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Silver Falls Bank closed, Citizens Bank to acquire deposits

Customers can expect business as usual

(Salem) — The Oregon Department of Consumer and Business Services today ordered the closure of Silver Falls Bank and announced the acquisition of its deposits by Citizens Bank. The department appointed the Federal Deposit Insurance Corporation (“FDIC”) as receiver of Silver Falls Bank.

Silver Falls Bank’s main office is in Silverton, and it has branch offices in Salem and Oregon City. All deposit accounts of Silver Falls Bank are being transferred to Citizens Bank, and will be available immediately. On Monday, Silver Falls Bank branches will reopen as Citizens Bank. In the meantime, depositors of Silver Falls Bank can continue to access their accounts through automated teller machine transactions, checks, and debit transactions. Loan customers should make their payments as usual.

“Loss of a bank is difficult, particularly for the employees and the communities they serve, but sometimes it’s a necessary step to protect the public,” said Cory Streisinger, director of the department. “We are pleased that Citizens Bank of Corvallis is buying Silver Falls’ deposits, to ensure that customers see no disruption in service.”

Silver Falls Bank was founded in 2000. As of Feb. 9, 2009, Silver Falls Bank had total assets of approximately \$131.4 million and total deposits of \$116.3 million. Based in Corvallis, Citizens Bank opened its doors in 1957. Citizens Bank has 11 branches in the mid Willamette Valley, \$380 million in assets, and \$293 million in deposits.

Under the terms of the transaction with Citizens Bank, all deposits will be transferred to Citizens Bank. There will be no losses for any Silver Falls Bank depositors.

David Tatman, administrator of the Department’s Division of Finance & Corporate Securities, said Silver Falls Bank had been experiencing critically low levels of capital, and ultimately, became insolvent. The bank’s problems resulted primarily from a heavy dependence on commercial construction loans, many of which were of poorer quality and were not performing or being repaid when the economy deteriorated.

“Despite many efforts, such as a recent stock offering, Silver Falls Bank management was not able to address these significant problems in a timely manner,” Tatman said.

Silver Falls initiated a stock offering last month in an attempt to raise capital. Funds from the recent stock offering – totaling \$525,000 – were held in an escrow account and are being returned to those investors.

The downturn in the economy, particularly the housing market, has had a significant impact on banks across the nation. During the housing boom, many banks focused on real estate loans that funded construction and development of residential properties. When the real estate market dropped, these banks were faced with an increasing number of nonperforming loans, which has reduced capital and earnings. Oregon banks had been

experiencing significant growth leading up to the recession, and, while the majority of Oregon banks still have strong fundamentals, many of them are facing challenges.

This is the second Oregon bank to close this year and the 14th bank in the nation to close this year. Last week, Pinnacle Bank in Beaverton closed and Washington Trust Bank of Spokane, Wash., purchased its assets. The timing of these two bank closures is coincidental, Streisinger said, and no other Oregon banks are in immediate danger of closing.

“We are confident Oregon’s banking industry will emerge from this downturn and continue to support their communities,” Streisinger said. “However, there still may be some additional consolidation as banks find ways to adjust to these rapidly changing economic times.”

The FDIC has established a Web site and a toll-free phone number to answer questions from depositors, creditors, and other interested parties regarding the receivership of Silver Falls Bank. The Web site is <http://www.fdic.gov/bank/individual/failed/silverfalls.html>, and the toll-free phone number is 1-800-760-3639. The phone number will be operational this evening until 9 p.m., PST; on Saturday from 9 a.m. to 6 p.m., PST; on Sunday from noon to 6 p.m., PST; and thereafter from 8 a.m. to 8 p.m., PST.

Deposits of all banks are now insured by the FDIC up to \$250,000. Special rules are in place for accounts held in trust status, joint accounts, and non-interest bearing transaction accounts that may further expand deposit insurance coverage. You can find additional information on FDIC Deposit Insurance and other protections for your financial accounts at http://egov.oregon.gov/DCBS/safe_money.shtml.

The Department of Consumer and Business Services is Oregon’s largest business regulatory and consumer protection agency. The department’s Division of Finance and Corporate Securities regulates Oregon financial institutions. For more information on Oregon banks as well as frequently asked questions about today’s transaction, visit www.dfcs.oregon.gov.

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