BANKING MARKET OVERVIEW

Although the events of 2007 have been much commented upon, years will be spent dissecting exactly why, and restructuring the foundations of the financial system so that it doesn't happen again. It would have been hard, if not impossible, to take the bold steps required to address the competitive challenges and keep investors happy with the strong and growing demand for US-dollar fixed income instruments, loose monetary policy, and competitors continuing to pursue high-margin growth. But the worst excesses were avoidable.

As a result of the fundamental changes in the industry, managing a bank will require different skills to generate attractive returns and ensure regulatory compliance. Credit will be tighter and less liquid, and rates cannot fall further; at the short end of the curve, rates will have to rise, flattening and perhaps inverting the yield curve. The inevitable result will be lower growth and profitability. And, when coupled with increased credit losses, meeting statutory capital requirements will be an increasing challenge.

As a result, bank managers and regulators face significant operating challenges against the backdrop of a macroeconomic uncertainty.

- Asset quality
- Compressed profitability resulting from rising expense burdens and a rising rate environment
- Capital sufficiency
- Enterprise viability / regulatory compliance and the resulting increasing number of bank failures
- Increased government / regulatory oversight and influence

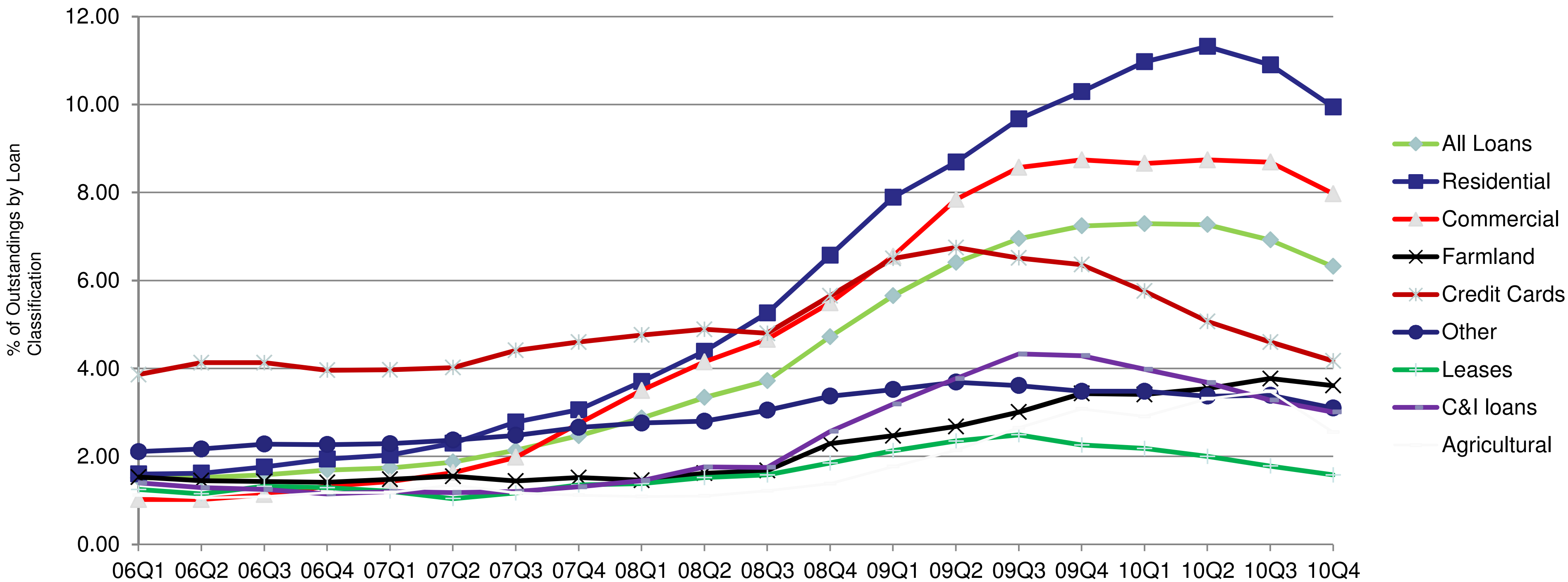
BANKING MARKET OVERVIEW – ASSET QUALITY

Notwithstanding early signs of stabilization, the US commercial banking sector remains under significant pressure.

Bank profitability has been reduced by the effects of the weak US economy on asset quality and lending activity, with loan delinquency and charge-off rates rising to historical highs, in many cases, and banks' balance sheets contracting.

Delinquency Rates

Delinquent loans are those past due thirty days or more and still accruing interest as well as those in nonaccrual status. They are measured as a percentage of end-of-period loans.

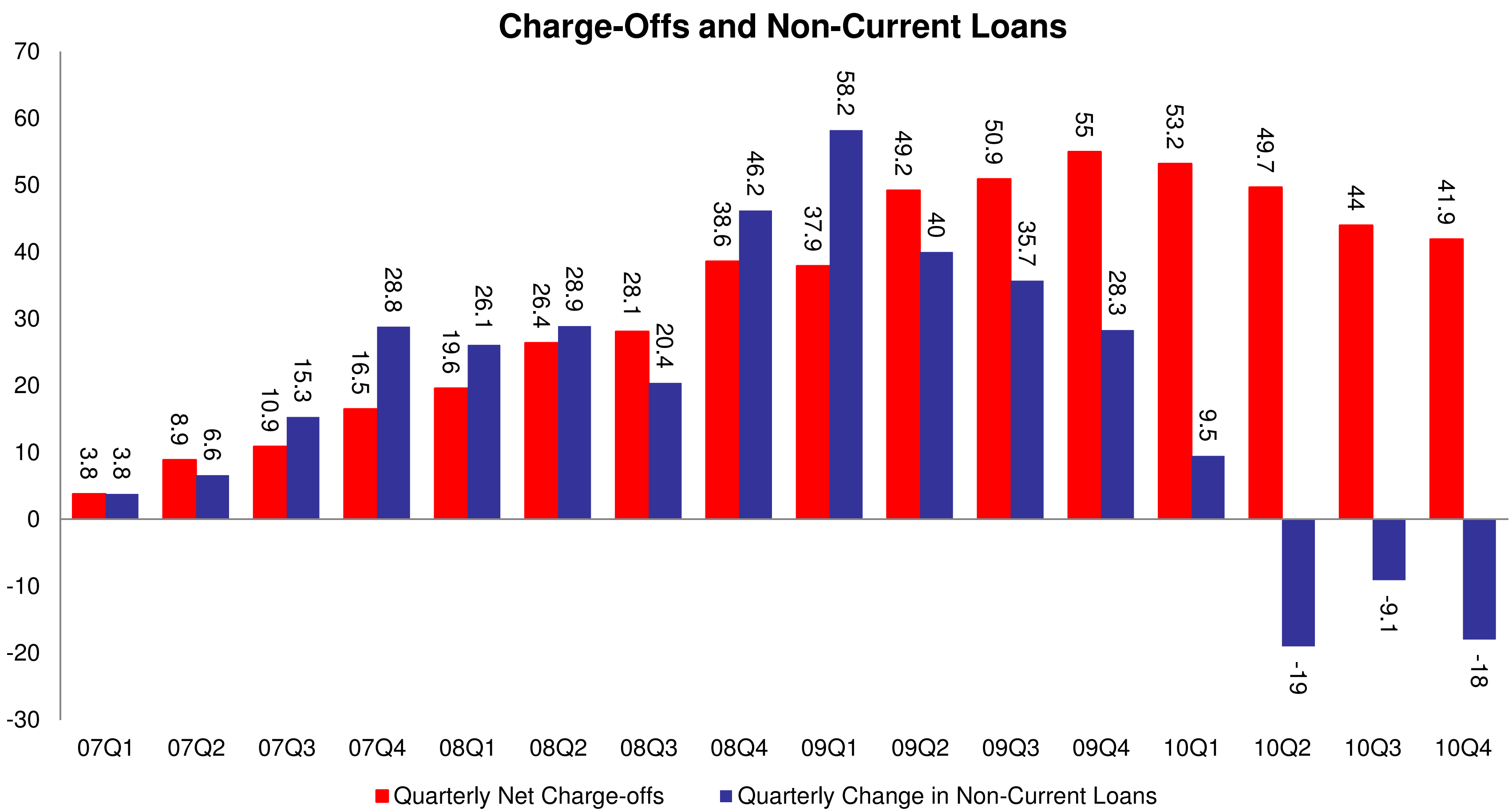


Source: US Federal Reserve Statistical Release (http://www.federalreserve.gov/releases/chargeoff/delallsa.htm)

In addition to the historically high delinquency rates for Single-Family Residential Mortgages, current expectations are that weakness is spreading to additional asset classes (CRE, Consumer, and to a lesser extent, Commercial Loans) as well as geographic areas.

BANKING MARKET OVERVIEW – ASSET QUALITY

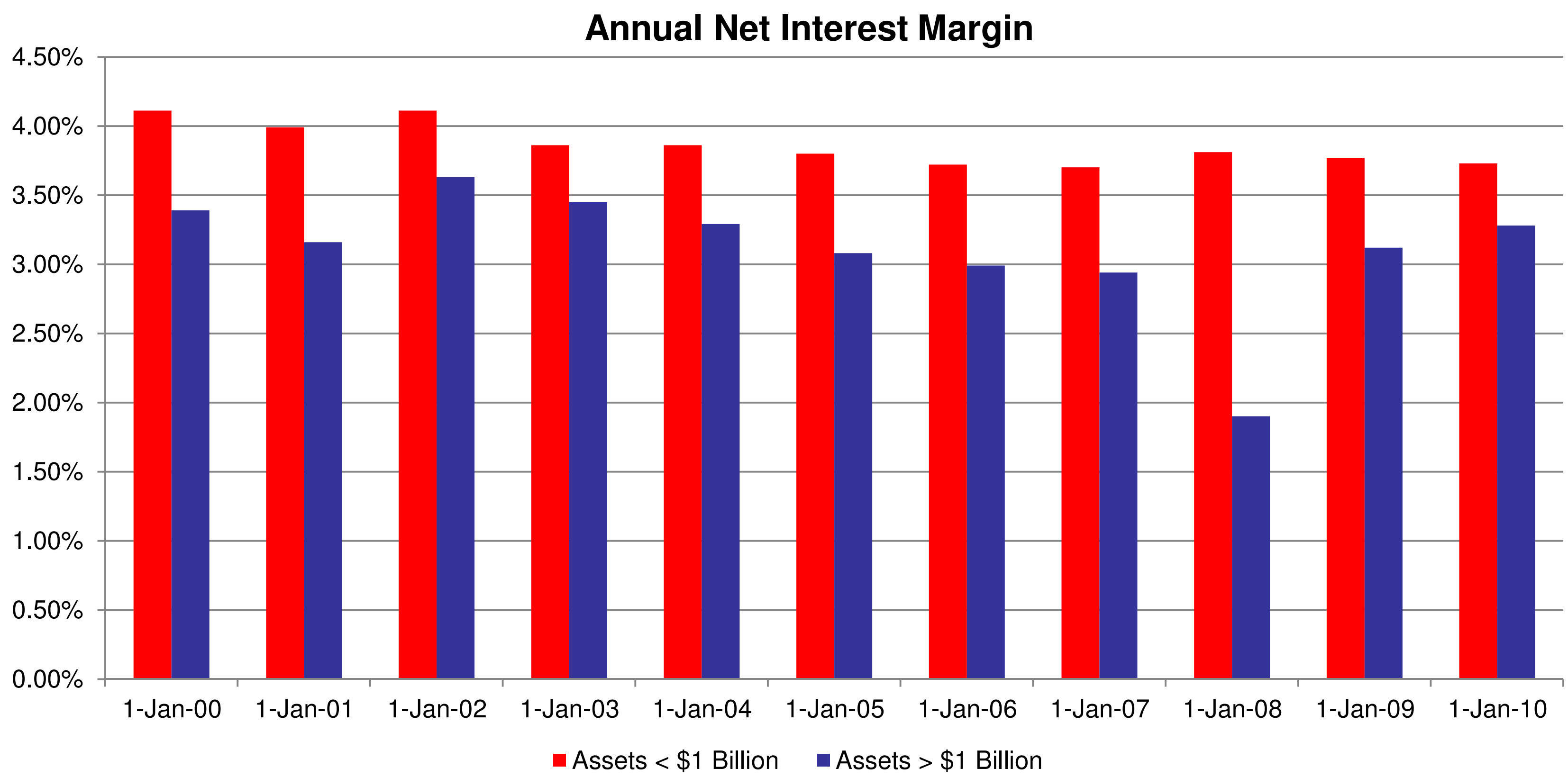
Although the level of non-performing assets ("NPAs") and net charge-offs ("NCOs") remain at historic highs, the rates of growth of NPAs and NCOs have slowed.



Source: FDIC Quarterly Banking Profile (www2.fdic.gov/qbp/grtable.asp?rptdate=2010dec&selgr=QCOCHGNC)

BANKING MARKET OVERVIEW – PROFITABILITY

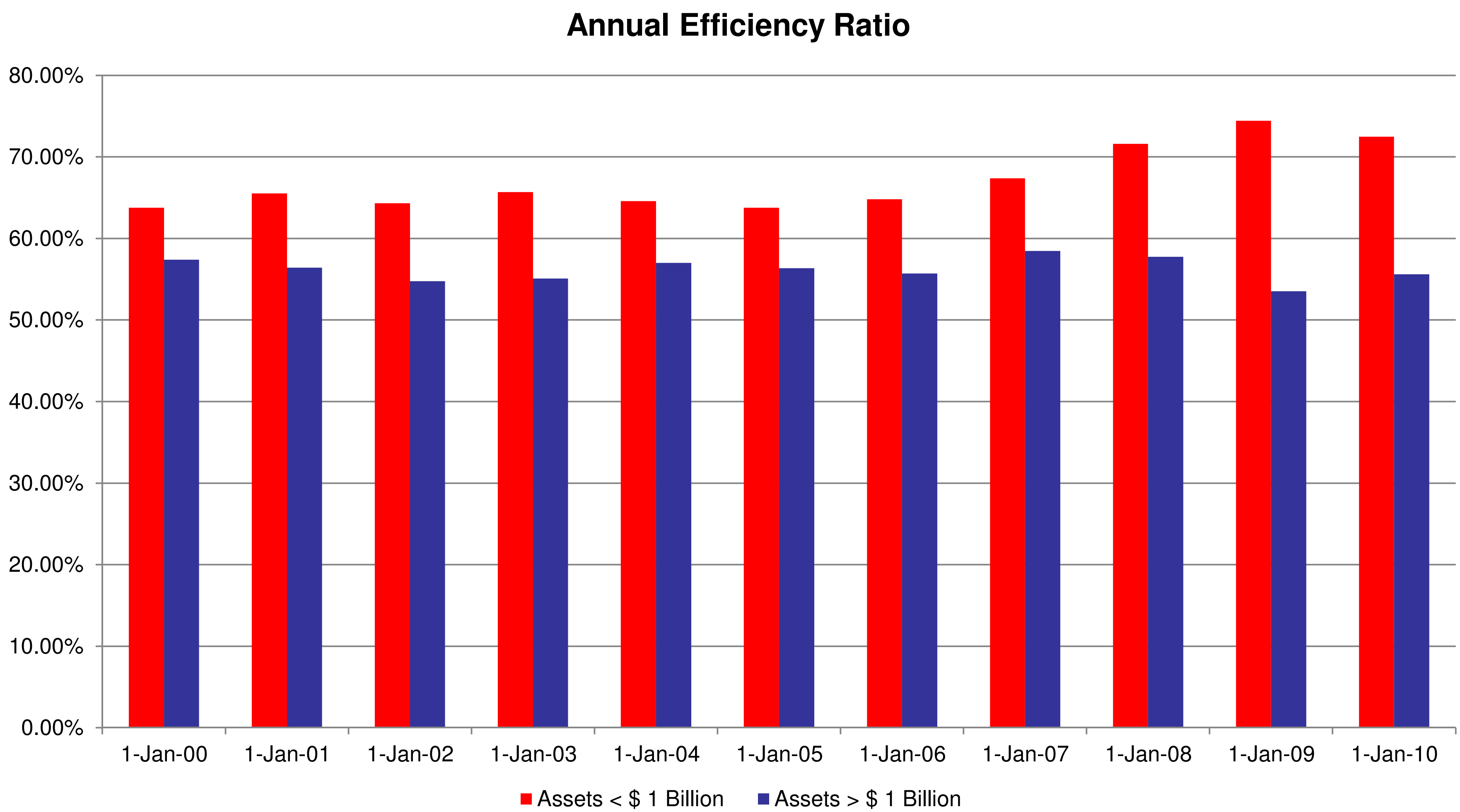
Further complicating the impact of weakened asset quality profile is a similarly weakened profitability profile. As shown below, FDIC-insured institutions are currently generating net interest margins well below their historical levels and at levels not seen since the mid-1980s. This weak level of profitability does not position these institutions for the challenges of slow balance sheet growth, restrained revenues, and elevated expenses.



Source: FDIC Quarterly Banking Profile (www2.fdic.gov/qbp/grtable.asp?rptdate=2010mar&selgr=QNIQB2)

BANKING MARKET OVERVIEW – PROFITABILITY

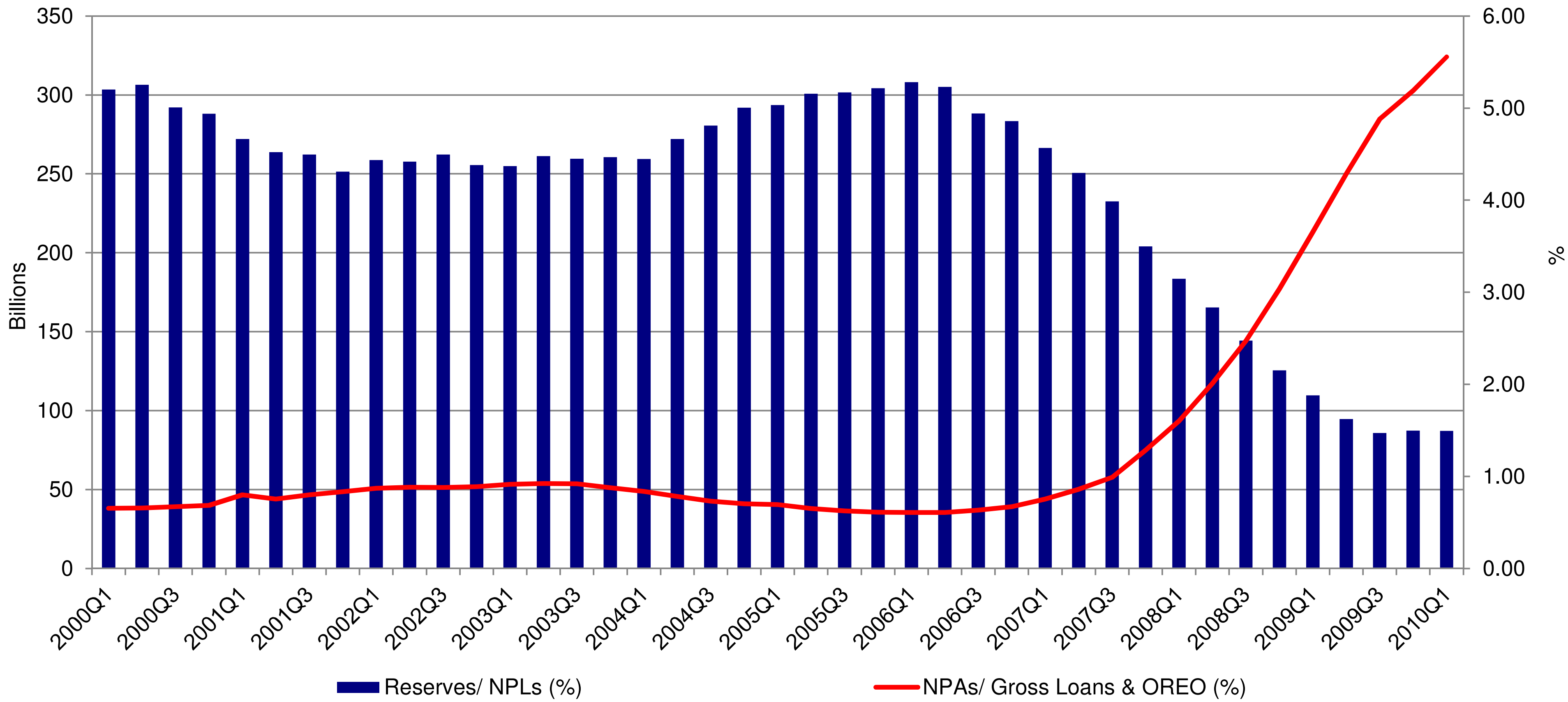
In addition, smaller institutions appear to be less successful in managing these profitability challenges than larger institutions.



Source: FDIC Quarterly Banking Profile

BANKING MARKET OVERVIEW – CAPITAL SUFFICIENCY

The combined effects of deteriorating credit quality and weakened profitability has resulted in solvency issues throughout the banking sector.

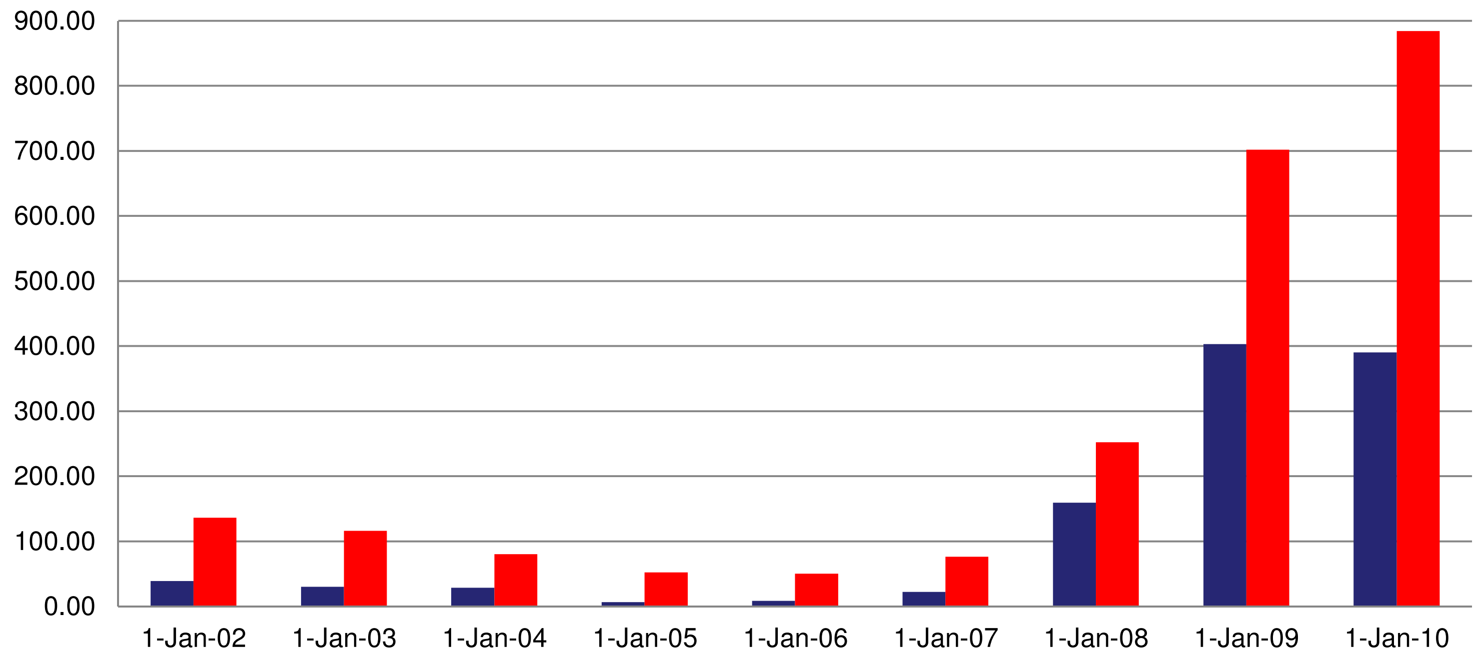


Source: SNL Financial

BANKING MARKET OVERVIEW – VIABILITY / COMPLIANCE / FAILURE

The overall health of the commercial banking sector has been adversely affected by the economic downturn and disruptions to financial markets caused by the financial crisis. The number of problem institutions, as identified by the FDIC, increased greatly, reaching about 775 institutions as of March 31, 2010, up from about 700 at year-end 2009 and 250 at year-end 2008.

Annual Number and Assets of FDIC-Insured Problem Institutions

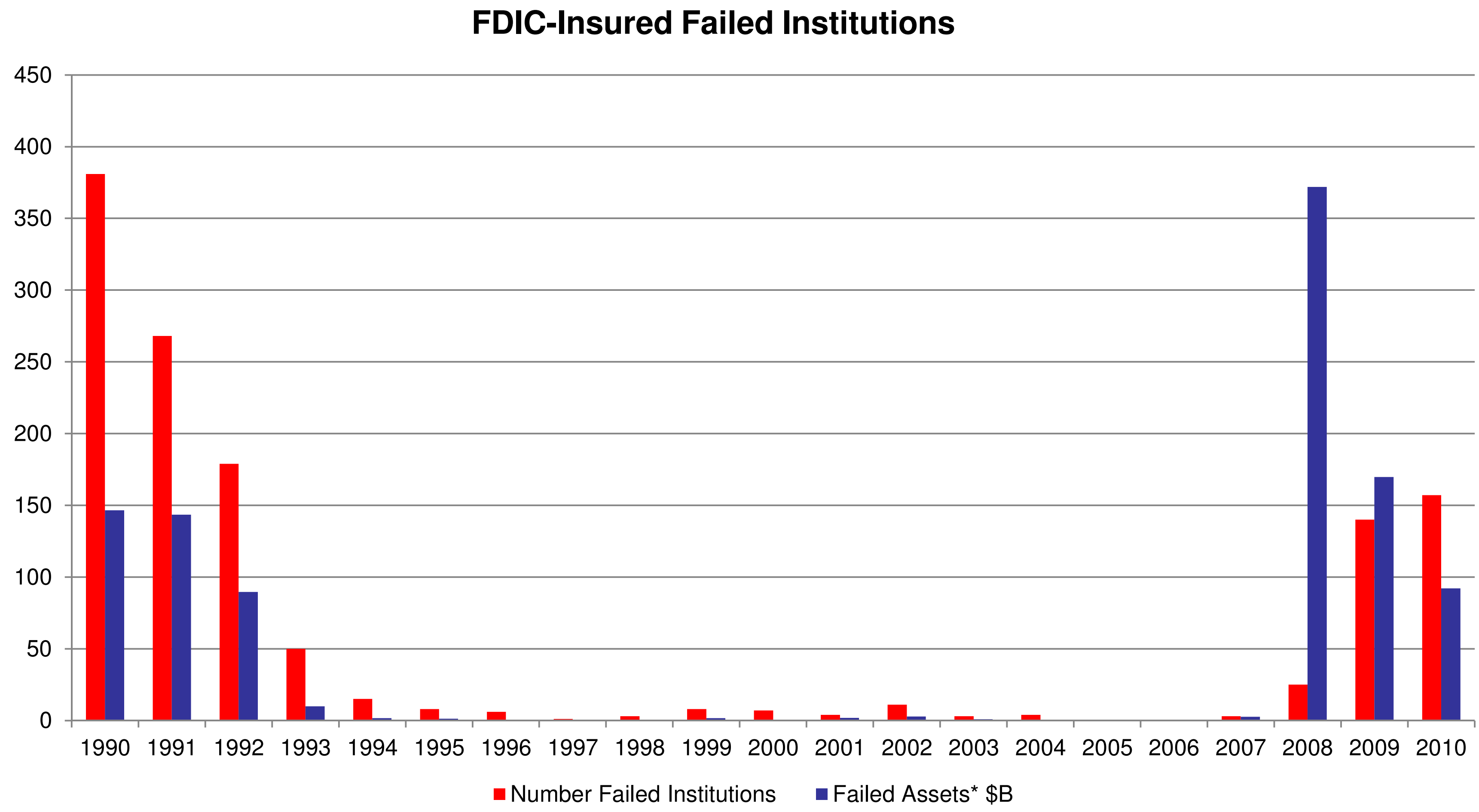


	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10
■ Total Assets (Billions)	$38.90	$29.90	$28.30	$6.60	$8.30	$22.20	$159.40	$402.80	$390.00
■ Number of Institutions	136	116	80	52	50	76	252	702	884

Source: FDIC Quarterly Banking Profile

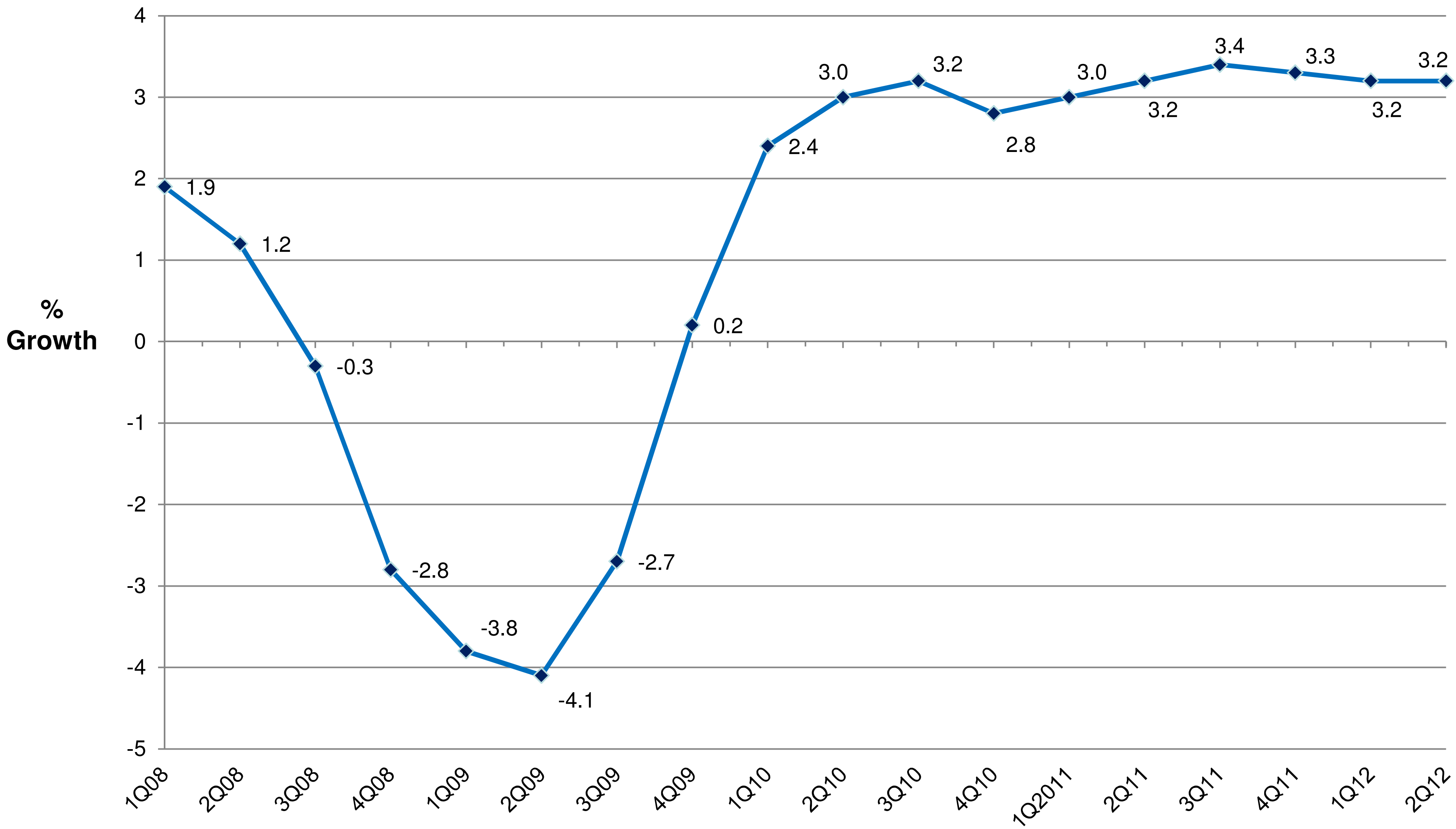
BANKING MARKET OVERVIEW – VIABILITY / COMPLIANCE / FAILURE

After over a decade of minimal bank failures, the recent deterioration in credit quality and regulatory pressure has led to a significant spike in bank failures beginning in 2009.



Source: FDIC – Statistics at a Glance

REAL QUARTERLY U.S. GDP GROWTH RATE



** - Projected 2011Q1 through 2012Q2*

U.S. QUARTERLY UNEMPLOYMENT RATE

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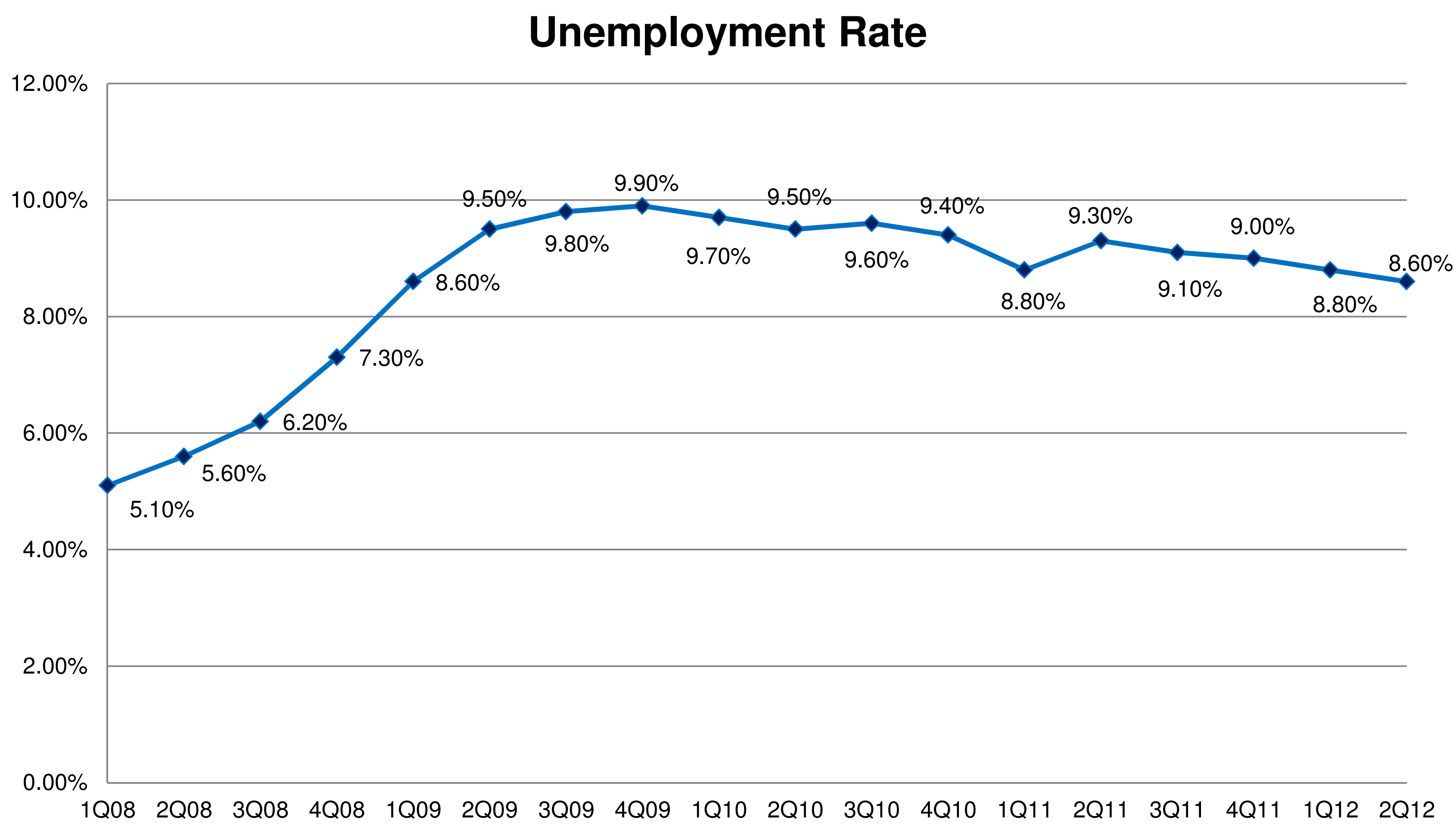
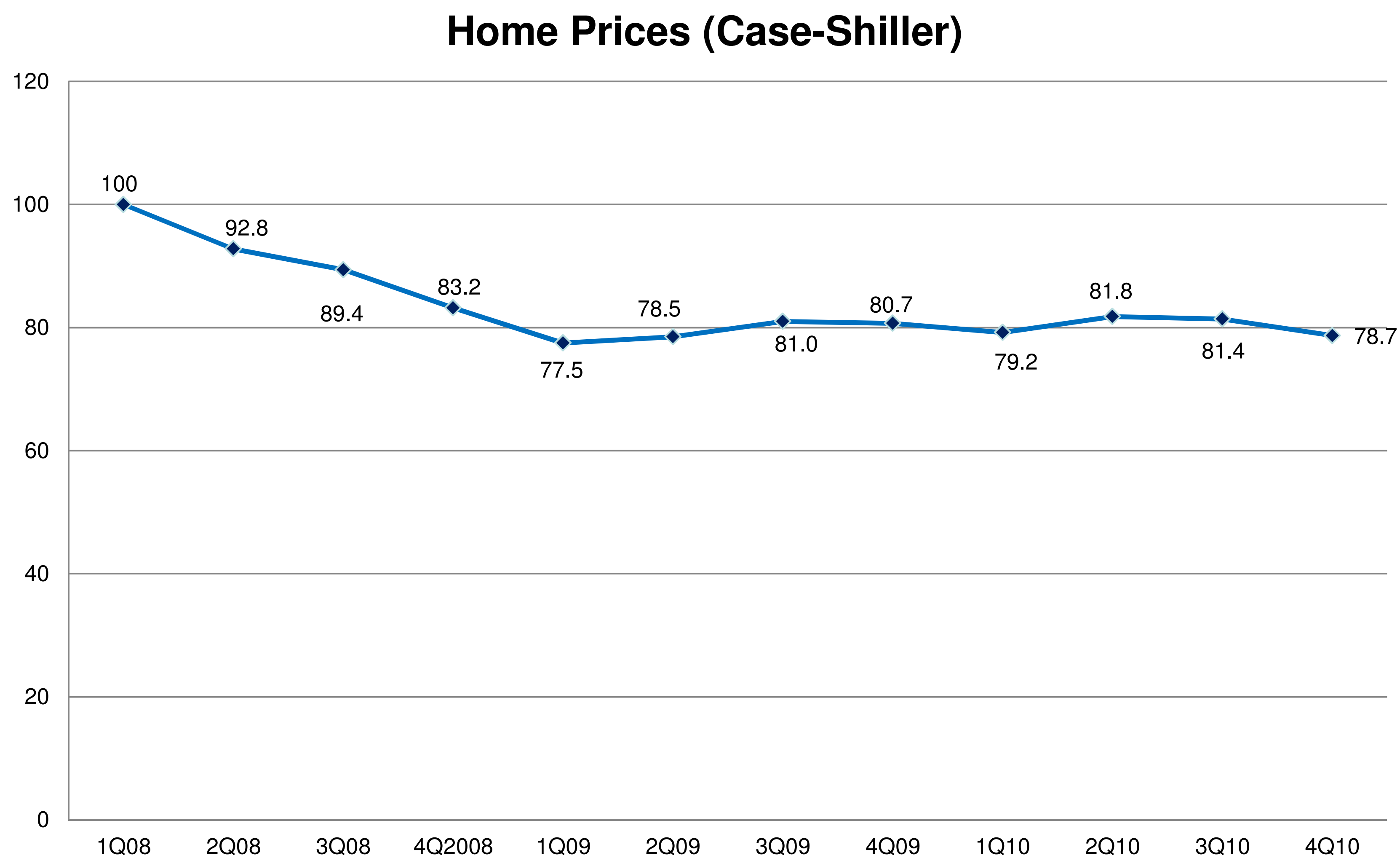
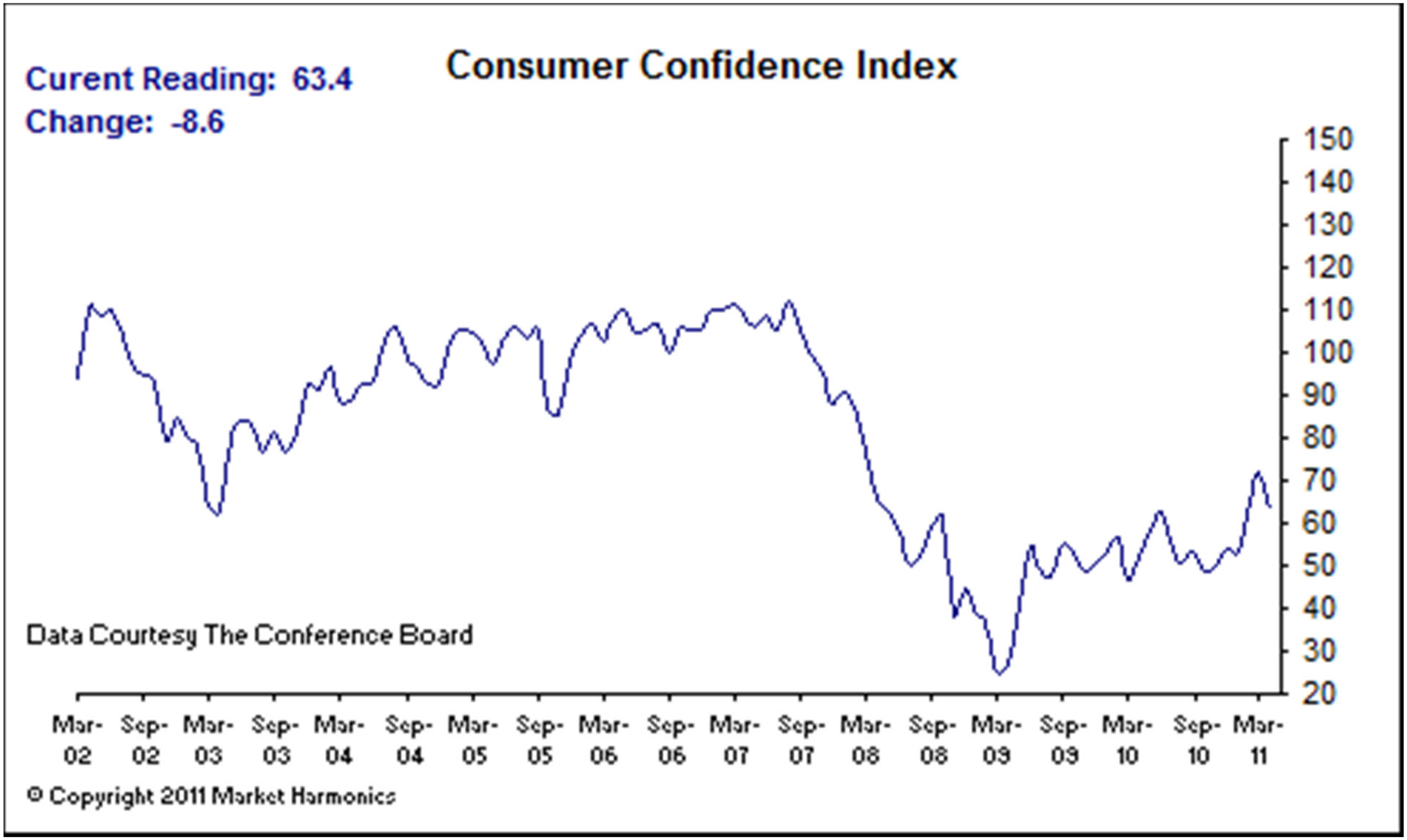


Projected 2Q2011 through 2Q2012

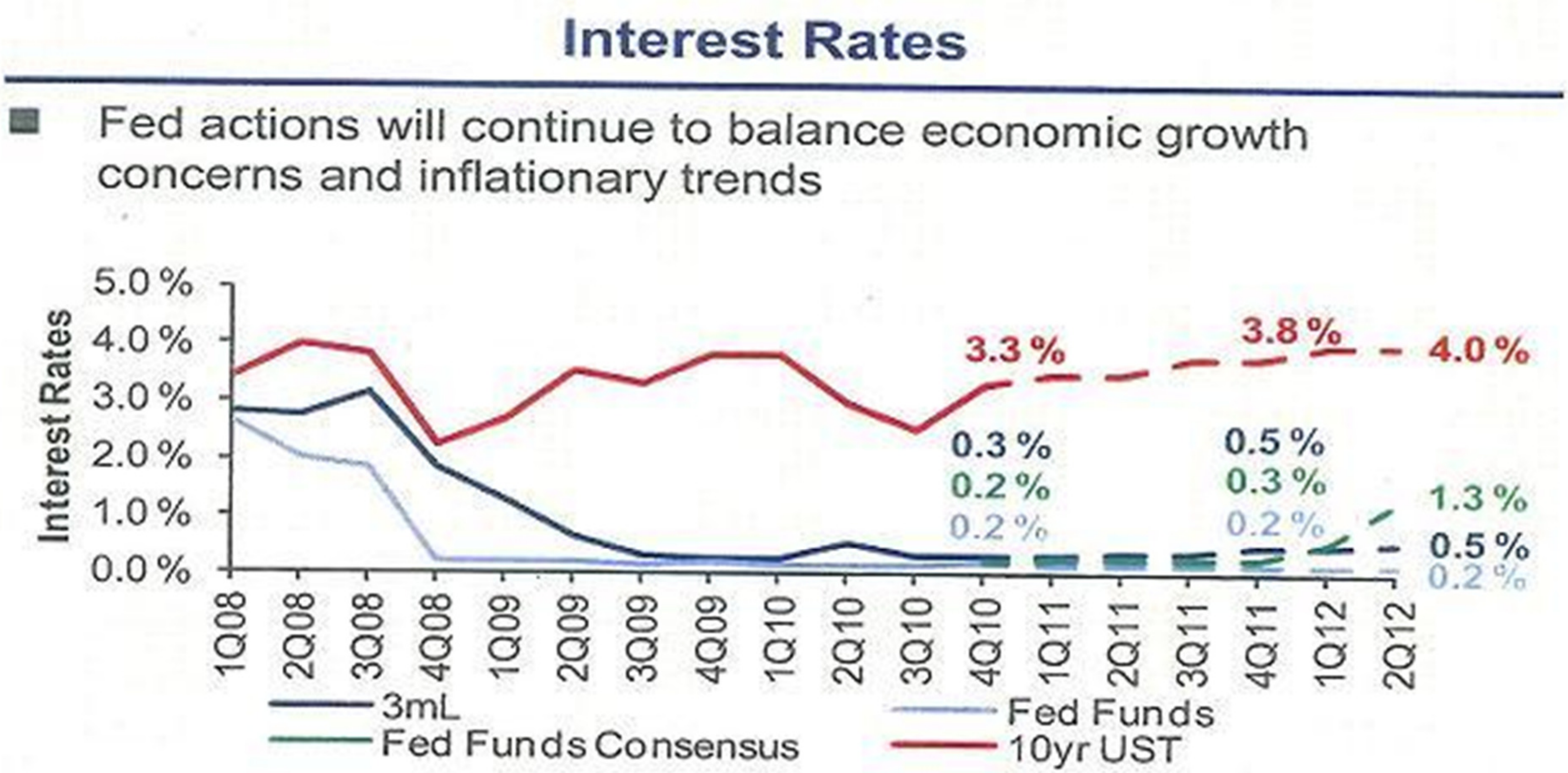
HOME PRICES (CASE-SHILLER COMPOSITE 20 INDEX)



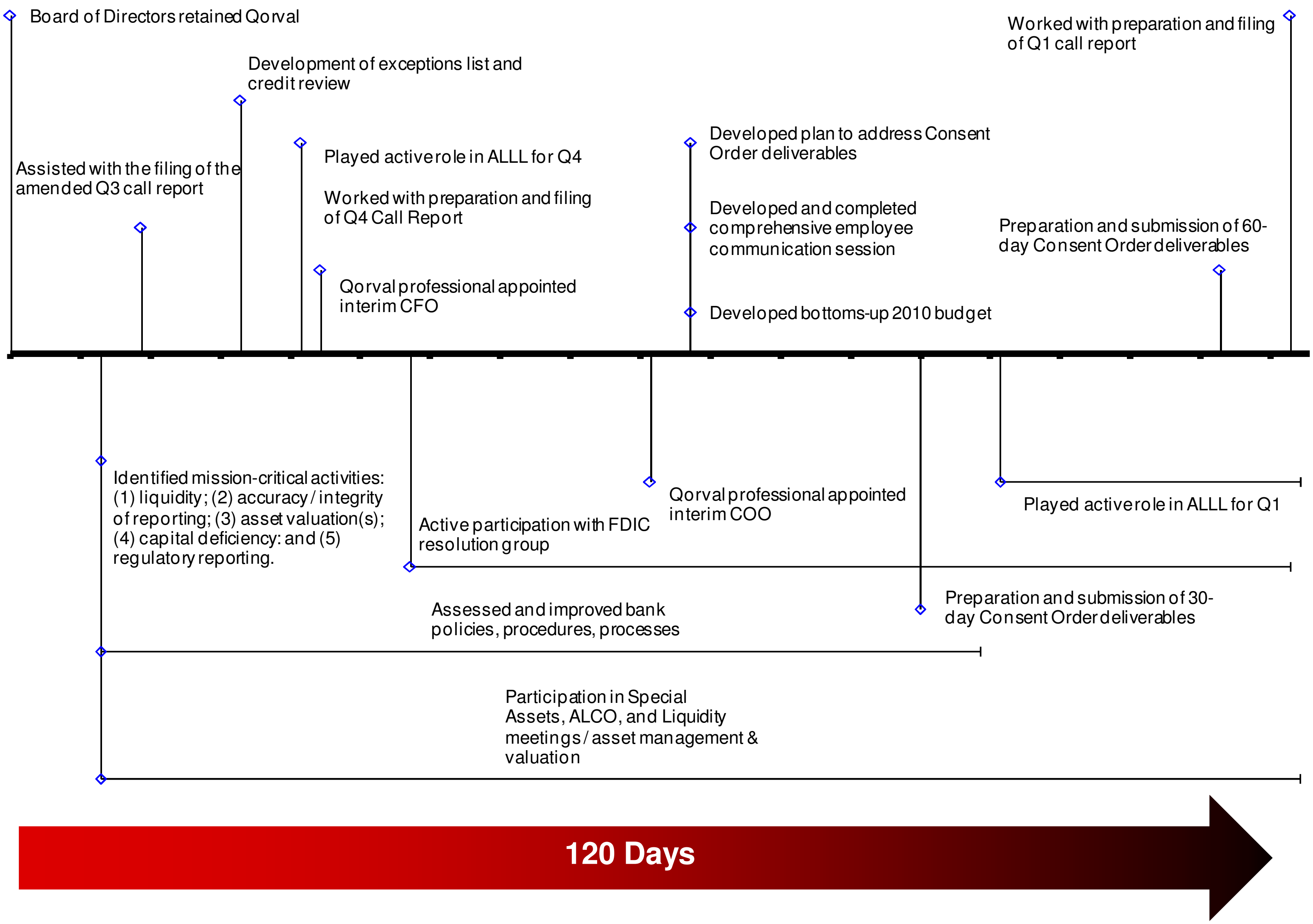
CONSUMER CONFIDENCE



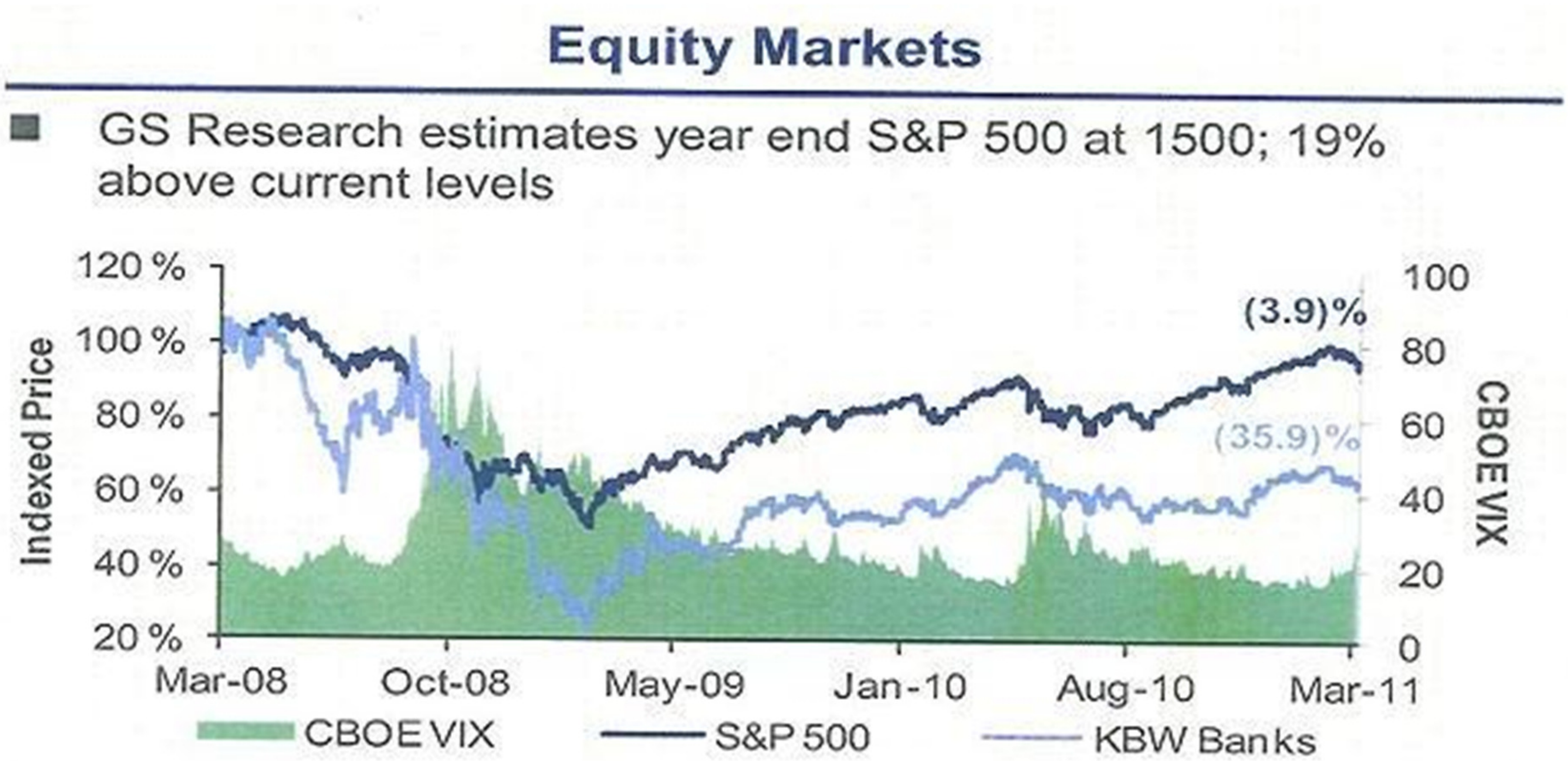
INTEREST RATES



CASE STUDY: COMMUNITY BANK TIME LINE



EQUITY MARKETS



Qorval Banking Expertise

QORVAL BANKING EXPERTISE – KEY SERVICES

Qorval's banking service offerings are based on the functional integration of deep industry knowledge and extensive operational experience. Our service offerings combine business knowledge and insights to create a critical mass of expertise to deliver superior client service and outstanding results.

Financial & Operational Advisory

- Evaluate and implement improved policies, procedures and controls
- Coordinate communication with and responses to regulators
- Evaluate and improve the accuracy and transparency of financial reporting
- Evaluate senior management
- Direct interaction and communication with board of directors

Interim Management

- Assume interim management roles
- Develop restructuring strategies; provide institutional leadership
- Coordinate with all bank constituents
- Direct interaction and communication with board of directors

Portfolio Management

- Portfolio analysis
- Servicing of individual loans and portfolios
- Loss share management

Organizational Excellence / Operational Effectiveness / Regulatory Compliance

Optimized Financial Performance & Risk Management

QORVAL – TAILORED, PRAGMATIC SOLUTIONS

Qorval offers tailored, pragmatic solutions to the unique combination of challenges faced by banks and other financial services institutions

Current Market Environment

Past Strategic Decisions

Competitive Responses

Regulatory Status

Institution's Current Financial Condition

Organizational Excellence / Operational Effectiveness / Regulatory Compliance

- Issue Identification
- Rehabilitation
- Resolution

Optimized Financial Performance & Risk Management

- Analysis
- Management
- Recovery

Issue Identification

Systematic diagnosis and early detection of issues / problems, including early warning tools, documentation of risks, and effective communication techniques.

Rehabilitation

Development and implementation of responses to operational, asset, capital, and liquidity issues / problems.

Resolution

Coordination with relevant regulators and supervisors, and management of required reporting and resolution processes.

ISSUE IDENTIFICATION

Growth issues

- Changes to bank underwriting or risk selection
- Unstable or short-term funding sources
- Rapidly declining capital levels

Economic issues

- Adequacy of the bank's capital levels to cover lower earnings and loan losses
- Interest rate exposure
- Liquidity and contingency funding plans

Management issues

- Responsiveness of management team
- Lack of information shared with the Board

Risk management issues

- Loan policies and procedures
- Adequacy of internal audit

Balance sheet exposure

- Off-balance sheet activity relative to the size and risk profile of the bank
- Participation in markets without appropriate knowledge or expertise

Asset quality deterioration

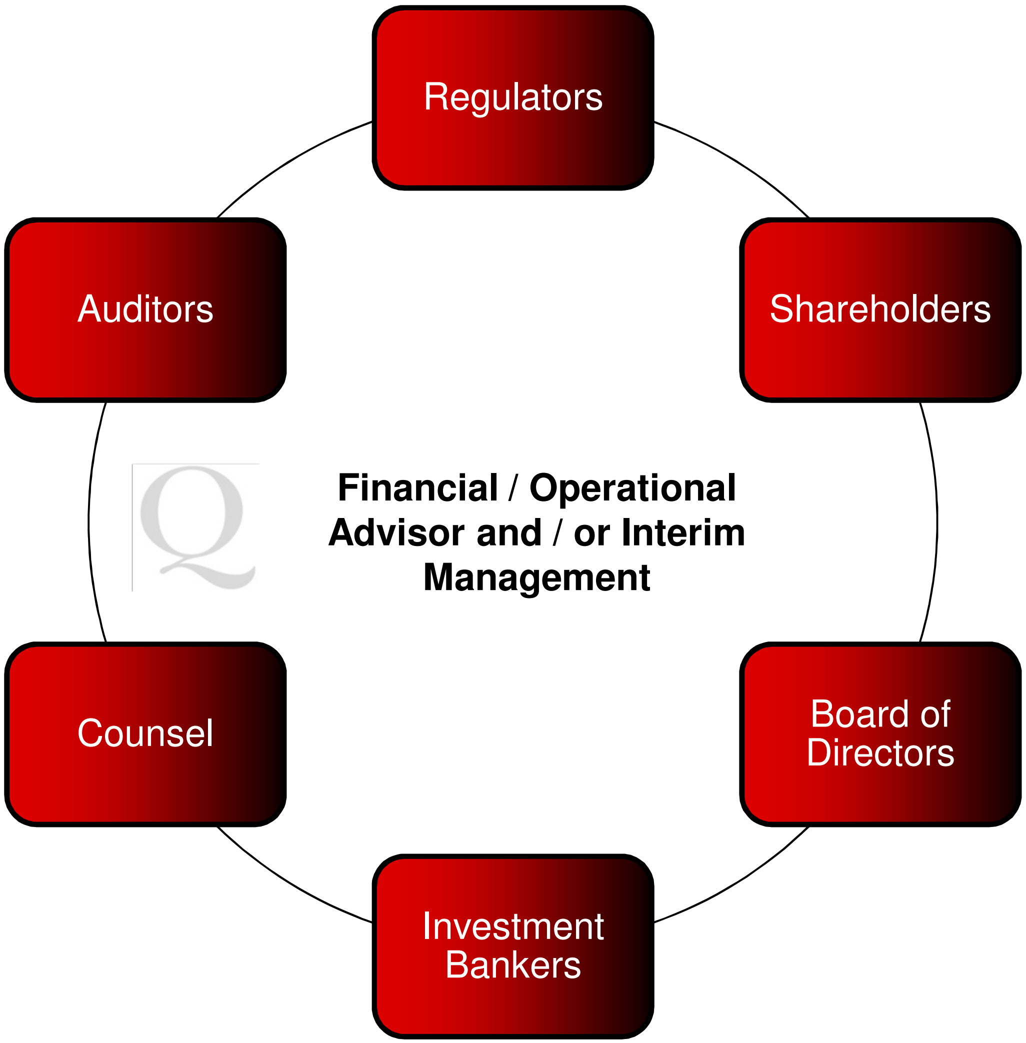
- Increasing levels of past due and non-performing loans
- Deterioration in local economic conditions
- Increasing concentrations

ALLL and asset valuation adjustments

- Significant changes in allowance for loan loss
- Use of qualitative factors

REHABILITATION

Qorval provides coordination among all bank stakeholders, constituents and service providers throughout the rehabilitation process.



REHABILITATION

Financial / Operational Advisor and / or Interim Management

Improve policies, processes, procedures, and controls

Liquidity	Financial Reporting	Credit/Risk	Operations
• Develop liquidity monitoring tools • Active management of funding sources, including asset liquidation(s) • Communication with depositors / lenders	• Validation of information • Timeliness of reporting • Improve procedures and controls • Interaction with auditors and outside parties	• ALLL process • Credit approval process and procedures • Management of special assets function / development and execution of workout strategies	• Leadership • Day-to-day operations • Retail

- **Ensure regulatory compliance / enhance regulatory credibility**
- **Provide additional oversight and governance for Board of Directors**

RESOLUTION

Financial / Operational Advisor and / or Interim Management

Coordination with Regulators

- Provide timely and accurate information
- Abundance of fact based communication

1. Review lending policies and practices
2. Review loan risk ratings
3. Review and update appraisal policy
4. Review ALLL policy and process
5. Review Board of Directors monthly package
6. Update and review capital plan
7. Adopt or update a contingency funding plan

r2b red2black QORVAL

OPTIMIZED FINANCIAL PERFORMANCE & RISK MANAGEMENT

Analysis	Management	Recovery
• Risk identification • Exceptions to policy, procedures, underwriting and documentation guidelines • Exception tracking and reporting	• Loss share portfolio management and reporting • Portfolio segmentation and risk diversification • Risk concentrations: identification, evaluation, and management • Stress testing • ALLL • Loan portfolio management & supervision: 1. asset quality reviews 2. targeted reviews 3. process reviews 4. administrative and documentation reviews 5. compliance reviews 6. policy and underwriting back-testing	• Collections and workout

QORVAL BANKING DIFFERENCE

1. Capable and well-qualified to act as advisor and/or interim management
2. Seasoned and highly skilled professionals
3. High impact, highly effective while minimally disruptive to operations and relationships
4. Extensive experience with regulators (federal & state)
5. Experienced crisis managers (in a variety of industries & situations)
6. Proven track record of providing stability and confidence with boards of directors, managers and regulators