

HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

1ST QUARTER, 2009

THE GEORGIA BANKING CRISIS

Georgia now leads the nation in the number of recent bank failures. Nine banks have closed their doors since September, 2007, and a slumping economy and housing market increase the risk of further failures.

FAILED GEORGIA BANKS - AS OF 03/23/2009

No.	Bank	City	Date Closed	Total Assets (000s)	Total Deposits (000s)	Institutions that Assumed Deposits
1.	NetBank	Alpharetta	09/07	\$2,500,000	\$2,300,000	ING DIRECT (only \$1.5 billion)
2.	Integrity Bank	Alpharetta	08/08	\$1,100,000	\$974,000	Regions Bank (Birmingham, AL)
3.	Alpha Bank & Trust	Alpharetta	10/08	\$354,100	\$346,200	Stearns Bank (St. Cloud, MN)
4.	The Community Bank	Loganville	11/08	\$681,000	\$611,400	Bank of Essex (Tappahannock, VA)
5.	First Georgia Community Bank	Jackson	12/08	\$237,500	\$197,400	United Bank (Zebulon, GA)
6.	Haven Trust Bank	Duluth	12/08	\$572,000	\$515,000	BB&T (Winston-Salem, NC)
7.	FirstBank Financial Services	McDonough	02/09	\$337,000	\$279,000	Regions Bank (Birmingham, AL)
8.	Freedom Bank of Georgia	Commerce	03/09	\$173,000	\$161,000	Northeast Georgia Bank (Lavonia, GA)
9.	FirstCity Bank	Stockbridge	03/09	\$297,000	\$278,000	No institution has assumed deposits.

Sources: FDIC and Haddow & Company.

The seeds of this crisis were sown as banks accumulated a heavy concentration of loans to homebuilders and developers. Between 2000 and 2007, the value of real estate and construction loans on the books of Georgia banks increased from \$7.4 billion to \$41.7 billion, according to figures from the FDIC. When the real estate market was booming, many banks reported record profits, but the current downturn has wreaked havoc on institutions with too much real estate exposure. By year-end 2008, 8.69 percent of loan portfolios at Georgia banks were in some form of delinquency.

So which banks are most troubled? Based on recent FDIC data, Haddow & Company identified ten banks that appear at risk. Two ratios were used: one focuses on problem loans, and the other is a snapshot of the bank's capital position. Clearly, some Georgia banks are in uncharted waters. The worst is probably yet to come because many institutions have not fully recognized the extent of their non-performing loans nor developed a strategy to deal with these assets.

10 MOST TROUBLED GEORGIA BANKS - AS OF 12/31/2008

No.	Bank	City	Total Assets (000s)	Noncurrent Assets ¹ as a % of Total Assets	Total Equity Capital ² as a % of Total Assets
1.	Southern Community Bank	Fayetteville	\$381,791	14.7%	4.7%
2.	Omni National Bank	Atlanta	\$979,585	11.6%	5.0%
3.	First Piedmont Bank	Winder	\$122,806	11.4%	4.9%
4.	Security Bank of North Metro	Woodstock	\$241,161	12.0%	5.8%
5.	Security Bank of Gwinnett County	Suwanee	\$357,199	17.5%	6.4%
6.	Neighborhood Community Bank	Newnan	\$230,492	11.4%	6.8%
7.	First Coweta Bank	Newnan	\$169,752	9.7%	6.5%
8.	Century Security Bank	Duluth	\$117,602	9.3%	6.5%
9.	Chestatee State Bank	Dawsonville	\$269,774	20.4%	7.4%
10.	Community Bank of West Georgia	Villa Rica	\$203,107	6.9%	5.4%

¹ Noncurrent Assets include all assets past due 90 days or more, plus assets placed in non-accrual status.

² Total Equity Capital includes preferred and common stock, surplus and undivided profits.

Sources: FDIC and Haddow & Company.

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A CLOSER LOOK: CORUS BANK

Georgia banks are heavily concentrated in single-family residential construction and land development loans, while other institutions are feeling pressure from the multi-family side of the housing market. Corus Bank, based in Chicago, has structured its lending practice around condominium projects, which comprise approximately 81 percent of its loan portfolio.



The Brookwood consists of 219 units.

Condominium Projects in Atlanta Funded By Corus Bank

1. Aqua
2. Cosmopolitan at Lindbergh
3. Horizon at Wildwood
4. Luxe
5. Mezzo
6. One River Place
7. One Vinings Mountain
8. Realm
9. Serrano
10. The Atlantic
11. The Brookwood
12. The Light at Brookhaven
13. The Plaza Midtown
14. The Reynolds
15. Tribute Lofts
16. Villa Sonoma

By the Numbers: Corus Bank

16	Condominium Projects Funded in Atlanta
3	Condominium Projects That Have Sold Out
3,844	Total Units
1,757	Unsold Units (As of 1/1/09)
7	Projects With Over Half of Inventory Unsold
1	Project Converted to Apartments
\$910,036,075	Loaned on Projects in Atlanta
\$236,742	Average Loan Amount Per Unit
\$180	Average Loan Amount Per Square Foot

Sources: Corus Bank and Haddow & Company

Corus Bank has a significant presence in Atlanta. From 2004 to 2007, Corus funded 16 condominium projects in metro Atlanta, all of which were non-recourse loans. These projects contain 3,844 units, with loans totaling \$910 million. Only three of these projects (978 units) have sold out. Corus Bank's lending practices clearly prolonged Atlanta's recent development cycle, further aggravating the supply-demand imbalance.



One River Place consists of 322 condominiums, 110 townhomes, and 10 single-family homes.

This is the inaugural publication of *Haddow's Real News*. Each quarterly issue will focus on a current topic affecting the Atlanta real estate market. Thoughtful discussion is encouraged, so feel free to send us your comments.

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