

## **USA BANK REPORTS OPERATING RESULTS FOR THE QUARTER ENDED MARCH 31, 2009**

Port Chester, NY – (Market Wire) – May 27, 2009 – USA Bank (OTC BB: USBK.OB – News) reported a net loss of \$826,000 (\$0.14 per share) during the three months ended March 31, 2009, as compared to a net loss of \$746,000 (\$0.13 per share) for the three months ended March 31, 2008. The \$80,000 (10.7%) increase in the net loss for the three months ended March 31, 2009 compared to the three months ended March 31, 2008 was partially due to the decrease in the prevailing level of interest rates and the negative impact on certain loan customers resulting from the downturn in the economy, which resulted in an increase in non-accrual loans and therefore a reduction in interest income on loans and a \$142,000 increase in the provision for loan losses. The Bank's allowance for loan losses as a percentage of loans has increased from 1.27% at March 31, 2008 to 1.52% at March 31, 2009. The Bank's non-interest income decreased \$200,000 (75.1%). Such changes were partially offset by planned decreases of \$263,000 (12.4%) in non-interest expense.

The continued increase in the allowance for loan losses is due to continued review and evaluation of the economy in Westchester and Fairfield Counties. USA Bank uses a methodology to calculate the allowance for loan losses which includes peer group data, and adjustments based on the economic and business climate. The trend in USA Bank's peer group has been to increase the allowance in the past several quarters, and USA Bank's analysis concurs with this trend.

The Bank's total assets reached \$215.2 million at March 31, 2009, an increase of \$5.3 million (2.5%) from the \$209.9 million at December 31, 2008 and an increase of \$19.4 million (9.9%) since March 31, 2008. As of March 31, 2009, total gross loans were \$159.1 million, which represents a \$5.8 million (3.8%) increase from \$153.3 million at December 31, 2008, and a \$29.5 million (22.7%) increase from \$129.6 million at March 31, 2008. As of March 31, 2009, total deposits were \$175.4 million, which represents a \$5.6 million (3.3%) increase from \$169.8 million at December 31, 2008, and a \$25.9 million (17.3%) increase from \$149.5 million at March 31, 2008. Capital ratios continue to be strong, with Tier One Capital to average assets of 8.64%, Tier One Capital to risk-weighted assets of 11.17%, and Total Capital to risk-weighted assets of 12.42%.

The Bank continues to leverage upon its capital base with quality loan growth, which is reflected in the \$505,000 increase in interest income on loans in the first quarter of 2009 as compared to the first quarter of 2008. This increase in interest income on loans was partially offset by the negative impact on interest income due to the decreased level of prevailing interest rates and the negative impact on certain borrowers as a result of the downturn in the economy, which resulted in an increase in non-accrual loans. Interest income in total increased \$145,000, as interest income on other interest earning asset categories was lower than during the first quarter of 2008. In particular, interest income on loans held for sale was \$172,000 lower in the first quarter of 2009 compared to the first quarter of 2008 as a result of the Bank's focus on traditional commercial banking and the volatile mortgage market place. Net interest income was consistent with that of the first quarter of 2008, as the increase in interest expense due to the increased volume of interest bearing deposits offset the increase in interest income.

The reduced level of non-interest income was primarily the result of the recognition of a gain on the sale of securities of \$146,000 during the first quarter of 2008 as compared to no such gains recognized in the first quarter of 2009. There was also a combined \$96,000 reduction in gains on the sales of loans held for sale and fee income on the brokering of loans, which partially reflects

the volatile mortgage market and partially reflects the Bank's focus on traditional commercial banking.

Planned reductions in non-interest expense partially offset the unfavorable variance in non-interest income above. Non-interest expense decreased \$263,000 (12.4%). Major contributors to this overall non-interest expense reduction were planned reductions in salaries and employee benefits expense of \$40,000 (5.1%) and occupancy expense of \$52,000 (26.9%), as well as reductions in legal and professional fees of \$78,000 and \$23,000, respectively. The decrease in legal and professional fees reflects nonrecurring services relating to regulatory issues incurred during the three months ended March 31, 2008 with no such similar expense incurred during the first quarter of 2009. Partially offsetting these non-interest expense reductions were increases in FDIC insurance expense of \$48,000 due to increased deposit levels and insurance rates, along with an increase in advertising expense of \$45,000, due to higher budgeted levels for 2009 and the earlier timing of such expenses.

Mr. Ronald J. Gentile, USA Bank's President and Chief Executive Officer stated that "results reflect the downturn in the economy." He further noted, "I am pleased that our planned reduction in operating expenses have somewhat offset the negative impact on earnings resulting from the economic downturn." He also noted that the Bank's average cost of funds continued to decline to 4.01% for the 1st quarter of 2009, as compared to 4.66% during the 1<sup>st</sup> quarter of 2008. He noted that "the Bank will continue to reduce these costs by attracting core deposit accounts through our enhanced calling programs, remote deposit capture program, and compensating balance requirements for commercial loan customers."

Mr. Gentile also indicated that "due to the poor economic climate, asset quality shows signs of deterioration, with nonperforming loans aggregating \$11.6 million at March 31, 2009, a \$1.9 million increase from the \$9.7 million of nonperforming loans at December 31, 2008, and a \$7.9 million increase from the \$3.7 million in nonperforming loans at March 31, 2008. The increase in non-performing loans is a concern; however, the net realizable value of the underlying collateral for these loans exceeds the outstanding loan balances, except for one loan which required a specific reserve of \$141,540 at March 31, 2009."

Mr. Gentile further commented that "the recessionary global economic climate and current declining local real estate markets will make the achievement of profitability in the near term a major challenge." He also commented that "we remain optimistic that the closer scrutiny being applied to our large existing commercial real estate and construction loan portfolios (i.e. – obtaining current outside, independent appraisals/evaluations and financial statements on the borrower(s), etc.) should help ameliorate any serious loan quality problems. However, any collateral deterioration which may occur if real estate values continue to erode, which cannot be predicted with any certainty, will obviously impact future operations, as it will result in the need to allocate additional provisions for loan losses and possible charge-offs. Prudent underwriting has mostly shielded our Bank to date, and current additional safeguards in our underwriting processes should serve to bolster future credit quality."

#### **"Safe Harbor" Statement under Private Securities Litigation Reform Act of 1995**

Some of the statements contained in this press release may include forward-looking statements which reflect our current views with respect to future events and financial performance. Statements which include the words "expect," "intend," "plan," "believe," "project," "anticipate" and similar statements of future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements address

matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements or that could adversely affect the holders of our common stock.

These factors include, but are not limited to, those outlined in the Bank's Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the Federal Deposit Insurance Corporation and is publicly available from the FDIC's Accounting & Securities Disclosure Section, 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429 and on the Bank's website at [www.usa-bank-online.com](http://www.usa-bank-online.com).

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