



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

Allegiance Bank of North America (the Bank) reported a net loss of \$7.0 million, or \$1.46 per share, for the second quarter of 2009, compared to a net loss of \$1.8 million, or \$.38 per share in the second quarter of 2008. During the second quarter of 2009, the Bank initiated a strategy to significantly reduce its non-performing loans by reclassifying its Paramount Mortgage and Capital, LLC (Paramount) loan portfolio from "loans receivable" to "loans held for sale." This classification change resulted in the bank recording this portfolio at its fair value as of June 30, 2009 and resulted in an expense of \$4.4 million recorded as "valuation allowance on loans held for sale" on the consolidated income statement. The Bank anticipates selling this portfolio within the third quarter of 2009. The total operating loss from Paramount during the second quarter was approximately \$5.3 million, including the \$4.4 million charge.

The Bank recorded a year-to-date June 30, 2009 net loss of \$7.8 million or \$1.63 per share, compared to a \$2.3 million or \$.48 per share loss during the same period in 2008. The Bank's non-performing loans at June 30, 2009 of \$10.2 million decreased 24% from the balance of \$13.4 million at December 31, 2008, and decreased 20% from the March 31, 2009 balance of \$12.8 million. These decreases were primarily the result of the additional write-down recorded due to reclassifying the Paramount loan portfolio to loans held for sale as of June 30, 2009. The Bank's capital level at June 30, 2009 fell below the regulatory guidelines to be considered "well capitalized," but remained within the regulatory guidelines to be considered "adequately capitalized."

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 cannot sell or refinance their properties and have seen market values drop below outstanding loan values. The Bank also presently intends to amend its first quarter operating results to reflect the Paramount loans as held for sale as of March 31, 2009. The amended statements as of March 31, 2009 will reflect the \$4.4 million expense recorded as

“valuation allowance as loans held for sale.” The effect of the first quarter amended operating results will not change the year-to-date June 30, 2009 operating loss of \$7.8 million.

Gregg J. Wagner, President and CEO of Allegiance Bank commented, “As a result of the impact of the non-performing loans on earnings and capital, the Bank is evaluating various strategic opportunities to strengthen its capital base and to enhance the performance of the Bank.”

Net interest income decreased \$824,000 year-to-date June 30, 2009 and \$358,000 during the second quarter, compared to the same periods in 2008. These reductions in net interest income are related to the current historically low interest rate environment and the increase in non-performing loans during the last year. The higher provision for loan losses during both periods is primarily related to the increase in non-performing Bank loans. As a result of the \$4.4 million expense recorded due to reclassifying the Paramount loans to held for sale during the second quarter of 2009, other income declined \$4.4 million on a year-to-date basis, compared to the same period in 2008.

Total other expenses decreased \$197,000 on a year-to-date basis and declined \$136,000 during the second quarter when compared to the same periods in 2008. Decreases in salaries and employee benefits and occupancy were partially offset by increases in expenses related to non-performing loans and FDIC insurance. The Bank is aggressively reviewing all expense categories and is committed to improving operating efficiencies. This focus on controlling expenses has resulted in a workforce reduction of 15% during the last twelve months.

Total assets at June 30, 2009 of \$159.2 million declined \$4.1 million, or 2.5%, compared to total assets at June 30, 2008 of \$163.3. This reduction was due to decreases in the loan portfolio and securities available for sale, partially offset by increases in the non-Paramount loans and interest bearing deposits held at other banks. The Bank continued to experience a strong 33.7% growth in total deposits from \$103.1 million at June 30, 2008 to \$137.8 million at June 30, 2009. Contributing to the rise in deposits within the core deposit category were increases in money market and interest bearing demand deposits of \$21.3 million and \$3.9 million, respectively. Time deposits increased \$9.4 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 \$10.2 million at June 30, 2009, which was an increase of \$2.9 million from \$7.3 million at June 30, 2008. A \$7.1 million increase in Bank non-performing loans from June 30, 2008 to June 30, 2009 was offset by a \$4.4 reduction in Paramount non-

performing loans due to the valuation allowance resulting from the reclassification of the Paramount loan portfolio to held for sale. The balance of Paramount non-performing loans totaled \$1.5 million at June 30, 2009 and represented 40 loans. The Bank's non-performing loans totaled \$8.7 million at June 30, 2009 and included three construction loans totaling \$2.6 million. The Bank partially charged off one construction loan for \$598,000 during the second quarter of 2009. The Bank remains fully collateralized on the other non-performing construction loans. The remaining \$6.1 million of non-performing loans at the Bank represent 14 commercial mortgages for which the Bank has established a reserve of \$930,000.

| | June 30, 2009 | March 31, 2009 | December 31, 2008 | June 30, 2008 |
|-------------------------------------|--------------------------|---------------------------|----------------------------------|--------------------------|
| <u>Non-Performing Loans*</u> | | | | |
| Bank - Non-Performing Loans | \$8,745,000 | \$ 6,729,000 | \$ 6,767,000 | \$1,627,000 |
| Paramount - Non-Performing Loans | 1,503,000 | 6,094,000 | 6,607,000 | 5,722,000 |
| Total Non-Performing Loans | <u>\$10,248,000</u> | <u>\$12,823,000</u> | <u>\$13,374,000</u> | <u>\$7,349,000</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 8.14% at June 30, 2009 was below the 10.00% regulatory guideline to be considered "well capitalized" and above the regulatory guideline to be considered "adequately capitalized."

| (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 June 30, 2009:</u> | | | | | | |
| Total capital (to risk-weighted assets) | \$ 8,826 | 8.14% | \$ 8,673 | 8.00% | \$ 10,841 | 10.00% |
| Tier 1 capital (to risk-weighted assets) | 7,457 | 6.88% | 4,336 | 4.00% | 6,504 | 6.00% |
| Tier 1 capital (to average assets) | | 4.69% | | 4.00% | | 5.00% |

| | | | | | | |
|--|-----------|--------|---------|-------|----------|--------|
| | 7,457 | | 6,365 | | 7,956 | |
| <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, 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.

