



**Allegiance Bank of North America Reports Operating Results for the Year & Quarter Ended,
December 31, 2008**

Allegiance Bank of North America (the Bank) reported a net loss of \$5.4 million, or \$1.12 per share, for the year 2008. For the fourth quarter of 2008 the Bank recorded a net loss totaling \$2.4 million, or \$.50 per share.

The Bank's 2008 performance was adversely impacted by the continued deterioration of the Paramount Mortgage and Capital, LLC (Paramount) portfolio. The year-to-date Paramount loss of \$2.6 million represented 48% of the total \$5.4 million loss recorded in 2008. This \$2.6 million loss included a provision for loan losses of \$2.1 million and an operating loss of \$500,000. The remaining \$2.8 million loss is primarily associated with the performance of the Bank.

Total assets at December 31, 2008 of \$160.3 million grew \$9.7 million, or 6.4%, compared to total assets at December 31, 2007. This growth was primarily due to increases in both the loan portfolio and investments in interest-bearing demand deposits held at other banks. Funding the increase in assets was \$21.0 million, or 20% growth in deposits, partially offset by a \$6.4 million reduction in short-term debt and the decrease in shareholders' equity. Contributing to the rise in deposits were increases in time deposits and interest bearing demand deposits of \$12.8 million and \$8.6 million, respectively.

The consolidated loan portfolio has experienced an increase in non-performing loans within both the Bank and Paramount loan portfolios. Total non-performing loans of \$13.4 million at December 31, 2008 increased \$8.5 million from \$4.9 million at December 31, 2007. Bank non-performing loans increased \$4.4 million from December 31, 2007 to the December 31, 2008 balance of \$6.8 million and Paramount non-performing loans grew \$4.1 million during this period to a balance of \$6.6 million at December 31, 2008.

The Bank's non-performing loans included two construction loans totaling \$3.1 million. The Bank allocated a \$472,000 specific loan loss reserve to one of the construction loans during the fourth quarter of 2008. The Bank is fully collateralized on the other non-performing

construction loan. The remaining \$3.7 million of non-performing loans at the Bank represent six commercial mortgages that the Bank has determined to be fully collateralized.

The Paramount non-performing loans total of \$6.6 million represented 50 loans, or 64% of the total Paramount portfolio. A specific loan loss reserve totaling \$2.3 million has been allocated to these non-performing loans. This reserve represents 34.8% of the balance of Paramount non-performing loans. 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 market conditions experienced during the past year, Paramount customers could not sell or refinance their properties and have seen market values drop below outstanding loan values.

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<u>Non-Performing Loans*</u>		
Bank - Non-Performing Loans	\$ 6,767,000	\$ 2,349,000
Paramount – Non-Performing Loans	6,607,000	2,531,000
Total Non-Performing Loans	<u>\$ 13,374,000</u>	<u>\$ 4,880,000</u>

*Non-Performing Loans – includes loans that are not earning income and : (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.

Gregg J. Wagner, President and CEO of Allegiance Bank commented, “We are very disappointed with our financial results for 2008. Management and the Board of Directors are reviewing various strategic opportunities we can employ to improve our performance during this unprecedented economic period. Despite the losses associated with Paramount, the Bank has made significant strides in its efforts to grow its core banking business during 2008.”

A few of the Bank’s accomplishments include:

- To lower expenses, we reduced our workforce 17% at December 31, 2008, compared to December 31, 2007. We are also evaluating all expense categories and are committed to improving operating efficiencies.
- We restructured our branch organization and sales strategy resulting in a 9% increase in customer households during the 4th quarter of 2008.

- Market Development Officers were recently hired and they have been successfully introducing new customers to Allegiance Bank and also strengthening current relationships.
- We launched “My Allegiance Bank” (www.MyAllegianceBank.com) on March 23, 2009. My Allegiance Bank provides customers with access to our new internet banking branch and our new call center. Now our customers can choose how they want to bank with us: at a branch, online or by phone.

Stockholder’s Equity decreased \$5.2 million from \$20.6 million at December 31, 2007 to \$15.4 million at December 31, 2008. The Bank’s total risk based capital ratio of 14.23% at December 31, 2008 was above the 10.00% regulatory guideline to be considered “well capitalized.”

(In thousands)	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio		
<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%
<u>As of December 31, 2007:</u>						
Total capital (to risk-weighted assets)	\$ 21,973	19.60%	\$8,968	8.00%	\$11,210	10.00%
Tier 1 capital (to risk-weighted assets)	20,541	18.32%	4,484	4.00%	6,726	6.00%
Tier 1 capital (to average assets)	20,541	13.86%	5,928	4.00%	7,411	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, 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.