

FDIC Insurance Update

There have been many changes in the financial system over the past year designed to help shore up troubled banks and other financial institutions. Among those changes has been an expansion of coverage of insured deposits. Following is a primer on deposit insurance, including an update on the most recent changes.

A Quick Background

Our bank is insured by the Federal Deposit Insurance Corporation (FDIC), an independent agency of the U.S. government. The FDIC insures all deposits, including checking, NOW, savings and money market accounts, as well as CDs, for up to \$250,000 per depositor, and up to \$250,000 per depositor for certain retirement accounts, including traditional IRAs, Roth IRAs, SEP and SIMPLE IRAs, among other retirement accounts.

As part of the financial rescue legislation passed October 3, 2008, this basic FDIC deposit insurance coverage increased from \$100,000 per depositor to \$250,000 per depositor. **Congress recently extended coverage up to \$250,000 per depositor through December 31, 2013.**

You may even qualify for additional deposit insurance coverage if you own deposit accounts in different ownership categories. The FDIC provides separate insurance coverage for deposits held in single accounts and the retirement accounts mentioned above, as well as joint accounts and revocable trust accounts, including living trusts and payable-on-death (POD) accounts.

Since the FDIC's founding in 1933, no depositor has ever lost a penny of insured deposits. FDIC-insured deposits have proven to be completely safe.

What the FDIC does not insure are investments in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if these products were purchased from an FDIC-insured bank.

Basic FDIC Deposit Insurance Coverage Limits*

Single Accounts (owned by one person)	\$250,000 per owner
Joint Accounts (two or more persons)	\$250,000 per co-owner
IRAs and certain other retirement accounts	\$250,000 per owner
Trust Accounts	\$250,000 per owner per beneficiary subject to specific limitations and requirements
Corporation, Partnership and Unincorporated Association Accounts	\$250,000 per corporation, partnership or unincorporated association
Employee Benefit Plan Accounts	\$250,000 for the non-contingent, ascertainable interest of each participant
Government Accounts	\$250,000 per official custodian
Non-interest Bearing Transaction Accounts	Unlimited coverage. CreekSide Bank is participating in this program. **

* On January 1, 2014, the standard coverage limit will return to \$100,000 for all deposit categories except IRAs and certain retirement accounts, which will continue to be insured up to \$250,000 per owner.

** Unlimited deposit insurance coverage is available through June 30, 2010, for non-interest bearing transaction accounts at institutions participating in FDIC's Transaction Account Guarantee Program.

If you have questions about FDIC coverage limits and requirements, visit www.myFDICinsurance.gov, call toll-free 1-877-ASK-FDIC or ask a customer service representative at your branch.



Woodstock Office

100 Springfield Dr.
PO Box 429
Woodstock, GA 30188
(678) 388-5400
(678) 388-5410 Fax



Acworth Office

3590 Cobb Pkwy NW
PO Box 270
Acworth, GA 30101
(770) 975-4400
(770) 975-4410 Fax

Hours:

Monday – Thursday9:00AM - 4:00PM
Friday9:00AM - 5:00PM
Saturday (*Woodstock only*).....9:00AM - 12:00PM

*CreekSide Bank ATM Locations:

100 Springfield Drive
Woodstock, Ga 30188

3590 Cobb Pkwy NW
Acworth, GA 30101

**Use Any Bank ATM and we will refund the fee you are charged. Maximum \$30 per month.*

CREEKSIDE BANK

www.creeksidebank.com

CREEKSIDE BANK



2009 Year-End Newsletter

"Our confidence is high that we have the resources, people and plans in place to weather the recession and continue to meet the needs of our shareholders and customers for many years to come."

—Larry D. Peterson, President & CEO

Dear Shareholders and Friends,

As we near the end of the year, it is a good time to reflect on where we have come in 2009, and where we are headed in 2010.

It goes without saying that this has been one of the toughest banking markets in memory. A recent survey of banking and financial services executives shows that most industry insiders expect recovery in the banking market to lag behind that of the overall U.S. economy, coming slowly in 2010.

Meanwhile, news stories continue to trumpet banks' "Texas Ratios," which measure the amount of a bank's "problem" loans as a percentage of capital and surplus. At September 30, 2009, Creekside's ratio was 125%. A ratio of 100% or more is considered to be elevated. However, the "Texas Ratio" does not reflect the collateral securing the loan or the strength of the guarantor. For example, one of the bank's borrowers who is unable to keep a loan current has provided additional collateral to secure the loan. The total amount of collateral is worth 1.75 times the amount of the loan balance. The additional collateral is expected to sell soon and substantially reduce the amount of the loan.

There has also been a lot of press coverage regarding Georgia banks signing agreements with Federal and state banking regulators requiring increased oversight and calling for banks to work closely with regulators to address their credit and performance issues. It's estimated that 40 percent of Georgia's 300+ community banks are now operating under some type of an agreement. This likely will continue to be a common occurrence as the industry works through its lingering economic and credit-quality issues. Based on the current level of our classified assets, Creekside will be covered by such an agreement in the near future. The positive news is that numerous banks that have signed such agreements have started to emerge in a stronger position than before.

To be sure, we have our work cut out for us through the rest of 2009 and into next year. However, well in advance of this agreement, we have been actively pursuing multiple initiatives to improve our financial health by reducing problem loans, boosting capital and liquidity, and controlling expenses.

The good news is that we are beginning to see some signs of life in the economy, with moderate 3rd quarter GDP growth and the recession having been officially declared over by Fed Chairman Bernanke. Importantly, the Bank has \$10.5 million in total capital and reserves, exceeding regulatory requirements, and we have doubled our core deposit base since the beginning of the year.

Our main challenge continues to be managing the fallout from the collapse of the real estate market, which has taken its toll on all of metro Atlanta, including Cherokee county and surrounding communities. Even the best customers in real estate-related industries are finding it tough to stay current on, or repay, their loans. In addition, the continued deterioration of land and property values is impacting loans collateralized by real estate.

We continue to work diligently to identify the problem loans in our portfolio and are working closely with borrowers to resolve these issues and lower our level of classified assets. At the same time, we have charged down certain loans to better reflect current market conditions. The degree of success in resolving these loans will hinge, in part, on how the economy responds in the next several months.

Fortunately, we have always followed a conservative, bread-and-butter approach to community banking and have never been involved in subprime lending. We have minimal risk exposure in the mortgage loan market. This has kept us from experiencing some of the problems that larger banks face.

As we work to improve our credit quality, we also are in the process of evaluating a variety of capital-raising initiatives. Our goal is to ensure that the bank continues to have adequate capital to cover potential problem loans and provide operating capacity through the economic downturn and into the recovery.

As we look toward the remainder of 2009 and into 2010, our focus will be on the execution of our strategic initiatives to keep Creekside Bank a safe and sound institution. Our confidence is high that we have the resources, people and plans in place to weather the recession and continue to meet the needs of our shareholders and customers for many years to come.

As always, we thank you for your support.



Larry D. Peterson
President & CEO

Bank News

- The bank has opted to extend its participation in the FDIC's Transaction Account Guarantee Program to at least June 30, 2010. Through the program, unlimited deposit insurance coverage is available for non-interest bearing transaction accounts at participating institutions. *(See the article on the back page of this newsletter for full details on FDIC deposit insurance coverage.)*
- The bank is now actively soliciting SBA loans, particularly 7 (A) loans.
- Beginning in 2010 the bank will offer mortgage origination and brokerage services.