneer Community Bank, Inc. (LACE rating "B") in West Virginia and Citizens Savings Bank (LACE rating "B-") in Ohio. Ameribank's three Ohio branches were reopened under the Citizens banner on Saturday while the five branches in West Virginia reopened as branches of Pioneer Community Bank on Monday.

NAME	CITY	State	Total Assets (\$Mil)	NPAs/ Assets (%)	NPAs/ Capital (%)	Leverage Capital (%)	ROA (%)	4Q07 LACE RATING	1Q08 LACE RATING	2Q08 LACE RATING
Ameribank	NorthFork	WV	104	33.74	320.35	2.14	-13.25	E	E	E

**Industry Outlook**

Ameribank's failure represents the twelfth banking institution and the second thrift to fail this year. LACE Financial maintains its negative outlook for the domestic banking industry throughout 2008 and into 2009 as we expect numerous additional bank failures.

Ben Stewart  
 Financial Analyst,  
 LACE Financial Corporation



September 26, 2008

**Washington Mutual Bank, Henderson, NV closed by the Office of Thrift Supervision**

On Thursday September 25, the Office of Thrift Supervision closed Washington Mutual Bank (WaMu) and appointed the FDIC as receiver, representing the largest banking institution failure in U.S. history. WaMu was closed due to a poor financial condition aided by a recent run on the thrift, in which \$16.7 billion in deposits were withdrawn over a 10 day period. WaMu continued to be hampered by declining asset quality primarily in its residential mortgage portfolio. Non-performing assets totaled \$11.48 billion or 34.96% of equity and reserves and 3.74% of total assets. Additionally, WaMu posted a 2Q08 net loss of (\$3.19 billion), resulting in an annualized ROA of (2.78%).

JPMorgan Chase & Company, currently rated “B+”, acquired all of WaMu’s assets, deposits, and qualified financial contracts, including Washington Mutual Bank, F.S.B., Park City, UT, for \$1.9 billion.<sup>2</sup> All branches opened under the JP Morgan Chase banner this morning and no banking customer interruptions are expected.

Name	City	State	Total Assets (\$bil)	NPAs/ Assets (%)	NPAs/ Equity (%)	T. Cap/ T. Assets (%)	ROA (%)	4Q07 LACE Rating	1Q08 LACE Rating	2Q08 LACE Rating
Washington Mutual Bank	Henderson	NV	307.0	3.74	34.96	7.94	-2.78	C	C-	D

**Industry Outlook**

LACE Financial continues to maintain a negative outlook for the overall banking industry through the remainder of this year and into 2009. This closure represents the 13<sup>th</sup> bank failure in 2008 and we anticipate several additional banking closures in the near future.

Ben Stewart  
 Financial Analyst  
 LACE Financial

<sup>2</sup> Washington Mutual Bank F.S.B. (LACE rating of “B+”) was not closed by the FDIC, but was included in the sale.



October 13, 2008

**Main Street Bank, Northville, MI and Meridian Bank, Eldred, IL closed by respective state regulators.**

*Main Street Bank* - On Friday October 10, the Michigan Office of Financial and Insurance Regulation closed Main Street Bank and appointed the FDIC as receiver. Main Street Bank was closed primarily due to poor asset quality, continued negative earnings, and low capital levels. Main Street bank recorded negative earnings dating back to 4Q06 with a most recent ROA of (10.62%) for 2Q08. Main Street held nonperforming assets totaling approximately \$10.7 million, largely tied to residential real estate and construction loans. Main Street carried a LACE rating of “E” for four consecutive quarters dating back to 3Q07 and a non-investment grade rating since 2Q07. Additionally, Main Street has appeared on the LACE *Institutions of Concern* list since 4Q07 and the *Watchlist* since 2Q07. Monroe Bank and Trust (LACE rating, “D”), acquired all of Main Street’s deposits for a premium of 1%. Monroe also purchased \$16.9 million of the failed banks assets with a 90-day option to buy \$1.1 million in property and fixed assets. All remaining assets will be held by the FDIC.

*Meridian Bank* - On Friday October 10, the Illinois Department of Financial Professional Regulation-Division of Banking closed Meridian Bank and appointed the FDIC as receiver. Meridian was closed due to poor capitalization, unsound/unsafe lending practices, and was operating under a recently issued enforcement action. Prior to the closure, Meridian carried the lowest LACE rating since 2Q07 (see table below for ratings), appearing on the LACE *Institutions of Concern* list for 2Q08 and the *Watchlist* since 4Q06. The low ratings were primarily due to poor asset quality, and high concentrations of real estate loans. National Bank, Hillsboro, IL, (LACE rating, “B+”) assumed all of Meridian Bank’s deposits and is expected to purchase \$7.55 million of the failed bank’s assets. Four branches of Meridian Bank opened for business Saturday under the National Bank banner, and the fifth branch, in Alton, will reopen tomorrow.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital (%)	ROA (%)	4Q07 LACE RATING	1Q08 LACE RATING	2Q08 LACE RATING
Main Street Bank	Northville	MI	98.0	8.53	224.78	2.28	(10.62)	E	E	E
Meridian Bank	Eldred	IL	39.2	4.02	83.39	5.39	(3.79)	E	E	E

**Industry Outlook**

LACE Financial maintains a negative outlook for the overall banking industry. These closures represent fifteen bank failures this year and we anticipate several additional banking closures over the next few months.

Ashley Phillips  
Financial Analyst  
LACE Financial Corporation



October 27, 2008

**Alpha Bank and Trust Company, Alpharetta, GA closed by the Georgia Department of Banking and Finance.**

On Friday October 24, the Georgia Department of Banking and Finance closed Alpha Bank and Trust Company and appointed the FDIC as receiver. This closure represents the sixteenth domestic banking failure in 2008 and appeared on the LACE *Watchlist* since the fourth quarter of 2007 and on the *Institutions of Concern* list in the second quarter of 2008.

Alpha Bank was closed due to a poor financial condition, primarily as a result of deteriorating asset quality in their construction loan portfolio, paired with negative earnings. The bank's nonperforming assets more than doubled between first and second quarters of 2008 as nonperforming assets increased from \$35.5 million to \$75.8 million. In addition, Alpha Bank posted a year-to-date net loss of \$6.83 million, of which \$6.5 million was reported in the second quarter. Stearns Bank, NA, Saint Cloud, MN (LACE rating, "B+") assumed all of Alpha Bank's insured deposits without paying a premium. Alpha Bank's two branches opened for business this morning as branches of Stearns Bank, NA.

Total Assets (\$Mil)	Net Income (\$Mil)	NPAs/CAP (%)	Reserves/NPAs (%)	Leverage Capital/Assets (%)	Tier 1/Assets (%)	ROA (%)	1Q08 LACE Rating	2Q08 LACE Rating
354.1	(6.8)	213.63	4.05	5.27	5.67	(3.56)	E	E

**Industry Outlook**

LACE Financial continues to maintain a negative outlook for the overall banking industry through the remainder of this year and into 2009 as we anticipate several additional banking closures in the near future.

Ben Stewart  
 Financial Analyst  
 LACE Financial Corporation



November 3, 2008

**Freedom Bank, Bradenton, FL closed by the Florida Office of Financial Regulation.**

On Friday October 31, the Commissioner of the Florida Office of Financial Regulation closed Freedom Bank and appointed the FDIC as receiver. This closure represents the seventeenth domestic banking failure in 2008. Freedom Bank appeared on the LACE *Watchlist* since the second quarter of 2007 and on the *Institutions of Concern* list in the second quarter of 2008.

Freedom Bank was closed due to a poor financial condition as evidenced by a FDIC Cease and Desist order issued in September of this year and made public on the date of failure. According to the Order, Freedom Bank was operating with, “inadequate capital for the risk profile of the Bank”, “inadequate management, policies, and practices”, “inadequate supervision by the Board of Directors”, “an excessive volume of adversely classified assets”, and “inadequate allowances for loan and lease losses.” See table below for a summary of Freedom Bank’s key financials as of September 30, 2008. Fifth Third Bank, Grand Rapids, MI (LACE rating, “C-”) assumed all of Freedom Bank’s deposits for a 1.16% premium and is expected to purchase \$36 million of the bank’s assets. Freedom Bank’s four branches opened under the Fifth Third Bank banner this morning.

<b>Total Assets (\$Mil)</b>	<b>Net Income (\$Mil)</b>	<b>NPAs/CAP (%)</b>	<b>Reserves/NPAs (%)</b>	<b>Leverage Capital/Assets (%)</b>	<b>Tier 1/Assets (%)</b>	<b>ROA (%)</b>	<b>1Q08 LACE Rating</b>	<b>2Q08 LACE Rating</b>
270.8	(18.02)	166.17	36.27	2.00	2.20	(6.65)	E	E

**Industry Outlook**

LACE Financial continues to maintain a negative outlook for the overall banking industry through the remainder of this year and into 2009 as we anticipate several additional banking closures through 2008 and into 2009.

Ben Stewart  
 Financial Analyst  
 LACE Financial Corporation



November 10, 2008

**Franklin Bank, S.S.B., Houston, TX and Security Pacific Bank, Los Angeles, CA closed by respective state regulators.**

*Franklin Bank* - On Friday November 7, the Texas Department of Savings and Mortgage Lending closed Franklin Bank and appointed the FDIC as receiver. Franklin Bank was closed due to its poor financial condition. On its third quarter call report, the bank posted low capital levels, high levels of nonperforming assets, continued negative earnings, and inadequate reserves. Franklin Bank recorded negative earnings dating back to 4Q07 with a most recent ROA of (9.79%) for 3Q08. Franklin Bank carried a LACE rating of “E” for four consecutive quarters dating back to the fourth quarter of 2007. Additionally, Franklin Bank was listed on LACE’s *Institutions of Concern* in the second quarter of 2008 and on the *Watchlist* since 3Q07. Franklin Bank’s 46 branch offices opened for business on Saturday as branches of Prosperity Bank, El Campo, TX, (LACE rating, “A”), which acquired all of Franklin Bank’s deposits, including all uninsured deposits, for a premium of 1.7%. Prosperity Bank is also expected to purchase \$850 million of the failed banks assets.

*Security Pacific Bank* was also closed on Friday November 7. The Commissioner of the California Department of Financial Institutions closed Security Pacific and appointed the FDIC as receiver. Security Pacific Bank had been operating under an FDIC Cease and Desist Order since April of this year due to poor financial health and management concerns. Prior to the closure, the bank carried an “E” rating since 3Q07 and appeared on the LACE *Institutions of Concern* list in 1Q08 and 2Q08 and the *Watchlist* since 3Q07. The low ratings were primarily due to poor asset quality, and negative earnings for three consecutive quarters. Pacific Western Bank, Los Angeles, CA, (LACE rating, “E”) assumed all of Security Pacific’s deposits for a 2% premium and is expected to purchase \$51.8 million of the failed bank’s assets. Security Pacific Bank’s four branches opened this morning under the Pacific Western Bank banner.

Name	City	State	Total Assets (\$mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Leverage Capital (%)	ROA (%)	4Q07 LACE RATING	1Q08 LACE RATING	2Q08 LACE RATING
Franklin Bank, S.S.B.	Houston	TX	5,089	12.13	240.12	2.11	(9.79)	E	E	E
Security Pacific Bank	Los Angeles	CA	528	18.06	240.40	3.14	(18.12)	E	E	E

**Industry Outlook**

LACE Financial maintains a negative outlook for the overall domestic banking industry. These closures represent the eighteenth and nineteenth bank failures this year and LACE Financial anticipates several additional banking closures over the remainder of the year.

Ben Stewart - Financial Analyst  
LACE Financial Corporation



November 24, 2008

**The Community Bank (Loganville, GA), PFF Bank & Trust (Pomona, CA), and Downey Savings & Loan Association, F.A. (Newport Beach, CA) closed by regulators.**

*The Community Bank* - On Friday November 21, the Georgia Department of Banking and Finance closed The Community Bank and appointed the FDIC as receiver. The Community Bank carried a LACE rating of "E" for five consecutive quarters dating back to 2Q07. Bank of Essex (LACE rating, "A") acquired \$84.4 million of The Community Bank's assets as well as all of its deposits for a \$3.2 million premium. All remaining assets will be held by the FDIC for further disposition.

*Downey Savings & Loan Association* and *PFF Bank & Trust* were both closed by the Office of Thrift Supervision (OTS) on November 21 and the FDIC was named as the receiver. U.S. Bank, N.A. (LACE Rating, "B-") acquired all of the deposits of both institutions as well as almost all of the institutions' assets. Downey and PFF had both been rated "E" for three consecutive quarters. The two institutions had a combined total of 213 branches, which opened under the U.S. Bank banner on Saturday morning.

All three institutions were closed due to their poor financial conditions. According to the OTS, as of the date of closure, Downey's losses were expected to deplete the thrift's capital while PFF was also undercapitalized and failed to provide a capitalization restoration plan in a timely manner. The Community Bank posted significant losses, particularly in construction loans. Downey and PFF also experienced similar losses, primarily in their residential and construction/land loan portfolios, respectively.

NAME	CITY	State	Total Assets (\$mil)	NPAs/ Assets (%)	NPAs/ Equity (%)	Tier 1 Capital (%)	ROA (%)	4Q07 LACE RATING	1Q08 LACE RATING	2Q08 LACE RATING
The Community Bank	Loganville	GA	634	8.53	349.5	4.06	(5.3)	E	E	E
Downey S&LA	Newport Beach	CA	12,779	13.82	100.8	13.41	(5.6)	E	E	E
PFF Bank & Trust	Pomona	CA	266	19.22	266.2	5.58	(6.1)	E	E	E

**Industry Outlook**

LACE Financial maintains a negative outlook for the overall banking industry. These closures represent twenty-two banking failures this year and we anticipate several additional banking closures into 2009.

Ben Stewart - Financial Analyst  
LACE Financial Corporation



December 8, 2008

**First Georgia Community Bank, Jackson, GA closed by the Georgia Department of Banking and Finance.**

On Friday December 5, the Commissioner of the Georgia Office of Banking and Finance closed First Georgia Community Bank and appointed the FDIC as receiver. This closure represents the twenty-third domestic banking failure in 2008. First Georgia Community Bank has been rated “E” since the third quarter of 2007 and appeared on the *Institutions of Concern* list for the last two consecutive quarters.

First Georgia Community Bank was closed due to a poor financial condition as the bank posted negative income since the fourth quarter of 2007 while nonperforming assets, particularly construction loans, have continued to increase significantly each quarter since the third quarter of 2007. Additionally, the bank has been operating under a Federal Reserve enforcement action since September regarding various issues including, but not limited to, credit risk management, lending standards, asset quality, earnings, and liquidity. United Bank, Zebulon, GA (LACE rating, “B+”) assumed all of First Georgia Community Bank’s deposits for a 0.811% premium and is expected to purchase \$60.6 million of the bank’s assets. First Georgia Community Bank’s four branches opened under the United Bank banner on Saturday morning.

<b>Total Assets (\$Mil)</b>	<b>Net Income (\$Mil)</b>	<b>NPAs/CAP (%)</b>	<b>Reserves/NPAs (%)</b>	<b>Leverage Capital/Assets (%)</b>	<b>Tier 1/Assets (%)</b>	<b>ROA (%)</b>	<b>2Q08 LACE Rating</b>	<b>3Q08 LACE Rating</b>
256.4	(2.99)	270.5	16	6.0	7.6	(1.56)	E	E

**Industry Outlook**

LACE Financial continues to maintain a negative outlook for the overall banking industry through the remainder of this year and into next year as we anticipate an accelerated rate of banking closures in 2009.

Ben Stewart  
 Financial Analyst  
 LACE Financial Corporation



December 15, 2008

**Haven Trust Bank, Duluth, GA and Sanderson State Bank, Sanderson, TX closed by respective state regulators.**

*Haven Trust Bank* - On Friday December 12, the Georgia Department of Banking and Finance closed Haven Trust Bank and appointed the FDIC as receiver. Haven Trust has appeared on the LACE *Watchlist* since the fourth quarter of 2007 and on the *Institutions of Concern* list in the second quarter of 2008. Haven Trust Bank was closed due to a poor financial condition as evidenced by consistently increasing levels of nonperforming assets (NPAs) and negative earnings. See table below for a summary of Haven Trust's key financials as of September 30, 2008. Branch Banking and Trust Company (BB&T), Winston Salem, NC (LACE rating, "B-") assumed all of Haven Trust Bank's deposits for \$112,000 and is expected to purchase \$55 million of the bank's assets. Haven Trust Bank's four branches opened under the BB&T banner this morning.

*Sanderson State Bank* was also closed on December 12. The Texas Department of Banking closed Sanderson State and appointed the FDIC as receiver. Sanderson State has appeared on the LACE *Watchlist* with an "E" rating dating back to December 2006. The bank was closed due to a continued poor financial condition recording negative earnings and increasing NPAs (see table below). The Pecos County State Bank, Fort Stockton, TX (LACE Rating, "B") assumed all of Sanderson's deposits at a 0.55% premium and \$3.8 million of the bank's assets. Sanderson's sole office opened this morning as a branch of Pecos County State Bank.

Name	City	State	Total Assets (\$Mil)	NPAs /CAP (%)	Leverage Capital/ Assets (%)	Tier 1/ Assets (%)	ROA (%)	2Q08 LACE Rating	3Q08 LACE Rating
Haven Trust Bank	Duluth	GA	559.6	201.2	4.4	4.9	(3.23)	E	E
Sanderson State Bank	Sanderson	TX	38.2	78.5	8.6	12.6	(2.49)	E	E

**Industry Outlook**

LACE Financial continues to maintain a negative outlook for the overall banking industry through the remainder of this year and into 2009. These closures represent the 24<sup>th</sup> and 25<sup>th</sup> bank failures this year.

Caleb Mooney – Financial Analyst  
LACE Financial Corporation