

## **Allegiance Bank of North America Reports Operating Results for the Quarter Ended, September 30, 2009**

BALA CYNWYD, Pa.--([BUSINESS WIRE](#))-- Allegiance Bank of North America (the Bank) reported a net loss of \$519,000, or \$0.11 per share, for the third quarter of 2009, compared to a net loss of \$670,000, or \$.14 per share for the third quarter of 2008. The Bank continued its efforts to reduce non-performing loans during the third quarter of 2009. The \$7.4 million balance of non-performing loans at September 30, 2009 was \$2.8 million, or 28%, less than the balance at June 30, 2009 as a result of the sale of the Paramount Mortgage and Capital, LLC (Paramount) loan portfolio, the sale of one Bank non-performing loan and loan charge-offs to adjust non-performing loans fair value. As previously disclosed, during the first half of 2009, the Bank initiated a strategy to significantly reduce its non-performing loans by reclassifying its Paramount loan portfolio from “loans receivable” to “loans held for sale.”

Management made the decision to shut down Paramount operations on February 29, 2008, due to a rise in delinquencies. Paramount provided short-term to moderate term loans primarily to small real estate investors and developers. As a result of distressed market conditions, Paramount customers could not sell or refinance their properties and saw market values drop below outstanding loan values.

The Bank recorded a year-to-date September 30, 2009 net loss of \$8.3 million or \$1.74 per share, compared to a \$3.0 million or \$.62 per share loss for the same period in 2008. The \$5.3 million increase in net loss is primarily due to a net \$3.3 million increase in net loss recorded by Paramount during this period. The year-to-date September 30, 2009 Paramount net loss of \$5.2 million included an expense of \$4.6 million recorded as “valuation allowance on loans held for sale” when the Paramount loan portfolio was reclassified from “loans receivable” to “loans held for sale.” The remaining increase in the loss is due to the reduced interest income and other expenses associated with the increase in non-performing Bank loans. The Bank’s total risk based capital ratio of 8.50% at September 30, 2009 was below the 10.00% regulatory guideline to be considered “well capitalized” and above the 8% regulatory guideline to be considered “adequately capitalized.”

Gregg J. Wagner, President and CEO of Allegiance Bank commented, “We are pleased with the progress the Bank has made during 2009 to reduce the level of non-performing assets, however the losses associated with the non-performing loans have reduced capital below the “well capitalized” regulatory guidelines. The Bank has been working with an investment banker to evaluate various strategic opportunities for the Bank, including the addition of new capital. The Bank is also continuing its efforts to cut costs by reducing its workforce by 31% since 2008.”

Total assets at September 30, 2009 of \$148.0 million declined \$18.4 million, or 11.1%, compared to total assets at September 30, 2008 of \$166.4 million. This reduction was due to decreases in the loan portfolio and securities available for sale, partially offset by increases in interest bearing deposits held at other banks. The Bank reduced total assets in order to maintain its capital ratios within the “adequately capitalized” regulatory guidelines. Total deposits grew 23.4% from \$103.4 million at September 30, 2008 to \$127.6 million at September 30, 2009. Contributing to the rise in deposits within the core deposit category were increases in money market and interest bearing demand deposits of \$18.7 million and \$2.9 million, respectively. Time deposits increased \$3.4 million during this period. The growth in deposits was primarily used to reduce Federal Home Loan Bank of Pittsburgh short-term debt.

Total non-performing loans were \$7.4 million at September 30, 2009, which increased \$1.9 million from \$5.5 million at September 30, 2008. This growth was primarily due to an increase in Bank non-performing loans, partially offset by the total reduction of Paramount non-performing loans. Total non-performing loans decreased \$2.8 million, or 27.7% from June 30, 2009 to September 30, 2009. The total \$1.5 million balance of Paramount non-performing loans was sold and the Bank experienced a \$1.3 million reduction in non-performing loans during the third quarter of 2009. The Bank’s reduction in non-performing loans was the result of the sale of a \$560,000 loan and charge-offs of \$1.1 million, partially offset by additions of \$304,000 to non-performing loans during the third quarter. The Bank’s non-performing loans totaled \$7.4 million at September 30, 2009 and included 14 commercial loans (\$6.4 million), two construction loans (\$1.0 million) and 1 home equity loan (\$22,000).

	Sept. 30, 2009	June 30, 2009	December 31, 2008	Sept 30, 2008
<b><u>Non-Performing Loans*</u></b>				
Bank - Non-Performing Loans	\$ 7,405,000	\$ 8,745,000	\$ 6,767,000	\$ 123,000
Paramount - Non-Performing Loans	—	1,503,000	6,607,000	5,392,000
Total Non-Performing Loans	\$ 7,405,000	\$ 10,248,000	\$ 13,374,000	\$ 5,515,000

\*Non-Performing Loans – includes loans that are not earning income due to: (1) full payment of principal and interest under the original terms of the loan agreement is no longer anticipated, (2) principal or interest is 90 days or more

delinquent, or (3) the maturity date has passed and payment in full has not been made.

The Bank's total risk based capital ratio of 8.50% at September 30, 2009 was below the 10.00% regulatory guideline to be considered "well capitalized" and above the 8% regulatory guideline to be considered "adequately capitalized." The June 30, 2009 total risk based capital was 8.14%.

(In thousands)	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>As of September 30, 2009:</u>						
Total capital (to risk-weighted assets)	\$ 8,144	8.50 %	\$ 7,668	8.00 %	\$ 9,585	10.00 %
Tier 1 capital (to risk-weighted assets)	6,939	7.24 %	3,834	4.00 %	5,751	6.00 %
Tier 1 capital (to average assets)	6,939	4.29 %	6,469	4.00 %	8,087	5.00 %
<u>As of December 31, 2008:</u>						
Total capital (to risk-weighted assets)	\$ 16,799	14.23 %	\$ 9,447	8.00 %	\$ 11,809	10.00 %
Tier 1 capital (to risk-weighted assets)	15,278	12.94 %	4,724	4.00 %	7,085	6.00 %
Tier 1 capital (to average assets)	15,278	9.51 %	6,429	4.00 %	8,036	5.00 %

**About Allegiance Bank:** Allegiance Bank is headquartered in Bala Cynwyd, with offices in Berwyn, King of Prussia, Old City and Worcester. Allegiance Bank offers a package of services beyond traditional bank offerings, such as Allegiance University's free educational classes for customers and community members. Visit Allegiance Bank online at [www.allegbank.com](http://www.allegbank.com), or call (610) 949-9500. The common stock of Allegiance Bank is traded on the OTC Bulletin Board under the symbol ABPA.

Statements contained in this news release, which are not historical facts, are forward looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. Amounts herein could vary as a result of market and other factors. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors. Such forward-looking statements may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated,” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to the financial condition, expected or anticipated revenue, results of operations and business of the Company that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, loan demand, real estate values, and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company’s operations, pricing, products and services.

## Consolidated Balance Sheets

(Unaudited)

(In thousands)

	<b>September 30</b>	
<b><u>Assets</u></b>	<b>2009</b>	<b>2008</b>
Cash & due from banks	\$ 501	\$ 651
Interest bearing demand deposits	20,012	1,470
Federal funds sold	-	370
Cash & Cash Equivalents	<u>20,513</u>	<u>2,491</u>
Interest bearing time deposits	100	-
Securities available for sale	13,464	25,030
Loans held for sale	-	-
Loans receivable	110,263	134,485
Allowance for loan losses	<u>(1,766 )</u>	<u>(3,520 )</u>
Net Loans Receivable	<u>108,497</u>	<u>130,965</u>

Bank premises & equipment	2,429	2,872
Restricted bank stock	1,753	2,401
Accrued interest receivable	509	828
Foreclosed assets	369	-
Other assets	389	1,856
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<b>Total Assets</b>	<b>\$ 148,023</b>	<b>\$ 166,443</b>
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### **Liabilities & Shareholders' Equity**

#### **Liabilities**

##### Deposits:

Demand, non-interest bearing	\$ 7,329	\$ 8,070
Demand, interest bearing	12,519	9,664
Money Market	42,192	23,503
Savings	432	395
Time over \$100,000	34,174	32,036
Time, other	30,987	29,736
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<b>Total Deposits</b>	<b>127,633</b>	<b>103,404</b>

Short-term debt	-	31,972
Long-term debt	12,645	12,667
Accrued interest payable	62	112
Other liabilities	802	847
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<b>Total Liabilities</b>	<b>141,142</b>	<b>149,002</b>
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#### **Shareholders' Equity**

Common Stock	4,798	4,798
Surplus	19,911	19,810
Accumulated deficit	(17,770 )	(7,035 )
Accumulated other comprehensive loss	(58 )	(132 )
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<b>Total Shareholders' Equity</b>	<b>6,881</b>	<b>17,441</b>
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<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 148,023</b>	<b>\$ 166,443</b>
	<u>          </u>	<u>          </u>

#### **Consolidated Income**

## Statements

(Unaudited)

	<b>Three Months Ended</b>	<b>Three Months Ended</b>	<b>Nine Months Ended</b>	<b>Nine Months Ended</b>
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
(In thousands)	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Interest Income</b>				
Loans receivable, including fees	\$ 1,775	\$ 2,361	\$ 5,559	\$ 6,974
Securities	171	359	650	1,102
Other	10	16	17	72
<b>Total Interest Income</b>	<b>1,956</b>	<b>2,736</b>	<b>6,226</b>	<b>8,148</b>
<b>Interest Expense</b>				
Deposits	936	917	2,932	2,992
Short-term borrowings	-	195	-	449
Long-term borrowings	129	138	420	429
<b>Total Interest Expense</b>	<b>1,065</b>	<b>1,250</b>	<b>3,352</b>	<b>3,870</b>
<b>Net Interest Income</b>	<b>891</b>	<b>1,486</b>	<b>2,874</b>	<b>4,278</b>
<b>Provision for Loan</b>	<b>298</b>	<b>-</b>	<b>1,580</b>	<b>835</b>

## Losses

<b>Net Interest Income after Prov. for Loan Losses</b>	593	1,486	1,294	3,443
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## Other Income

Customer service fees	18	24	51	93
Gain(loss) on sale of loans	701	-	607	-
Gain on sale of investment	177	-	177	-
Gain (loss) on sale of OREO	(141)	-	(138)	-
Valuation allowance on loans held for sale	(278)	-	(4,644)	-
Other	31	4	79	(50)
<b>Total Other Income</b>	<b>508</b>	<b>28</b>	<b>(3,868)</b>	<b>43</b>

## Other Expenses

Salaries and employee benefits	755	987	2,487	3,374
Occupancy	280	294	857	927
Equipment and data processing	140	102	415	275
Advertising, marketing and business development	(5)	78	80	236
Professional fees	87	225	341	556

Bank shares tax	56	44	154	102
FDIC insurance expense	114	29	317	69
Other	193	425	1,112	915
<b>Total Other Expenses</b>	1,620	2,184	5,763	6,454
<b>Net Loss</b>	\$ (519)	\$ (670)	\$ (8,337)	\$ (2,968)
<b>Loss Per Share</b>				
Basic	<b>(\$0.11)</b>	<b>(\$0.14)</b>	<b>(\$1.74)</b>	<b>(\$0.62)</b>
Diluted	<b>(\$0.11)</b>	<b>(\$0.14)</b>	<b>(\$1.74)</b>	<b>(\$0.62)</b>

## Contacts

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Source: Allegiance Bank of North America

