

## **USA BANK REPORTS OPERATING RESULTS FOR THE QUARTER ENDED JUNE 30, 2009**

Port Chester, NY – (Market Wire) – August 25, 2009 – USA Bank (OTC BB: USBK.OB – News) reported a net loss of \$4.0 million (\$0.69 per share) during the three months ended June 30, 2009, as compared to a net loss of \$383,000 (\$0.07 per share) for the three months ended June 30, 2008. For the six months ended June 30, 2009 the Bank’s net loss was \$4.8 million (\$0.83 per share) compared to a net loss of \$1.1 million (\$0.20 per share) for the six months ended June 30, 2008.

The increase in the loss for the three months ended June 30, 2009 compared with 2008 was mainly due to the negative impact on borrowers resulting from the economic downturn. This is evidenced by the \$19.0 million increase in nonaccrual loans from \$2.0 million at June 30, 2008 to \$21.0 million at June 30, 2009, which has resulted in a reduction in interest income on loans and an increase in the provision for loan losses. The increase in the loss between periods is also partly attributed to the \$2.0 million in other than temporary impairment charge against earnings, which resulted from projected defaults/losses due to increased delinquencies within the Bank’s four private label collateralized mortgage obligations (CMO’s), held in the Bank’s securities portfolio.

Mr. Ronald J. Gentile, USA Bank’s President and Chief Executive Officer, stated that, “results mostly reflect the downturn in the economy. The increase in non-performing loans is a serious concern, and we have hired an experienced, professional workout specialist to assist us in restoring these loans to a performing basis. Noteworthy, an analysis of the net realizable values of the underlying collateral for these loans compared to the outstanding loan balances, indicated the need for a specific reserve of \$1.3 million, and that amount has been recorded in the allowance for loan losses at June 30, 2009. This analysis was based on current appraisal valuations performed by state certified, independent appraisers, and the values assigned clearly present the declining real estate conditions existing in our market areas.”

Mr. Gentile further noted, “I am pleased that our planned reduction in operating expenses (departure from administrative offices in Rye Brook) has 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 3.64% for the second quarter of 2009, as compared to 4.28% during the second quarter of 2008. Mr. Gentile stated that “the Bank will continue to reduce these costs by continuing to attract core deposit accounts, through our enhanced cash management product line, which includes remote deposit capture, and low prevailing interest rates nationally.”

Mr. Gentile 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 said “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 of the borrower(s), etc.) should help ameliorate any worsening loan quality problems. Moreover, the Bank’s Board of Directors has passed a resolution essentially prohibiting any new commercial construction or “speculative” commercial lending until conditions improve. 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.”

The Bank's allowance for loan losses as a percentage of loans has increased from 1.16% at June 30, 2008 to 2.05% at June 30, 2009. 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. It also compares the net realizable value of collateral securing loans placed on nonaccrual compared to the Bank's investment or book value of the loan. Should there be a shortfall, a specific reserve is established within the allowance for loan losses. Specific reserves required as of June 30, 2009 totaled \$1.3 million compared to no such specific reserves being required as of June 30, 2008. 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 that trend.

The Bank's total assets reached \$227.9 million at June 30, 2009, an increase of \$18.0 million, or 8.6%, from the \$209.9 million at December 31, 2008, and an increase of \$33.2 million, or 17.1%, since June 30, 2008. As of June 30, 2009, total gross loans were \$168.0 million, which represents a \$14.7 million, or a 9.6%, increase from \$153.3 million at December 31, 2008, and a \$20.3 million, or a 13.7%, increase from \$147.7 million at June 30, 2008. As of June 30, 2009, total deposits were \$189.4 million, which represents an increase of \$19.6 million, or 11.5%, from \$169.8 million at December 31, 2008, and an increase of \$40.4 million, or 27.1%, from \$149.0 million at June 30, 2008. Capital ratios continue to be adequate, with Tier One Capital to average assets of 6.59%, Tier One Capital to risk-weighted assets of 8.25%, and Total Capital to risk-weighted assets of 9.51%. Such ratios place the Bank in an adequately capitalized position, according to regulatory definitions.

The Bank continues its efforts to leverage upon its capital base with quality loan growth, which is reflected in the \$20.3 million, or 13.7% increase in total gross loans since June 30, 2008. Despite the increased loan volume, interest income on loans decreased \$95,000 (3.7%) from \$2.6 million during the three months ended June 30, 2008 to \$2.5 million for the three months ended June 30, 2009. This decrease was in large part due to the backing out or reversal of \$343,000 in past due interest on loans placed on nonaccrual during the second quarter of 2009 due to such loans not performing in accordance with the loan terms. The decrease is also a result of 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 decreased \$271,000, or 8.2%, as interest income on other interest earning asset categories was lower than during the second quarter of 2008. In particular, interest income on loans held for sale was \$56,000 lower in the second quarter of 2009 compared to the second quarter of 2008 as a result of the volatile mortgage market place and the Bank's focus on traditional commercial banking. Net interest income was \$306,000 below that of the second quarter of 2008, principally due to the reduction in interest income. Interest expense increased \$35,000 (1.9%) which reflects the decreasing rate environment partially offset by the increased volume of interest bearing deposits.

The reduced level of non-interest income was primarily the result of the recognition in the second quarter of 2009 of a \$2.0 million other-than-temporary impairment charge against earnings related to the credit portion of the total unrealized losses on the Bank's four private label collateralized mortgage obligations as compared to no such charge against earnings in 2008. It also reflects a \$169,000 reduction in gains on the sales of securities which occurred during the second quarter of 2008 as compared to no such gains recognized in the second quarter of 2009.

Non-interest expense increased \$404,000 (22.9%). The increase primarily reflects a \$375,000 write-down in the one Bank-owned property in the other real estate owned category; a special one time \$105,000 FDIC insurance assessment recorded during the second quarter of 2009 along with increased premiums and deposit levels during the second quarter of 2009; and, increased expenses of \$94,000 related to properties that are currently in the foreclosure process. These increased expenses were partly offset by planned reductions in occupancy expense of \$109,000, or 49.7%; legal and professional fee reductions of \$97,000, or 54.4%, and \$84,000, or 55.4%, respectively. The decrease in legal and professional fees reflects nonrecurring services relating to regulatory issues incurred during the three months ended June 30, 2008 with no such similar expense incurred during the second quarter of 2009.

### **“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 and 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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