Banks
U.S.A.
Credit Analysis

U.S. Century Bank

Ratings

	Current Rating
U.S. Century Bank	
Long-Term IDR	BB
Short-Term IDR	B
Individual	C
Support	5

Outlook

Stable

Financial Data

U.S. Century Bank

	12/31/07	12/31/06
Total Assets (USm)	1,314	1,094
Total Equity (USm)	178	163
Net Income (USm)	8.1	12.8
ROA (%)	0.74	1.39
ROE (%)	4.70	10.22
NPAs/Lns+OREO	1.05	0
Tier I RBC	13.94	18.19

Analysts

Julie Solar
+1 312 368-5472
julie.solar@fitchratings.com

Doriana Gamboa
+1 212 908-0865
doriana.gamboa@fitchratings.com

Rating Rationale

- U.S. Century Bank's (USCB) ratings reflect its consistent operating performance, strong capital levels, and historically sound asset quality. Conversely, limited revenue diversification, geographic concentration in the Florida market, and a higher risk loan mix are constraining factors.
- The company's primary business activity is real estate financing in the South Florida market, particularly construction lending. More recently, USCB began offering correspondent banking services, mainly to Latin American financial institutions.
- Performance to date has been solid. The bank benefited from opening during a robust construction period in South Florida and has a directorate with strong connections to local builders. Low credit costs have also supported results.
- Revenue diversity is limited and mainly driven by spread income. The bank has recently expanded its business lines and product offerings. Successful execution of these new initiatives may lead to a boost in fee revenue.
- USCB's loan mix is heavily weighted toward construction and land development. To date, the loan portfolio exhibits sound asset quality evident by the lack of any sizeable net charge-offs. Reserve levels are considered adequate in light of the present loan mix and historically low loss experience. That said, Fitch believes credit quality may be impacted by the health of the Florida real estate market and the volatility in the mortgage industry. Fitch also recognizes that USCB is exposed, albeit very modestly, to sovereign risk in Latin America through its new correspondent banking business. This business line might also necessitate greater capital investments in the bank's Bank Secrecy Act compliance function.
- USCB's current capital levels are considered solid and supported by numerous equity issuances and good earnings generation over the last several years. Presently, there is no holding company structure.
- The bank's deposit mix contains a high percentage of large time deposits; however, a meaningful portion of these jumbo CDs are from shareholders, suggesting less volatility in this funding source.

Support

Fitch believes that it would be unlikely that regulatory authorities would support USCB in a financial crisis.

Key Rating Drivers

- The Rating Outlook is Stable. The key rating drivers are the company's solid asset quality and strong capital ratios. Fitch expects profitability measures to decline, but will remain within expectations for its rating category.

Profile

USCB is a Miami-based community bank that opened in October 2002 with $22m in capital. The bank has experienced significant growth to date, and operates 18 branches within Miami-Dade and Broward Counties.

- USCB is a Miami-based bank that has experienced significant growth since opening in 2002.

Profile

USCB is a locally owned and operated commercial bank focused on serving South Florida's small and medium-sized businesses. The bank opened in October 2002 with a significant capital raise, totally $22m. Since that date, the bank has experienced significant growth, far exceeding averages for other Florida-based de novos that opened during a similar time frame. The bank benefited from opening during a robust construction period in South Florida and has a directorate with strong connections to local builders.

The Board of Directors includes ten individuals, who are local successful, businessman with strong ties to the local community. Four of the ten individuals on the Board were organizers and directors of Ready State Bank, which was a bank that started in 1983 and ultimately sold to a large regional bank. Fitch views the experience gained through previously serving as Directors of another locally run bank as a strength of the Board.

Senior management is comprised of banking executives that hail from other locally-based community banks. Leading the management team, Octavio Hernandez serves as CEO and President, and came to USCB from Coral Gables-based First Bank of Miami, where he served in a similar capacity. Hernandez has been with the bank since its opening in 2002, while other key members of senior management have been added since then. Fitch notes the solid banking experience of the management team, but acknowledges that this is the first time, as a team, they have been tested collectively by a pressured real estate market.

USCB started a Global Banking Division in September 2007. This division offers international banking services including correspondent banking, trade finance, wire transfers, global payment services, and private services. This division will be led by Oscar Gomez, a 25 year veteran in international banking, who previously served as Executive Vice President of correspondent banking with Regions Bank in Miami.

The bank offers traditional banking products and services, including checking and savings accounts, certificates of deposits, and loans. The bank's lending activities include consumer, commercial and commercial real estate loans, with a particular emphasis in construction and land development lending. The bank does not currently offer trust or fiduciary services.

USCB currently has 17 offices in Miami-Dade County and 1 office in Broward County. USCB is owned by approximately 450 shareholders and regulated by the FDIC. The bank is a stand-alone banking institution without a holding company and does not have any subsidiaries.

- Financial performance has been solid to date, but expected to trend downward in the future.
- The bank lacks revenue diversity as income is mainly spread driven.
- The low ROE metric is reflective of the high level of capital.

Performance

Despite weaker performance in 2007, USCB performance since its opening in 2002 has been solid. The bank was able to achieve profitability just three months after it opened. The bank benefited from opening during a heavy construction period in South Florida and having a directorate with strong connections to local builders.

USCB reported $8.1m in net income for the twelve months ending December 31, 2007, which is 37% lower than last year. The weaker performance is mainly driven by significantly higher levels of noninterest expense for the year. Planned investments in the bank's branch network, new business lines, and expanded product offerings all contributed to the increased overhead. Further, the bank's new headquarters represent a meaningfully expense that somewhat mitigated the bank's solid spread income growth and controlled credit costs.

Net interest income was up 15% for the year due to strong earning asset growth, despite 8bps compression in the margin. USCB is highly reliant on spread income, which represents over 92% of revenues. However, the bank benefits from a strong margin which continues to perform well relative to other Fitch rated Florida banks.

Profitability
(%)

	2007	2006	2005	2004	2003
Net Income ($000s)	8,064	12,787	6,659	2,519	1,054
ROAA	0.74	1.39	1.14	0.87	0.91
ROAE	4.70	10.22	7.14	3.15	2.63
NIM	4.33	4.41	4.43	3.88	3.46
Efficiency	65.66	43.95	42.94	46.17	55.36

Source: December 31, 2007 Uniform Bank Performance Report.

Deposit service charges comprise the bulk of USCB's noninterest income, with letter of credit, residential mortgage, and wire transfer fees constituting the rest of the key fee income categories. While not a meaningful contributor to overall earnings, noninterest income continues to demonstrate a favorable trend, and was up $443,000 or 13% for the year.

On the expense side, higher salary and occupancy expenses were the main drivers behind the $13m increase in noninterest expenses for the year. Given USCB's strategic focus on expanding its branch network and growing several newer business lines, Fitch expects that USCB's profitability will be impacted in the future due to higher levels of noninterest expense.

Given the recent downturn in the housing market and the weakened Florida real estate market, Fitch believes earnings will decline from historical levels. In addition, USCB's spread income is exposed to a falling rate environment with nearly 60% of loans floating immediately with prime. USCB's limited ability to decrease the cost of deposits as quickly as loan reset could pressure spread income. Nonetheless, Fitch expects USCB's performance to remain within expectations for its rating category based on its strong margin and ability to grow earning assets.

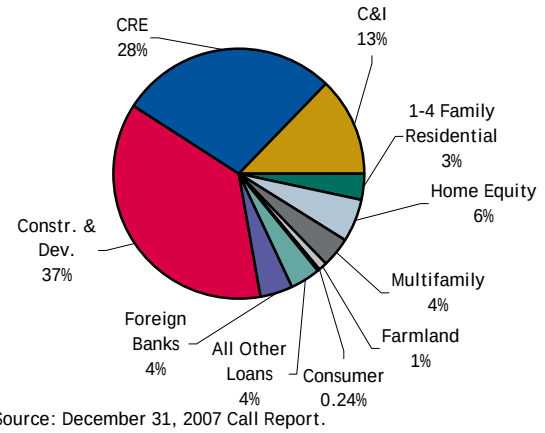
- The bank's primary risks are credit and interest rate risk.
- The loan portfolio exhibits historically sound asset quality.
- USCB's higher risk loan mix is due to concentration in construction and development lending.
- The bank is exposed to elevated levels of market risk.

Risk

Credit Risk

USCB's loan mix is heavily weighted toward construction and land development and thus exposes the bank to significant risk in a deteriorating real estate environment. Construction, land development loans and CRE loans represent over 350% of Tier I capital and the reserves. A higher risk subset of this category includes residential land development and construction loans, at over 100% of Tier 1 capital and the reserves. Fitch expects to monitor this portfolio closely as it appears to be under considerable stress in the Florida market.

Loan Portfolio
(As of December 31, 2007)



Source: December 31, 2007 Call Report.

The bank's loan portfolio is also considered higher risk given the larger size of the individual credits. The less granular portfolio exposes the bank to volatility in asset quality performance and elevates the company's risk profile in light of a worsening credit environment. Fitch also recognizes that USCB is exposed, albeit very modestly, to sovereign risk in Latin America

through its new correspondent banking business. The development of this business bears close monitoring as it introduces new credit and operational risks.

The bank's credit risk management function appears appropriate given reasonable loan authorities, good loan review coverage, and sound risk management techniques, including stress testing. The loan loss reserve methodology is considered sound. USCB bases its historical loss rates on the four year average of a select group of Florida-based peers. These loss rates are then adjusted for historical trends, current market conditions, and loan concentration factors. The methodology also incorporates reserves for impaired credits and includes additional adjustment factors based on loan exceptions.

Asset quality has been very strong over the past five years, with essentially no loan losses. Recently, two large loans to the same borrower (each for $5.7m) went on nonaccrual. Although management anticipates no loss on these two loans, Fitch expects these credits will be difficult to resolve in the near-future given various real estate market pressures. The two nonaccrual credits totaled $11.4m, or 1.05% of loans and OREO, at December 31, 2007. Previously, the bank had no nonaccrual loans during its first five years of existence.

Asset Quality
(%)

	2007	2006	2005	2004	2003	2002
NPAs/Loans + OREO	1.05	0	0	0	0	0
NCOs/Avg. Loans	0	0	0	0	0	0
Reserves/Loans	1.34	1.53	1.37	1.49	1.60	5.61
30-89 days PD	0.18	0.03	0	0	0	0

Source: December 31, 2007 Uniform Bank Performance Report.

Reserve coverage at 1.34% is considered solid, and the bank has reported only nominal losses to date. Fitch anticipates USCB will find it more difficult to maintain its history of nominal charge-offs given expectations of a challenging environment in 2008. Given the bank's higher risk loan mix, as well as the less granular make-up of the loan portfolio, Fitch plans to pay close attention to the company's asset quality.

Market Risk

The Board of Directors has established limits and monitoring systems for interest rate risk, the primary market risk exposure for USCB. Day-to-day responsibility for managing this area has been assigned to the Asset/Liability and Investment Committee, comprised of senior executives.

ALCO uses simulation models to assess the effect of rate changes on net interest income. The Board limits any adverse effect on net interest income to 20%. The exposure as of September 30, 2007 was elevated, equaling -12.99% of net interest income under the falling rate scenario (-200 bps) in the first year, and 14.26% for the first year under the rising rate case (+200 bps). This level of market risk is attributed to an unfavorable funding mix and a high level of Prime-based loans that reprice downward immediately.

Capital/Liquidity

- Solid capital capital levels support the business mix.
- The deposit mix includes a large amount of Jumbo time deposits.

Capital

USCB currently operates with high capital ratios due to sizeable capital issuances throughout the last five years, the lack of any common dividends to date, and solid earnings generation. USCB opened with $22m in capital and has raised an additional $124m since then through additional offerings in late 2002, 2003, 2004, and 2006. USCB has not paid any dividends to date. The only reduction in capital ratios is due to strong asset growth. While total assets at December 31, 2002 were $80m; USCB's total assets climbed to $1.3bn just 4 years later.

Capital
(%)

	12/31/2007	12/31/06	12/31/05	12/31/04	12/31/03
Tier 1 Leverage	14.71	16.96	12.68	25.12	40.66
Tier 1 Risk-Based	13.94	18.19	14.19	25.60	43.59
Total Risk-Based	15.08	19.43	15.41	26.75	44.62

Source: December 31, 2007 Uniform Bank Performance Report.

The capital structure does not contain any trust preferred securities nor subordinated debt. USCB is in compliance with internal capital targets, and the bank's capital levels exceed well-capitalized guidelines. Fitch expects capital ratios will continue to decline due to continued asset growth and the introduction of common dividend payments, but remain within expectations for its rating category.

Funding

With loans to deposits at 110% as of December 31, 2007, USCB's liquidity profile is a bit tighter than twelve months ago. Loan growth over the last twelve months has been funded with deposit growth (mainly in the CD category). The bank's deposit mix contains a high percentage of large time deposits; however, management estimated that 30% of the jumbo CDs are from shareholders, which suggests less volatility in this funding source.

Funding Profile

	2007		2006	
	$	%	$	%
Demand	81,573	7.2	117,293	12.6
Interest DDA	82,036	7.2	31,880	3.4
Money Market	29,440	2.6	30,023	3.2
Other Savings	189,181	16.7	222,179	23.9
CDs < $100,000	148,926	13.2	56,555	6.1
Core Deposits	**531,156**	**46.9**	**457,930**	**49.3**
Jumbo CDs	410,786	36.3	327,230	35.2
Foreign Deposits	38,482	3.4	0	0.0
Customer Repos	82,494	7.3	27,645	3.0
FHLB Borrowings	68,789	6.1	116,020	12.5
Total Liability Funding	**1,131,707**	**100.0**	**928,825**	**100.0**

Source: December 31, 2007 Call Report.

The bank also has access to $95m in unsecured Fed funds lines, $75m in secured repo lines, and $345m in FHLB availability. USCB recently started a brokered CD program, and from mid-May 2007 through early November, had raised $72m.

The bank's securities portfolio totaled $94m at December 31, 2007, or approximately 7% of total assets. The entire portfolio is designated as available-for-sale and is mainly comprised of U.S. Treasury and agency debt. Mitigating the liquidity of the portfolio is that 97% of the portfolio is pledged.

U.S. Century Bank

Fiscal Year Ending:	06/07Q	03/07Q	12/06Q	09/06Q	2006	2005
$ in Millions						
INCOME STATEMENT						
Interest Income	20	19	18	17	67	35
Interest Expense	9	8	8	7	28	10
Net Interest Income	11	11	11	10	39	25
Loan Loss Provision	1	0	1	1	3	4
Net Interest Income after Provision	10	11	10	10	36	21
Non-Interest Income	(11)	(10)	(10)	(10)	3	2
Non-Interest Expense	-4	-4	-5	-6	19	11
Pre-Tax Profit	3	5	5	6	21	11
Taxes	1	2	2	2	8	4
Extraordinary Items	0	0	0	0	0	0
Net Profit	2	3	3	3	13	7
BALANCE SHEET - Period End						
Assets						
Cash & Equivalents	156	205	239	284	239	117
Trading Securities	0	0	0	0	0	0
Investment Securities	102	103	100	104	100	107
Loans	860	781	732	682	732	614
Less: Reserves	12	11	11	11	11	8
Total Intangibles	0	0	0	0	0	0
Other Assets	43	41	37	36	37	19
Total Assets	1148	1119	1098	1096	1098	850
Liabilities and Capital						
Deposits	855	798	785	742	785	624
Total Borrowings	118	148	144	192	144	128
Other Liabilities	4	2	5	6	5	1
NA	NA	NA	NA	NA	NA	NA
Total Liabilities	977	949	934	940	934	752
Preferred Stock	0	0	0	0	0	0
Stockholders Equity, Common	172	170	164	156	164	97
Total Equity	172	170	164	156	164	97
ASSET QUALITY						
Net Charge-Offs	0	0	0	0	0	0
Net Charge-Offs/Loans	0	0	0	0	0	0
Total Non-Performing Assets	0	0	0	0	0	0
NPAs/Loans + OREO	0	0	0	0	0	0
Loan Loss Reserves/Loans	1.44	1.43	1.53	1.57	1.53	1.37
Loans Loss Reserve/NPLs	NA	NA	NA	NA	NA	NA
NPAs/Equity & Reserves	0	0	0	0	0	0
CAPITAL ADEQUACY						
Equity/Assets	14.94	15.2	14.91	14.25	14.91	11.46
Equity/Loans	19.94	21.78	22.35	22.9	22.35	15.85
Tier I Capital/Risk Adjusted Assets	16.03	17.93	18.15	18.98	18.15	14.19
Total Capital/Risk Adjusted Assets	17.18	19.1	19.38	20.23	19.38	15.41
Leverage Ratio	16.59	17.14	16.98	17.21	16.98	12.68
PROFITABILITY						
Return on Assets	0.73	1.29	1.41	1.53	1.43	1.14
Return on Common Equity	4.47	7.7	8.55	9.82	10.22	7.14
Net Interest Margin	4.58	4.49	4.56	4.87	4.45	4.45
Efficiency Ratio	59.65	55.77	43.95	42.31	44.21	42.96
Reported Tax Rate	41.6	36.72	35.53	37.61	37.09	38.35
LIQUIDITY						
Loans/Assets	74.93	69.78	66.73	62.24	66.73	72.27
Loans/Deposits	100.66	97.81	93.28	91.88	93.28	98.43
Borrowings/Assets	10.28	13.26	13.09	17.47	13.09	15

Copyright © 2008 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004.
Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. All of the information contained herein is based on information obtained from issuers, other obligors, underwriters, and other sources which Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of any such information. As a result, the information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed, suspended, or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from USD1,000 to USD750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from USD10,000 to USD1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.