



**Allegiance Bank of North America Reports Operating Results for the Quarter Ended,  
March 31, 2009**

Allegiance Bank of North America (the Bank) reported a net loss of \$824,000, or \$.17 per share, for the first quarter of 2009, compared to a net loss of \$457,000, or \$.10 per share in the first quarter of 2008. The Bank's non-performing loans at March 31, 2009 of \$12.8 million decreased 4% from the balance of \$13.4 million at December 31, 2008, and increased from the March 31, 2008 balance of \$5.1 million. The Bank also reported its capital level at March 31, 2009 exceeded regulatory guidelines to be considered "well capitalized."

The \$367,000 increase in the loss in the first quarter of 2009 compared to the same period in 2008 is attributed to a decrease in net interest income of \$461,000. The decrease in net interest income is related to the current historically low interest rate environment and the increase in non-performing loans. Our net interest margin for the first quarter of 2009 was 2.79% down from 4.15% for the first quarter of 2008. Offsetting the decrease in net interest income was an \$88,000 decrease in the provision for loan losses and a \$30,000 decrease in operating expenses. Other income declined \$24,000.

Salaries and employee benefits were reduced by \$173,000 to \$873,000 for the first quarter of 2009 from \$1,046,000 for the first quarter of 2008. This reduction was offset by a significant increase in FDIC premiums to \$99,000 for the first quarter of 2009 from \$16,000 in the first quarter of 2008. The Bank continues to incur significant professional fee expense of \$211,000 for the first quarter of 2009 compared to \$187,000 for the first quarter of 2008, primarily related to the workout of the Bank's non-performing loans. The Bank is continuously reviewing all expense categories and is committed to improving operating efficiencies.

Total assets at March 31, 2009 of \$161.3 million grew \$2.0 million, or 1.3%, compared to total assets at March 31, 2008 of \$159.3. This growth was primarily due to increases in both the loan portfolio and investments in interest-bearing demand deposits held at other banks, partially offset by a reduction in securities available for sale. The Bank experienced a strong 25.8% growth in total deposits from \$106.1 million at March 31, 2008 to \$133.5 million at March 31, 2009. Contributing to the rise in deposits were increases in money market accounts

and time deposits of \$14.4 million and \$10.6 million, respectively. The growth in deposits was used to reduce Federal Home Loan Bank of Pittsburgh short-term debt and to fund the increase in assets.

The consolidated loan portfolio has experienced an increase in non-performing loans within both the Bank and Paramount Mortgage and Capital, LLC (Paramount) loan portfolios. 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, Paramount customers cannot sell or refinance their properties and have seen market values drop below outstanding loan values. Total non-performing loans of \$12.8 million at March 31, 2009 increased \$7.7 million from \$5.1 million at March 31, 2008. The Paramount non-performing loans total of \$6.1 million represented 49 loans, or 63% of the total Paramount portfolio. A specific loan loss reserve totaling \$1.9 million has been allocated to these non-performing loans. This reserve represents 31.1% of the balance of Paramount non-performing loans. The Bank's non-performing loans of \$6.7 million 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 remains fully collateralized on the other non-performing construction loan. The remaining \$3.6 million of non-performing loans at the Bank represent six commercial mortgages that the Bank has determined to be fully collateralized. During the first quarter of 2009, the consolidated non-performing loans decreased 4%, compared to the \$13.4 million non-performing loans at December 31, 2008.

	<b>March 31, 2009</b>	<b>December 31, 2008</b>	<b>March 31, 2008</b>
<b><u>Non-Performing Loans*</u></b>			
Bank - Non-Performing Loans	\$ 6,729,000	\$ 6,767,000	\$ 2,028,000
Paramount - Non-Performing Loans	6,094,000	6,607,000	3,053,000
Total Non-Performing Loans	<u>\$ 12,823,000</u>	<u>\$ 13,374,000</u>	<u>\$ 5,081,000</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.

The Bank's total risk based capital ratio of 13.49% at March 31, 2009 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 March 31, 2009:</u>						
Total capital (to risk-weighted assets)	\$ 15,973	13.49%	\$ 9,473	8.00%	\$ 11,841	10.00%
Tier 1 capital (to risk-weighted assets)	14,451	12.20%	4,737	4.00%	7,105	6.00%
Tier 1 capital (to average assets)	14,451	9.06%	6,380	4.00%	7,975	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.