OFFICE OF FINANCIAL REGULATION

REPORT OF EXAMINATION

STERLING BANK #1128
Lantana, Palm Beach County, Florida

Date of Examination:	September 11, 2006
Date of Financial Statements:	June 30, 2006
Examiner-in-Charge:	David L. Batlle

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This Report of Examination is furnished by the Office of Financial Regulation to the officers and directors of the examined financial institution for their information and consideration. It is desired that each director in keeping with their responsibilities to both depositors and shareholders review this Report in detail. In addition, it is desired that each director, in reviewing this Report, continue to bear in mind that this Report does not represent a complete audit of the financial institution's books.

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The information contained herein is based upon the books and records of the financial institution, upon statements made to the Examiner by directors, officers, and employees, and upon information derived from other sources which the Examiner considered reliable and correct.

DON B. SAXON
COMMISSIONER

This Report of Examination concerns a failed state financial institution.
Confidential information has been redacted and this Report is releaseable as a public record per Section 655.057(2)(g), Florida Statutes, and Rule 69U-100.057, Florida Administrative Code.

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All dollar amounts are reported in thousands, unless otherwise indicated.

Ratings by Examination Function	Current Exam 09/11/2006 / S	Prior Exam 08/01/2005 / N	Prior Exam 06/14/2004 / S
Risk Management Composite	2	[redacted]	2
Risk Management Component:			
Capital	2		2
Asset Quality	3		2
Management	2		2
Earnings	1		1
Liquidity	2		3
Sensitivity to Market Risk	2		3

SCOPE

A full scope safety and soundness examination began September 11, 2006, and ended October 6, 2006. Financial data is as of June 30, 2006, and the asset review is as of July 30, 2006. The examination included a review of the Bank Secrecy Act and Anti-Money Laundering program.

OVERALL CONDITION

Management has pursued an aggressive growth plan since the bank's conversion to a commercial bank charter in January 2004. Assets have increased from $165,705,000 at December 31, 2003, to $348,030,000 as of June 30, 2006. Asset growth has been concentrated in commercial real estate loans. Loans for commercial construction, land development, and other land loans total $158,951,000, or 437 percent, of total capital as of June 30, 2006. When multifamily and nonfarm nonresidential properties are added, the total is $251,936,000, or 692 percent of total capital, as of the same date. This operating plan has produced substantial profits, but some credit weakening is evident, and enhanced risk management controls are needed. All other aspects of operations are sound.

ASSET QUALITY

Classified items total $1,870,000 and loans listed for Special Mention total $17,343,000. Classified items represent two Substandard loans, one of which is a large improved land loan and the other a small 1- 4 family residential loan. Special Mention loans represent two large builder relationships where enhanced Board of Directors (Board) reporting and oversight are needed.

The "Concentrations" report schedule reveals a strong residential lending emphasis in construction, developed building lots, unimproved land, 1- 4 family investment/speculation, and condominium conversion. Such loans total $162,903,000, or 54 percent of total loans, or 560 percent of total capital, as of July 31, 2006. Board reporting should be revised to identify additional portfolio components as reflected in the "Concentrations" report schedule. In addition, reporting and oversight of significant builder relationships should be enhanced. For further discussion, refer to the "Risk Management Assessment" pages of this Report of Examination.

In part because of the strong residential real estate market experienced through 2005, the loan portfolio has been highly profitable. Nevertheless, because of the slowdown in the residential real estate market that has become evident in 2006, future loan portfolio performance may not be as favorable. Although recent unfavorable market conditions have caused weaknesses in certain credits (and a resulting increase in borrower/guarantor reliance) a substantial deterioration in credit quality is not apparent.

The Allowance for Loan and Lease Losses (ALLL) is adequate. However, loan loss reserve factors incorporated in the ALLL analysis should be reviewed due to the significant concentrations in the real estate loan portfolio. Refer to the response to question 4 on the "Risk Management Assessment" pages of this Report of Examination for further discussion.

MANAGEMENT

Management has undertaken a lending emphasis that involves elevated credit risk, but has taken positive steps to mitigate this exposure. Collective Board and management real estate knowledge and experience is significant, but additional enhancements to credit-risk systems and practices should be implemented.

Although significant commercial real estate growth is noted, this growth has declined in response to recent unfavorable market conditions. An increasing management challenge will be replacing maturing loans with quality credits.

A violation of Section 655.0386, Florida Statutes, is cited regarding a conflict of interest. The violation seems to be more management's failure to recognize a possible conflict than a willful failure to disclose the conflict.

The Bank Secrecy Act/Anti-Money Laundering program is satisfactory. The response to question 5 on the "Risk Management" pages includes minor recommendations made for improvement.

CAPITAL

Capital is satisfactory and the bank is well capitalized for regulatory purposes. Total Risk-Based Capital was 11.91 percent as of June 30, 2006. The higher level of capital is appropriate because of the bank's commercial real estate exposure.

EARNINGS

Earnings are strong, and sufficient for the accumulation of capital to support planned asset growth. Pretax net operating income for the six months ended June 30, 2006, was $5,088,000, or 3.01 percent of average assets, which compares favorably to the peer average of 1.85 percent. Net income for the period (adjusted for Chapter S corporate tax status) was 1.96 percent, which also compares favorably to peer average of 1.19 percent. The net interest margin for the period ended June 30, 2006, was 5.37 percent, reflective of high loan yields averaging 9.07 percent, compared to the peer ratio of 7.55 percent. The high-yield asset structure is consistent with the level of commercial real estate. Overhead is controlled, with an efficiency ratio of 43.20 percent for the six months ended June 30, 2006.

LIQUIDITY

Liquidity and funds management practices are satisfactory. Management properly identifies, measures, monitors, and controls liquidity.

Management has some reliance on potentially volatile funding sources as indicated by brokered deposits representing 18.57 percent of total deposits and the net non core funding dependence ratio at 28.69 percent at June 30, 2006.

SENSITIVITY TO MARKET RISK

Sensitivity to market risk is limited to interest rate risk. Management measures and monitors interest rate risk through a modeling program provided by ProfitStar. The model is derived from balance sheet data and measures how capital and earnings could change given certain hypothetical movements in interest rates.

In the simulation model, the bank is susceptible in a falling interest rate environment. If rates decline 200 basis points, the net interest margin (NIM) would decline by 11.09 percent. If interest rates increase 200 basis points, the NIM would improve by 10.30 percent. The net portfolio value (NPV) model reports that if interest rates decline 200 basis points, the NPV would decline by 3.76 percent, and if rates increase 200 basis points, the NPV would increase 3.42 percent.

EXIT MEETING

An exit meeting was held October 6, 2006, to review the findings of the examination. Attending for the bank were President David Albright, Senior Vice Presidents David Eiler and Bill Schofield, and Vice President Doughty. Representing the Office of Financial Regulation were Examiner-in-Charge David Batlle and Financial Examiner/Analyst Lera Bradford. Representing the Federal Reserve Bank of Atlanta was Examiner Edison Clements. All findings were discussed in detail. Management agreed with the classifications and Special Mention listings, as well as the noted credit administration weaknesses, but did not feel that a "3" rating in Asset Quality was warranted. Management was receptive to the examiners' other findings and recommendations.

Examiner-in-Charge /s/ David Batlle	B[redacted] Linda[redacted]ownsend

1. **Are risk management processes adequate in relation to economic conditions and asset concentrations?**

No. Loan portfolio reporting should be enhanced by separating unimproved residential property loans from unimproved commercial property loans. Also, reporting of residential 1- 4 family improved loans should be further segregated into speculation/investment loans and owner occupied loans.

Board reporting and oversight should be enhanced to better understand the inherent risk in 1 - 4 family construction loans. The report should include the name of builder clients, i.e., loans to borrowers having multiple homes constructed by the same builder. Further, reports should include risk factors such as purpose (investment, primary residence, or second home), borrower cash equity, repayment capacity, interest rate, and credit standing. Any loans determined to be subprime should be reported as such. Internal management reporting is already in place to capture much of this information. The need for Board level reporting and analysis is illustrated by the [redacted] and [redacted] Special Mention listings where many (if not most) of the loans to individual borrowers, are for speculative purposes (notwithstanding a stated primary or secondary residence purpose), with limited borrower cash equity, either inadequate or unverified capacity to service the loan, or multiple owner/borrowers. The Board should be provided an analysis of each builder's financial strength, taking into consideration the aggregate credit exposure to each builder. The Board should utilize this information in establishing appropriate builder credit limits. Management has had no difficulty selling completed homes in the secondary market, but this could change if secondary market conditions deteriorate.

The Board should improve loan portfolio component limits. The current policy establishes limits of 75 percent for both residential and commercial components, 18 percent for land loans, 5 percent for both consumer and commercial non-real estate, and 3 percent for unsecured loans. The Board monitors compliance with portfolio limits, but should establish individual limits for major commercial and residential portfolio components. Specific portfolio component limits, as well as establishing portfolio component goals, should be part of the strategic planning process.

2. **Are risk management policies and practices for the credit function adequate?**

Yes, but improvement is needed. Loan files typically include an allocation of loan proceeds at closing, but do not include a statement that reflects all funds received, disbursed, and paid at and outside closing, as required for a HUD-1 closing statement. A fully executed closing statement should be obtained to verify that the transaction closed as represented, and to identify the role of any realtors and/or brokers.

Two instances were noted where contractually required principal reductions were verbally postponed, but documented in a memorandum to file. One such loan has performed as verbally modified [redacted] and the other has not [redacted] On another loan the presale requirement was verbally lowered with a memo to file [redacted] and the loan has adequately performed under the revised requirement. The Board should ensure that any waiver of written loan conditions takes place pursuant to a written modification, and that approval be obtained from the requisite authority.

3. **Are risk management policies and practices for asset/liability management and the investment function adequate?**

Yes.

4. **Are risk management processes adequate in relation to and consistent with, the institution's business plan, competitive conditions, and proposed new activities or products?**

Yes. However, strategic planning should place additional emphasis on current and anticipated market conditions and trends, and the loan portfolio composition in relation to those conditions and trends. With the benefit of better portfolio stratification and the review of market conditions as part of strategic planning, loan loss reserve factors incorporated in the Allowance for Loan and Lease Loss adequacy analysis should also be revisited.

5. **Are internal controls, audit procedures, and compliance with laws and regulations adequate (includes compliance with the Bank Secrecy Act [BSA] and related regulations)?**

Yes. Further enhancements to the Bank Secrecy Act/Anti-Money Laundering program are planned, including a conversion to a new data-processing platform that will enhance wire activity monitoring. A risk matrix to document and support risk ratings is also being implemented. Board level reporting should be enhanced to include a report of high activity customers, large wire activity, material Currency Transaction Report (CTR) filings, and subpoenaed accounts.

6. **Is Board supervision adequate, and are controls over insider transactions, conflicts of interest, and parent/affiliate relationships acceptable?**

Yes. However, a violation of Section 655.0386, Florida Statutes, is cited regarding a conflict of interest. This violation appears to result from management's failure to recognize a possible conflict and not a willful failure management's part to disclose the conflict.

Chapter 655.0386, Florida Statutes, states a financial institution-affiliated party may not engage or participate, directly or indirectly, in any business or transaction which would result in a conflict of the party's own personal interests with those of the state financial institution, unless such transactions are conducted in good faith, full disclosure is made to the Board, and the Board approves the transaction, with the approval recorded in the minutes.

Management failed to document a conflict of interest involving [redacted] ownership of property adjacent to a redevelopment project financed by the bank. On 4/30/04, [redacted], along with a partner, acquired for $171,000 a property proximate to the entrance of a mobile home community in southeast [redacted] On 10/21/05, he and the same partner acquired for $195,000, a property contiguous to their earlier purchase. The purpose of both acquisitions was investment, and [redacted] and his partner still own the properties. On 6/29/04, the bank closed a $3,465,000 loan to [redacted] with a 60 percent participation sold to another bank, for the acquisition of the mobile home park, demolition of improvements, and permitting for a 138-unit townhouse development. On 2/6/06, the loan was modified with an additional $1,250,000 provided (refer to the "Items Subject to Adverse Classification" pages of this report of examination). [redacted] has been the loan officer on this credit since inception. A conflict of interest exists because the bank's financing the redevelopment of the mobile home park, as contemplated, could favorably influence the value of the surrounding properties, including [redacted] property. This violation, however, appears to result from bank management not viewing [redacted] investment as a possible conflict of interest, as opposed to a willful lack of disclosure by [redacted]. [redacted] disclosed to the examiner that he owned property in the area. The title work on both properties was handled by a title company then closely affiliated with [redacted], and President Albright stated that [redacted] interest was known to him and other Board members. Moreover, [redacted] acquired an earlier property in the same neighborhood on [redacted] and sold it on [redacted] but because of the distance of this property from the mobile home park, a conflict of interest did not exist.

ASSET QUALITY		ADVERSELY CLASSIFIED			
		Substandard	Doubtful	Loss	Total
Loans and Leases		1,870			1,870
Securities					
Other Real Estate Owned					
Other Assets					
Other Transfer Risk					
Subtotal		1,870			1,870
Contingent Liabilities					
Totals at Exam Date	06/30/2006 / S	1,870			1,870
Totals at Prior Exam	06/30/2005	[redacted]			[redacted]
Totals at Prior Exam	03/31/2004 / S	1,773		18	1,791

	Exam Date 06/30/2006 / S	Prior Exam 06/30/2005	Prior Exam 03/31/2004 / S
Total Special Mention	17,217	[redacted]	1,665
Adversely Classified Items Coverage Ratio	5.77		9.45
Total Adversely Classified Assets/Total Assets	0.54		0.84
Past Due and Nonaccrual Loans and Leases/Gross Loans and Leases			0.46
Adversely Classified Loans and Leases/Total Loans	0.62		0.96
ALLL/Total Loans and Leases	1.11		0.96

CAPITAL	Exam Date 06/30/2006 / S	Prior Exam 06/30/2005	Prior Exam 03/31/2004 / S
Tier 1 Leverage Capital/Average Total Assets	8.42	[redacted]	8.50
Tier 1 Risk-Based Capital/Risk-Weighted Assets	9.51		9.98
Total Risk-Based Capital/Risk-Weighted Assets	11.91		11.01
Capital Category			
The capital category relates only to the Prompt Corrective Action provisions of Part 325 of the FDIC Rules and Regulations. PCA Categories: W – Well-capitalized, A – Adequately capitalized, U – Undercapitalized, S – Significantly undercapitalized, C – Critically undercapitalized	W		W

	Period Ended 06/30/2006	Peer 06/30/2006	Period Ended 12/31/2005	Period Ended 12/31/2004
Retained Earnings/Average Total Equity	21.62	8.22	27.07	20.40
Asset Growth Rate	25.13	11.18	34.87	
Cash Dividends/Net Income	42.55	34.71	17.94	9.86

EARNINGS	Period Ended 06/30/2006	Peer 06/30/2006	Period Ended 12/31/2005	Period Ended 12/31/2004
Net Income (After Tax)/Average Assets	1.96	1.19	1.76	1.48
Net Interest Income (TE)/Average Earning Assets	5.12	3.96	4.85	4.35
Total Noninterest Expense/Average Assets	2.46	2.83	2.50	2.96

LIQUIDITY	Period Ended 06/30/2006	Peer 06/30/2006	Period Ended 12/31/2005	Period Ended 12/31/2004
Net Non-Core Funding Dependence	28.69	24.41	33.28	29.22
Net Loans and Leases/Assets	85.38	70.65	87.81	87.89

	06/30/2006	12/31/2005
ASSETS		
Total Loans and Leases	300,471	281,670
Less: Allowance for Loan & Lease Losses	3,331	2,956
Loans and Leases (net)	297,140	278,714
Interest-Bearing Balances	4,509	2,021
Federal Funds Sold and Securities Purchased Under Agreements to Resell	193	1,019
Trading Account Assets		
Securities: Held-to-Maturity (at Amortized Cost)	5,024	5,027
Available-for-Sale (at Fair Value)	18,325	13,235
Total Earning Assets	**325,191**	**300,016**
Cash and Noninterest-Bearing Balances	5,537	3,058
Premises and Fixed Assets	10,473	9,581
Other Real Estate Owned		
Intangible Assets	40	41
Other Assets	6,789	4,725
TOTAL ASSETS	**348,030**	**317,421**
LIABILITIES		
Deposits	301,531	262,660
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase		
Other Borrowed Money	11,000	22,500
Other Liabilities	3,005	2,371
Subordinated Notes and Debentures	4,000	4,000
Total Liabilities	**319,536**	**291,531**
Minority Interest in Consolidated Subsidiaries		
EQUITY CAPITAL		
Perpetual Preferred Stock		
Common Equity Capital	28,494	25,890
Includes net unrealized holding gains (losses) on available-for-sale securities.		
Other Equity Capital		
Total Equity Capital	**28,494**	**25,890**
TOTAL LIABILITIES, MINORITY INTERESTS, AND EQUITY CAPITAL	**348,030**	**317,421**
OFF-BALANCE SHEET ITEMS		
Unused Commitments	89,814	96,105
Letters of Credit	2,680	1,609
Other Off-Balance Sheet Items	8,962	2,216
Other Derivative Contracts	26,000	26,000
Appreciation (Depreciation) in Held-to-Maturity Securities		(20)

Footnotes:

Summary of Items Subject to Adverse Classification and Special Mention

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CATEGORY		ADVERSELY CLASSIFIED Substandard	Doubtful	Loss	Total
Loans and Leases		1,870			1,870
Securities					
Other Real Estate Owned					
Other Assets					
Other Transfer Risk					
Subtotal		1,870			1,870
Contingent Liabilities					
Totals at Exam Date	06/30/2006 / S	1,870			1,870
Totals at Prior Exam	06/30/2005	[redacted]			[redacted]
Totals at Prior Exam	03/31/2004 / S	1,773		18	1,791
Totals at Prior Exam	06/30/2003	[redacted]	[redacted]		[redacted]

SUMMARY OF ITEMS LISTED AS SPECIAL MENTION

	Exam Date 06/30/2006 / S	Prior Exam 06/30/2005	Prior Exam 03/31/2004 / S	Prior Exam 06/30/2003
Total Special Mention	17,217	[redacted]	1,665	[redacted]

Includes assets and off-balance sheet items which are detailed in the following categories:
Substandard Assets - A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
Doubtful Assets - An asset classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
Loss Assets - An asset classified Loss is considered uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

AMOUNT, DESCRIPTION AND COMMENTS	CATEGORY Substandard	Doubtful	Loss

LOANS

46 [redacted]	46		

Represents a delinquent residential mortgage.

4,560 Total Loan			
2,736 Participation Sold			
1,824 Bank Position	1,824		

[redacted]

Guarantors [redacted]

Represents the net balance of a $4,715M loan dated 2/6/06 to the referenced borrower. Balance shown is net of a 60 percent participation sold t[redacted] Loan represents a second renewal and increase of an original loan of $3,465M dated 6/29/04, with an original maturity of 12/29/05. The first modification/extension is dated 1/31/06 and extended the maturity to 12/29/06. The second modification is dated 2/6/06 and it facilitated additional funding of $1,250M, with the maturity date remaining 12/29/06. Original loan funds were for the acquisition of a 7.091 acre mobile home park in [redacted] Florida, demolition of improvements, and obtaining approval for a 138-unit townhouse development. The second modification provided $1,250M as follows:

- Interest reserve of $350M (represents interest for one year);
- 2005 property taxes $48M;
- Interest/fee reserve of $67M on $750M second mortgage (held by a [redacted] entity);
- Closing costs/bank fees of $45M;
- Working capital of $154M;
- Additional anticipated soft costs of $107M;
- Miscellaneous of $15M; and
- Reimbursement of development soft costs of $464M.

In support of this additional advance, an appraisal was obtained that arrived at a market value of $20,320M as of December 16, 2005, by Clobus, McLemore & Duke, Inc. In further support of this value, a 7/30/06 purchase contract is in file in the amount of $17,000M, with a $500M deposit in escrow. Notwithstanding, the bank does not have a reliable indication of market value for the security property. A previous appraisal of the subject also

AMOUNT, DESCRIPTION AND COMMENTS	CATEGORY		
	Substandard	Doubtful	Loss

prepared by Clobus, McLemore & Duke (less a 0.22 acre parcel), arrived at a 5/11/04 value as a mobile home park of $4,000M, and a 5/11/05 value as a 145 unit townhouse project of $5,150M. The loan facilitated the borrower's purchase of the subject at $4,620M. Regarding the $5,150M valuation, the appraiser used five comparable sales, all of which had site plan approval, with a downward adjustment of 20 percent because the subject did not have site plan approval. The $20,320M valuation as of December 16, 2005, with site plan approval represents a 295 percent increase over the $5,150M valuation. This 295 percent increase for site plan approval and 19 months time is inconsistent with the previous 20 percent discount for not having site plan approval. Moreover, the $20,320M valuation uses four comparable sales, of which one was a contract that did not close ([redacted] was the prior owner of this property). Another comparable sale has frontage on [redacted] while the subject does not have water frontage or a water view. Of the two remaining sales, one is at $36.00 per square foot and $114M per approved unit, and the other is at $18.94 per square foot and $69M per approved unit. The subject's valuation at $65.78 per square foot and $147M per unit is far above these two comparable sales. As for the contract, the purchaser is [redacted] with the Registered Agent showing as a [redacted] with no corporate officers, members or managers listed. This contract did not close by the 10/4/06 expiration date and the $500M deposit is being sought by the borrower. This deposit, however, is held by an entity affiliated with [redacted]

Guarantors are [redacted] [redacted] provided an 8/31/06 joint financial statement with his wife, [redacted] which shows some ability to service the debt, with cash of [redacted], total assets of [redacted], and net worth of [redacted] Assets largely consist of leveraged real estate holdings. Tax information for 2005 was not available. [redacted] are reportedly in divorce proceedings. [redacted] provided a 1/30/06 personal financial statement that shows cash of [redacted] total assets of [redacted] and net worth of [redacted] No tax information for 2004 or 2005 was available.

[redacted] is involved in four additional bank loans with an outstanding balance of [redacted] These loans are not adversely classified because they have independent sources of cash flow, and the two larger loans totaling [redacted] have additional guarantor support.

Loan is classified Substandard because of the lack of a reliable indication of market value; a liberal additional advance that includes a one-year interest reserve; speculative collateral that does not provide income for debt service; and, the financial capacity of [redacted] may be impaired by divorce proceedings.

TOTAL ADVERSELY CLASSIFIED LOANS	1,870		

Items Listed for Special Mention

11128

Includes assets and off-balance sheet items which are detailed as follows:
Special Mention Assets – A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

DESCRIPTION	AMOUNT
270 (1) 4,649 (2) 4,919 [redacted]	4,919

(1) Represents the outstanding balance of a $273M loan made to [redacted] on November 29, 2005, to build a speculative single family home in [redacted] Florida. The loan is guaranteed by the sole owner of [redacted]

(2) Represents the balance of 28 loans to 20 individual customers of [redacted] to construct single family homes in [redacted] The homes are in various stages of completion, with the borrower paying interest during construction. As of July 31, 2006, the committed balance was $7,833M, with $3,184M available to complete the homes. The majority of these borrowers (16 loans totaling $4,175M) are investors who do not intend to occupy the property upon completion. Of the remaining borrowers, 10 individuals intend to occupy the property as their primary residence (totaling $3,119M) and two individuals intend to use the property as a second home (totaling $539M). A review of a sample of the construction files indicate that several customers were qualified for the construction to permanent loan under liberal permanent loan programs offered by other lenders who did not require the verification of income or assets. Borrower cash was typically 10 percent.

Given the large direct and indirect credit risk related to [redacted] (i.e., if [redacted] were to fail, loans to customers of [redacted] will also likely be impaired), management and the Board need to gain a better understanding of [redacted] financial condition, and establish appropriate aggregate credit limits. The most recent income information on [redacted] is a 2004 tax return, which shows property sales of [redacted] and a net loss of [redacted] for the year. An unsigned balance sheet as of June 30, 2006, shows [redacted] to have total assets of [redacted] and a net worth of [redacted] The assets are comprised of [redacted] in cash, [redacted] in land, and [redacted] in two models and a speculative home. The principal owner of [redacted] does not add any financial strength to the relationship.

The global relationship is listed as Special Mention because of the weak financial performance of [redacted] the lack of current financial information, the significant aggregate credit exposure, and, the need for greater Board oversight.

DESCRIPTION	AMOUNT
2,983 (1) 9,315 (2) 12,298 [redacted]	12,298

(1) Represents 11 loans made directly to [redacted] and/or its principal owner, [redacted] with a total committed balance of $3,109M. Some of the loans are also guaranteed by his partners, [redacted] Of the direct loans,

seven totaling $2,046M are for model/speculative units, with the remaining four loans totaling $1,063M for building lot inventory.

(2) Represents 48 construction loans made to customers of [redacted] The committed balance on these loans as of July 31, 2006, was $14,328M, with $5,013M remaining to be funded upon completion of the homes. Of the total committed balance, $1,539M is shown as investment, $10,180M is shown as primary residence, and $2,609M is shown as second homes. However, a sample of five primary and second home loans revealed little cash equity (typically 5 percent), and marginal or unverified financial ability. Although all five loans are reportedly underwritten consistent with secondary market guidelines for primary residences and second homes, the actual purpose appears to be speculation.

The borrower has experienced significant financial problems reportedly as a result of hurricane delays, construction cost increases, shortages of building materials, and making interest payments on customer home loans where completion was delayed. Net losses for 2004 and 2005 in the amount of [redacted] and [redacted] respectively, were reported for [redacted] with a resulting deficit retained earnings shown at [redacted] [redacted] internal financial statements through May 31, 2006, show continued losses and the deficit net worth increasing to [redacted] For 2005 income tax purposes, the guarantors show a combined adjusted gross income of only [redacted] Current guarantor financial information was obtained during the examination, and this information does not show the ability to provide meaningful financial support.

The aggregate [redacted] relationship is shown as Special Mention because of the poor financial position of [redacted] a lack of meaningful guarantor financial support, the marginal quality of loans to purchasers of [redacted] and the lack of Board monitoring of the aggregate financial exposure of the relationship. Management internally graded the direct exposure to [redacted] as Special Mention, but had not included loans to purchasers of [redacted] homes. Although management was tracking builder concentrations and construction status, there was no formal Board reporting of such, nor have builder concentration limits been established.

TOTAL LOANS LISTED FOR SPECIAL MENTION	**17,217**

A summary of the portfolio composition and concentrations as of 7/31/06 is presented below (000's omitted).

Loan Type	Outstanding Balance	% of Total Loans
Residential Real Estate, 1-4 Family:		
Owner Construction	$40,432	13.39%
Builder Speculative Construction	25,676	8.50
Lot Loans Builder	23,382	7.75
Lot Loans Owner	14,155	4.69
Improved Speculation/Investment	21,637	7.17
Improved Owner Occupied	15,563	5.15
Revolving Builder Construction	2,696	0.89
Other Owner	2,208	0.73
Subtotal Residential 1-4 Family	$145,749	48.27%
Residential Other:		
Condominium Conversion	$13,229	4.38%
Unimproved Land	12,964	4.29
Multifamily	12,053	4.00
Townhouse Construction	8,732	2.89
Subtotal Residential Other	$46,978	15.56%
Total Residential Real Estate	$192,727	63.83%
Commercial Real Estate:		
Retail	$20,709	6.86%
Office	20,038	6.64
Warehouse	9,893	3.28
Unimproved Land	9,798	3.24
Gas Station/Convenience	8,496	2.81
Medical/Nursing	8,373	2.77
Hotel/Motel	8,131	2.69
Equestrian	4,939	1.64
Other	7,707	2.55
Subtotal Commercial Real Estate	$98,084*	32.48%
Unsecured Commercial	$4,444	1.47%
Commercial Non-Real Estate	$4,219	1.40%
Consumer	$2,474	0.82%
Total Loans and Leases	$301,949	100.00%

* Total includes $10,171M in construction loans, resulting in nonresidential income producing property loans of $73,176M, or only 24.23% of total loans.

The above table is similar to Board reporting, except that the above further divides unimproved land into residential and commercial unimproved categories, and it divides Residential 1-4 Family Improved into Speculation/Investment and Owner Occupied.

More comprehensive Board reporting and oversight of Owner Construction loans at $40,432M shown above is needed, as detailed in the "Risk Management Assessment" report schedule.

Capital Calculations

11128

Tier 1 Capital		
Perpetual Preferred Stock and Related Surplus		
Common Stock	1	
Surplus	11,760	
Retained Earnings	17,355	
Accumulated Other Comprehensive Income and Other Equity Capital Components	(622)	
Total Equity Capital	28,494	
Net Unrealized Gains (Losses) on Available-For-Sale Securities (if a gain, deduct from Total Equity Capital in the calculation of Tier 1 Capital, if a loss, add it to Total Equity Capital)	(622)	
Less: Net Unrealized Losses on Available-For-Sale Equity Securities		
Accumulated Net Gains (Losses) on Cash Flow Hedges (if a gain, deduct from Total Equity Capital in the calculation of Tier 1 Capital, if a loss, add it to Total Equity Capital)		
Less: Nonqualifying Perpetual Preferred Stock		
Qualifying Minority Interest in Consolidated Subsidiaries		
Less: Disallowed Goodwill and Other Disallowed Intangible Assets	33	
Less: Disallowed Servicing Assets and Purchased Credit Card Relationships		
Less: Disallowed Deferred Tax Assets		
Other Additions to (Deductions from) Tier 1 Capital		
Subtotal: Tier 1 Capital Elements	29,083	
Less: Assets Other Than Loans & Leases Classified Loss		
Less: Additional Amount to be Transferred to Tier 2 for Inadequate Allowance for Loan and Lease Losses		
Other Adjustments to (from) Tier 1 Capital (1)		
Tier 1 Capital		29,083
Tier 2 Capital		
Qualifying Subordinated Debt and Redeemable Preferred Stock	4,000	
Cumulative Perpetual Preferred Stock Includible in Tier 2 Capital		
Allowance for Loan & Lease Losses	3,331	
Less: Loans & Leases Classified Loss		
Add: Amount Transferred from Tier 1 Capital		
Adjusted Allowance for Loan & Lease Losses	3,331	
Less: Ineligible Portion of Allowance (If Applicable)		
Allowance for Loan and Lease Losses Includible in Tier 2 Capital	3,331	
Unrealized Gains on Available-For-Sale Equity Securities Includible in Tier 2 Capital		
Other Tier 2 Capital Components		
Other Adjustments to (from) Tier 2 Capital		
Tier 2 Capital (Not to Exceed 100% of Tier 1 Capital)		7,331
Tier 3 Capital Allocated for Market Risk (Tier 3 Plus Tier 2 Not to Exceed 100% of Tier 1 Capital)		
Less: Deductions for Total Risk-Based Capital (1)		
Total Capital		36,414
Risk-Weighted Assets and Average Total Assets Calculations		
Risk-Weighted Balance Sheet Items	265,500	
Risk-Weighted Off-balance Sheet Items	40,164	
Market Risk Equivalent Assets		
Less: Risk-Weighted Amounts Deducted from Capital		
Gross Risk-Weighted Assets		305,664
Less: Ineligible Portion of ALLL & ATRR (1)		
Total Risk-Weighted Assets		305,664
Average Total Assets (From 06/30/06 Call Report Schedule RC-K)	345,542	
Less: Amounts Deducted from Tier 1 Capital (1)	33	
Adjusted Average Total Assets		345,509
MEMORANDA		
Securities Appreciation (Depreciation)		(623)
Contingent Liabilities/Potential Loss	92,494/	

Footnotes:

(1) Includes adjustment for financial subsidiaries as defined by the Gramm-Leach-Bliley Act of 1999, if applicable.

We the undersigned directors of Sterling Bank, Lantana, Florida, have personally reviewed the contents of the Report of Examination dated June 30, 2006.

Signatures of Directors	**Date**
DAVID G. ALBRIGHT	
GEORGE A. BAVELIS	
PETER M. CLARKSON	
THOMAS A. COPULOS	
S. DANIEL ECONOMOS	
JEFFREY M. OSTROW	
GEORGE L. SIGALOS	
THOMAS A. VOGEL	

NOTE: This form should remain attached to the Report of Examination and be retained in the institution's file for review during subsequent examinations. The signatures of committee members will suffice only if the committee includes outside directors and a resolution has been passed by the full board delegating the review to such committee.

OFFICER'S QUESTIONNAIRE	Charter # 1128

NOTE: Each request for information requires a detailed answer by an executive officer of the institution. Signed supporting schedules must be attached where space provided is inadequate. If any request is not applicable to your institution insert the word "None".

1. List any extensions of credit secured by stock of other financial institutions or financial-institution holding companies which in the aggregate represent five percent or more of the entity's outstanding shares. List name and location of entity, name of stockholder and borrower, number of shares, certificate numbers, original amount, current balance, origination date, maturity, and interest rate.

NONE

2. List any extensions of credit for the accommodation or direct benefit of others than those whose names appear on the institution's records or on credit instruments in connection with such extensions. Only include extensions of credit that have been made since the previous examination. Indicate if any executive officer, principal shareholder, director, or their related interest (per Federal Reserve Board Regulation O) is, or has been involved.

NONE

3. List any extensions of credit to officers, directors, and their related interests of other financial institutions or holding companies. List name and title of the director or officer, name and location of financial institution or holding company, original amount and current balance, origination and maturity dates, interest rate, security, and purpose. Do not list loans used to finance education of the individual's children; loans used for the purchase, construction, maintenance, or improvement of the individual's primary residence; or loans aggregating $50,000 or less if used for any other purpose.

See Attached Continuation Sheet.

4. List transactions other than loans, deposits, bonuses, salaries, or directors fees between the institution and any of its executive officers, principal shareholders, directors, or their related interests. List only transactions entered into since the previous examination. Include the insider's name, and the date and nature of the transaction.

See Attached Continuation Sheet.

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5. List any agreements with correspondent depository institutions, written or oral, establishing balances to be maintained or other considerations given by either institution in connection with loans to either of the institutions' directors, officers, employees, or five percent shareholders.

NONE

6. List any extensions of credit to accountants, lawyers, consultants, appraisers, regulatory examiners, and other similar individuals (including their related interests) who are not directors, officers, or employees, but perform, or since the previous examination have performed, professional services for the institution. List name of borrower, the borrower's relationship with the institution, and present balance of the extension of credit.

[redacted]

7. List the name of any director, officer, or employee, not reported previously in writing to the Office, who has at any time been convicted of, or who is presently under indictment for, any criminal offense involving dishonesty or a breach of trust.

NONE

8. List any assets of value owned by the institution but not shown on its books.

NONE

9. List all securities, notes, guarantees, and other instruments held by the institution as collateral which are not described upon the records to which the collateral pertains.

NONE

I do hereby certify that the foregoing statements are true and correct to the best of my knowledge and belief.

Officer's Name and Title	Institution's Name
DAVID G. ALBRIGHT, President & CEO	Sterling Bank
Officer's Signature	Date 9/22/06

This is an official document. Any false information contained in it may be grounds for prosecution and may be punishable by fine or imprisonment.

ver. 9/97

OFFICER'S QUESTIONNAIRE	Charter # 1128

[redacted]

I do hereby certify that the foregoing statements are true and correct to the best of my knowledge and belief.

Officer's Name and Title	Institution's Name
DAVID G. ALBRIGHT, President & CEO	Sterling Bank
Officer's Signature	Date 9/22/06

This is an official document. Any false information contained in it may be grounds for prosecution and may be punishable by fine or imprisonment.

This Report of Examination concerns a failed state financial institution. Confidential information has been redacted and this Report is releaseable as a public record per Section 655.057(2)(g), Florida Statutes, and Rule 69U-100.057, Florida Administrative Code.

UNIFORM FINANCIAL INSTITUTION RATING: 232122/2

All component ratios were rated within established guidelines except for asset quality, and the open section of the report of examination contains supporting comments. Asset quality was rated a "3" because of the significant exposure to speculation in residential real estate. Adjustments to loan portfolio monitoring, as noted in the open section of the report, were made to better capture the full extent of this exposure. The "3" rating was considered appropriate in light of the noted credit administration deficiencies. A "3" rating in Management was given serious consideration, but because of the mitigating credit risk factors noted in the open section of the report under Management, a "2" rating for Management was assigned.

EXAMINATION SCOPE:

This was a regular full scope examination with no expanded analysis performed. A standard review of Bank Secrecy Act and Anti-Money Laundering practices and procedures was conducted. All loan relationships over $1,000,000 were reviewed along with all identified loan problems and insider loans. The loan review covered $141,741,920, or 42.4 percent, of the loan portfolio.

RECOMMENDATIONS FOR ENFORCEMENT ACTION

A Board Resolution is recommended to address the noted credit administration deficiencies.

SHAREHOLDERS

The bank is a subsidiary of Sterling BancGroup, Inc., a one bank holding company which owns the bank's total issued and outstanding shares of common stock. The holding company stock is closely held by twenty-seven stockholders, and more than [redacted] of the total stock is held by George A. Bavelis, Chairman of the holding company. Management elected an S Corporation organization for income tax status. The shareholders are motivated and financially capable to meet the bank's future required capital needs if necessary.

The holding company is controlled by Director Bavelis who owns [redacted] shares, or [redacted] of the holding company. Directors and officers combined own or control 94,216 shares, or 65.07 percent, of the holding company. The bank's four top officers are well compensated, but have nominal stock positions. A review of public records revealed a transaction where the former law partner of Director Ostrow was involved with borrower [redacted] who, as indicated in the [redacted] loan classification, is just below the bank's legal lending limit, net of a significant loan participation sold. [redacted] of the law firm [redacted] acquired with [redacted] three contiguous properties on 6/17/04 for [redacted] with financing provided by [redacted] in the amount of [redacted] All three properties were sold to [redacted] on 9/30/04 for [redacted] realizing a [redacted] The [redacted] loan closed on 6/29/04. Director Ostrow received permission from the Federal Reserve Bank of Atlanta to join the Board on 9/23/04. [redacted] purchased all nine units in another project financed by the bank, [redacted] on 7/6/05.

EMERGENCY CONTACT INFORMATION

David Albright, President & CEO; Cell [redacted] e-mail dalbright@sterlingbankfl.com
Regina Waterhouse, SVP; Cell [redacted]

WORKING HOURS

EXAMINERS/ ASSISTANTS	GG	Exam Plan	Review Loans	Review Sec/OA	Funds Mgmt.	Audit & IRC	Rpt. Prep	Mgt. Rev.	Admin	Travel	BSA	Total Hours
Batlle, David			52	2	2	2	8	12			3	81
Bradford, Lera				3	18	3	6	17			26	73
Childers, Richard												
Grant, Ed			105									105
Kelley-Saline, Karen						2	4	4			28	38
Liberti, Brenda							79					79
McSwain, Brock			91				6					97
TOTAL HOURS		0	248	5	20	7	103	33	0	0	57	473
Batlle, David		8					48			8		64
Bradford, Lera										4		4
Childers, Richard												
Grant, Ed										7		7
Kelley-Saline, Karen										2		2
Liberti, Brenda										6		6
McSwain, Brock										6		6
TOTAL OUTSIDE HOURS												89

Directors and Officers	11128

List alphabetically all directors, senior officers, and principal stockholders. Also indicate their titles. Number of shares owned is not rounded. (J – indicates stock jointly owned; P – indicates preferred stock owned; H – indicates holding company stock owned; C – indicates stock controlled but not owned)

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Atten-dance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					
DIRECTORS							
ALBRIGHT, DAVID G. President and Chief Executive Officer Wellington, FL (2)(3)(4)			2002	[redacted]	19	[redacted]	[redacted]

Mr. Albright joined the bank in January 2002 as senior vice president and commercial lender and was promoted to president in March 2003, after the resignation of Mr. Micallef in February 2003. Prior to joining the bank, Mr. Albright was a regional manager for City National Bank of Florida, overseeing the growth of the Palm Beach County region. He started his banking career in 1991with NCNB National Bank of Florida as a credit analyst. Mr. Albright received a Bachelors degree in finance from the University of Florida, Gainesville, Florida, in 1990.

BAVELIS, GEORGE A. Columbus, OH Real Estate Investor (1)(4)(6)(7)			1996	[redacted]	19	[redacted]	

Mr. Bavelis is a real estate developer who lives in Florida and Columbus, Ohio. He has ownership interest in many real estate ventures in Ohio and Florida. Mr. Bavelis owns 1,200 apartment units in Ohio, and gas stations, strip shopping centers, and hotels in Florida. He received a Bachelors degree in mechanical engineering in 1963 from the University of Arkansas, Fayetteville, Arkansas. Mr. Bavelis was born in Greece and came to the United States in 1958; he became a United States citizen in 1968.

CLARKSON, PETER M. Columbus, OH Contact lens retailer			2005	[redacted]	10	[redacted]	

Mr. Clarkson is a director of the holding company. He was approved in September 2005 as a director of Sterling Bank. He has been the president of AC Lens, Hilliard, Ohio since 1996, and has ownership in two Optical businesses, Arlington Contact Lens Service and Campus Optical, Inc. Mr. Clarkson received an MD degree from Ohio State University, Ohio in 1994, and a PhD from the University of Southampton, Southampton, England
in 1980.

Names and Comments	Net Worth Amount	Net Worth Date of Statement	Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
COPULOS, THOMAS A. Boca Raton, FL Dentist (5)			2002	[redacted]	14	[redacted]	

Mr. Copulos is a periodontist operating in Boca Raton, Florida. He obtained his dental degree in 1988 from Case Western Reserve University School of Dentistry. Prior to joining the Board in December 2002, Mr. Copulos did not have any banking experience.

Names and Comments	Net Worth Amount	Net Worth Date of Statement	Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
ECONOMOS, S. DANIEL Ft. Lauderdale, FL 33301 Real Estate Developer	[redacted]	06/2005	2006	[redacted]	9	[redacted]	

Mr. Economos is a real estate developer and operates a property management company that controls several hotels throughout Southern Florida. Prior to returning to Florida, he analyzed large and mid cap real estate companies for Deutsche Bank Securities in New York City.

Names and Comments	Net Worth Amount	Net Worth Date of Statement	Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
OSTROW, JEFFREY M. Davie, FL 33486 Attorney	[redacted]	2005	2004	[redacted]	10	[redacted]	

Mr. Ostrow joined the Board in November 2004. He is a personal injury attorney with the firm Hodkin, Kopelowitz & Ostrow. He has a BSBA from the University of Florida and a J.D. from Nova Southeastern University.

Names and Comments	Net Worth Amount	Net Worth Date of Statement	Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
SIGALOS, GEORGE L. Boca Raton, FL Attorney (1)(6)			2000	[redacted]	17	[redacted]	

Mr. Sigalos is a partner in the law firm of Simon, Sigalos & Spyredes, P.A., Boca Raton, Florida. He obtained his law degree in 1988 from the University of Illinois College of Law. Mr. Sigalos joined the bank in October 2000.

Names and Comments	Net Worth Amount	Net Worth Date of Statement	Year Joined Bank	Year of Birth	Attendance	Number of Shares Owned	Salary and Bonus (B)
VOGEL, THOMAS A. Chairman of the Board Ft. Lauderdale, FL Real Estate Developer (1)(2)(6)			1996	[redacted]	18	[redacted]	

Mr. Vogel is a local real estate developer. He owns Stryker Homes of South Florida, Inc. and is the managing general partner in K.R.V. Company based in Ft. Lauderdale, Florida. Mr. Vogel obtained his Bachelors degree

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Atten-dance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

in accounting in 1988 from Providence College, Providence, Rhode Island.

OFFICERS, NOT DIRECTORS

EILER, DAVID W. Senior Vice President & Senior Lender Ft. Lauderdale, FL (2)(3)			2003	[redacted]		[redacted]	[redacted]

Mr. Eiler joined the bank in April 2003 to assume the commercial lending function when Mr. Albright was promoted. Mr. Eiler and Mr. Albright worked together at NationsBank of Florida in the early 1990's. Prior to joining the bank, Mr. Eiler was the vice president of SouthTrust Bank in Ft. Lauderdale, Florida. He obtained his Masters degree in international finance in 1990 from American Graduate School of International Management, Glendale, Arizona.

SCHOFIELD, WILLIAM A. Senior Vice President & Chief Financial Officer Palm Beach Gardens, FL (2)(3)(4)			2003	[redacted]		[redacted]	[redacted]

Prior to joining the bank in April 2003, Mr. Schofield was the chief financial officer of Advantage Bank, North Palm Beach, Florida. He is a certified public accountant and obtained his Bachelors degree in accounting in 1970 from the University of Miami, Miami, Florida. Mr. Schofield worked for several large public accounting firms before he started his banking career in 1983 at Suburban Bank, Lake Worth, Florida.

WATERHOUSE, REGINA SVP, Branch Administrator, & BSA Officer Boynton Beach, FL 33436 (3)(7)			2003	[redacted]		50 (H)	[redacted]

Ms. Waterhouse joined the bank in March 2003. Prior to accepting her position at the bank she was the director of operations for Canadian Imperial Bank of Commerce in Maitland, Florida. From 1993 to 2000, Ms. Waterhouse was the chief operating officer for Gateway American Bank, Ft. Lauderdale, Florida. She obtained her Masters degree in management from Kent State University, Kent, Ohio.

Names and Comments	Net Worth		Year Joined Bank	Year of Birth	Atten-dance	Number of Shares Owned	Salary and Bonus (B)
	Amount	Date of Statement					

PRINCIPAL SHAREHOLDERS, NOT DIRECTORS OR OFFICERS

STERLING BANCGROUP, INC. [redacted]
Lantana, FL

(1)-Executive Committee; (2)-Loan Committee; (3)-Asset/Liability Management Committee; (4)-Investment Committee; (5)-Audit Committee; (6)-Compensation Committee; (7)-Technology Committee

Board of Directors (Board) meetings are held on the third Friday of the month. The Chairman of the Board receives a [redacted] retainer each month. Board fees for regular and special meetings are [redacted] per meeting. Board committee meeting fees are [redacted] per meeting, even if the meeting is held on the day of a regular or special Board meeting.

SUMMARY ANALYSIS OF EXAMINATION REPORT
(000 omitted in dollar amounts)

Institution Name: Sterling Bank Region: Atlanta Field Office: South Florida

1	Certificate Number	32536	60	Total Adv. Class. Concen.	0
2	City	Lantana	61	Number Adv. Class. Concen.	
3	State	Florida	62	Code/Largest Concen.	0/0
4	Zip Code	33462	63	Code/2nd Largest Concent.	0/0
5	Insured Date	05-01-1987	64	Code/3rd Largest Concent.	0/0
6	Examination Start Date	09-11-2006	65	Tot Lns Insiders & Related	0
7	Examination As of Date	06-30-2006	66	Total Loans to Affiliates	0
8	Date Examination Completed		67	Adv. Class. Lns Insiders	0
9	Examination Type/Scope	A/R	68	Adv. Class. Lns Affiliates	0
10	SHARP Exam Number	0	69	Tot Insider Lns/Reg O Cap.	0.00
11	Total Hours: Other	0	70	Tot Lns Past Due & Accru.	0
12	EIC: Last Name	Batlle	71	Total Loans Nonaccrual	0
13	EIC: First Name/MI	David/L	72	Renegotiated Debt Past Due	0
14	Composite Rating	2	73	Renegotiated Debt Nonacc.	0
15	Component Ratings	2-3-2-1-2-2	74	Sec. App.(Depr)/Tier 1 Cap	-2.14
16	ROCA Rating	0-0-0-0	75	Pledged Sec. to Total Sec.	0.00
17	Total Loans	300,471	76	Significant Violations?	
18	Total Assets	348,030	77	Call Report Amended/C, I, B	/
19	Total Deposits	301,531	78	Fidelity Coverage Adequate	
20	Total Equity Capital	28,494	79	Amount of Blanket Bond	0
21	Disallowed Intangibles	33	80	Amount of Excess	0
22	ALLL Adjustment	0	81	Number of Subs Consol.	0
23	Tier 1 Capital	29,083	82	Any Principal Share.?	
24	Tier 2 Capital	7,331	83	% Owned by Prin. Share.	0.00
25	Total Capital	36,414	84	# of Banks in BHC	0
26	Average Total Assets	345,542	85	# of Banks in Chain	0
27	Adjusted Avg. Total Assets	345,509	86	Chg. Control Since LX?	
28	Total Risk-weighted Assets	305,664	87	New CEO Since LX	
29	Leverage Ratio	8.42	88	Adequate Loan Policies?	
30	Tier 1 RB Capital Ratio	9.51	89	Adeq. A/L Mgmt Policies?	
31	Total RB Capital Ratio	11.91	90	Adeq. Audit Policies?	
32	Tang. Eq. Cap./Avg. Tot. Assets	8.42	91	Subject to Part 335?	
33	PCA Capital Category	W	92	Subject to Gov. Sec. Regs?	
34	ALLL	3,331	93	In-House IT?	
35	Substandard: Securities	0	94	Dep. or Lns Serviced Ext?	
36	Substandard: Loans	1,870	95	Dep. or Lns Serviced In?	
37	Substandard: ORE	0	96	Trust Powers Exercised?	
38	Substandard: Other Assets	0	97	External Audit Date	
39	Substandard: Transfer Risk	0	98	External Audit Scope	0
40	Substandard: Cont. Liab.	0	99	External Audit Type	0
41	Doubtful: Loans	0	100	External Audit Firm	0
42	Doubtful: All Other	0	101	Change In Ext. Auditor?	
43	Loss: Loans	0	102	Meeting Held w/ Dir.	
44	Loss: Transfer Risk	0	103	Bank Secrecy Review Date	09-11-2006
45	Loss: All Other	0	104	Contingent Liabilities	92,494
46	Special Mention Items	17,217	105	Potential Loss	0
47	Value Imp'd Transfer Risk	0	106	Large Dep. to Total Dep.	0.00
48	Other Transfer Risk Prob's	0	107	Subject to Con. Conditions	
49	Adv Class Items Coverage Ratio	5.77	108	Identified on Qtly Lending Alert	
50	Tot Adv. Clas Assets/TA	0.54	109	Mgmt Changes / Cntrl Change	
51	PD + Non-Acc./Gross Loan	0.00	110	Adverse External Factors	
52	Adv. Class. Lns/Total Lns	0.62	111	Change In Risk Profile - Offsite	
53	Sub & Dbf Lns/TotCap+Ineli.	5.14	112	Niche Bank	
54	T.Sub&Dbf Itms/TotCap+Ineli	5.14	113	Signif. New Business Lines	
55	Total Adv Class Lns + S.M. Lns	1,870	114	Effective Loan Grading Sys	
56	Tax Loss Carryfwds Available	0	115	Dominant Officer/Policy Maker	
57	Number of Concentrations	0	116	Internal Control Weakness	
58	Concen./Tier 1 Capital	0.00	117	Parallel-Owned Banking Org	
59	Overall Loan Penetration				