

February 20, 2009

Mr. Neil M. Barofsky  
Special Inspector General  
Troubled Asset Relief Program  
1500 Pennsylvania Ave, NW Ste 1064  
Washington, DC 20220

Dean Mr. Barofsky:

In response to your letter of February 6, we provide the following information:

1. Anticipated uses of TARP funds:

**b(4), b(8)**

- b. TARP funds were not segregated from other funds at Superior, and we are not aware of any requirement to do so at the time the funds were disbursed.
- c. We received \$69 million of TARP funds during fourth quarter, 2008, which raised our Bank's Risk-Based capital Ratio to 12.15% at quarter-end. Had the TARP funding not been approved, we would had to either freeze lending activity at third quarter-end, or have undertaken an extremely expensively marginal capital financing to support loan growth in the fourth quarter. As we were reasonably confident of TARP approval, we elected to proceed with continuing our lending activity, with the marginal capital raise as our "fall-back" position should TARP funding have been delayed.

But, the ultimate conclusion is that had TARP not been in process, we would have frozen lending at September 30, 2008 levels as the cost of falling below Well Capitalized would have been too expensive, and the marginal cost of the alternative capital financing discussed above made it at best a "fall-back" position.

Loans grew \$96 million in the fourth quarter, 2008, so in summary, \$69 million in TARP enabled Superior to grow its loans by \$96 million in that quarter alone.

Our press release on fourth quarter, 2008 earnings addressed our use of the TARP funds and loan growth achieved in 2008. It is attached should you wish to review how we have consistently communicated our position on supporting the economy.

- d. Viewed through the activity of the fourth quarter, 2008, there are no “unspent TARP funds.” As we have lent out more than we have received from TARP, we believe we have complied with the spirit and the intent of the legislation.

(b) (4)

(b) (4)

2. Our specific plans and the status of implementation of those plans for addressing executive compensation requirements associated with the funding:

Prior to our receipt of the TARP funds, each of our senior executive officers entered into an agreement with the company in which he acknowledged and agreed that, during the period the Treasury Department holds an equity or debt position in the company acquired under the TARP program, (a) the company will not pay any “golden parachute payment” (as defined in section 111(b)(2)(C) of EESA) to him, (b) his bonus and incentive compensation payments will be subject to recovery by the company if the payments are based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, and (c) all compensation, bonus, incentive and other benefit plans, arrangements and agreements with respect to him are amended to the extent necessary to give effect to the prohibition on golden parachute payments and the clawback provision described above.

The Compensation Committee of our Board of Directors met with the company’s chief risk officer and discussed the short-term and long-term risks to the company and whether the provisions of the company’s incentive plans encouraged our senior executive officers to take unnecessary or excessive risks. The chief risk officer noted that the incentive plan in which the senior executive officers participate bases awards not only on goals relating to net earnings and growth in loans and deposits, but also on maintaining an acceptable level of non-performing assets and net loan charge-offs as well as maintaining satisfactory regulatory ratings with respect to compliance and safety and soundness of the institution. The Compensation Committee concluded that the incentive plan goals do not encourage the senior executive officers to take unnecessary or excessive risks. The Compensation Committee will meet with the chief risk officer at least annually on this and related matters.

We have also put in place procedures to ensure that the company does not claim a federal income tax deduction for compensation paid to senior executive officers in excess of \$500,000. We anticipate that this limitation will have no significant impact on the company at this time.

The undersigned duly authorized senior executive officer of Superior Bancorp hereby certifies, subject to the penalties set forth in 18 U.S.C. section 1001, that the information provided in this letter and in its supporting documentation is accurate in all material respects.

Sincerely,



James A. White



**SUPERIOR BANCORP  
ANNOUNCES PRELIMINARY FOURTH QUARTER 2008 RESULTS**

- **The results set forth herein are preliminary because they do not include the effect of a potential non-cash goodwill impairment charge**
- **Preliminary fourth quarter 2008 net income per share: \$0.08**
- **Assets up 11%: \$3.2 billion vs. \$2.9 billion**
- **Loans up 15%: \$2.3 billion vs. \$2.0 billion**
- **Deposits up 6%: \$2.3 billion vs. \$2.2 billion**
- **“Well-Capitalized” bank with 12.15% total risk-based capital**

**Birmingham, Alabama, February 2, 2009:** Superior Bancorp (NASDAQ: SUPR) announced today its preliminary fourth quarter 2008 results. A summary of its preliminary results is provided below and in the attached preliminary selected financial data.

<i>Dollars in thousands, except per share data</i>	<b>As of and for the Quarters Ended</b>	
	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Total assets .....	\$ 3,212,037	\$ 2,885,425
Total loans, net of unearned income .....	2,314,921	2,017,011
Total deposits .....	2,342,988	2,200,611
Preliminary stockholders' equity (1) .....	410,559	350,042
Net interest income .....	21,780	19,710
Preliminary net income (1) .....	1,140	1,904
Preliminary net income per common share (1)(2)(3) .....	0.08	0.19
Total branches .....	77	72

(1) - Does not include a potential non-cash goodwill impairment charge.  
(2) - Retroactively restated to reflect 1-for-4 reverse stock split effective April 28, 2008.  
(3) - Includes effect of \$311,000 preferred dividend.

CEO Stan Bailey stated, “While many banks are struggling in the current adverse economy, we are pleased to report even a modest level of operating profitability, growth of our customer base and effective management of our credit quality in these trying times. More importantly, we were able to continue to support our customers’ needs by growing our loan portfolio approximately 15% during calendar 2008, and by 4% during the last quarter of the past year, even though most of our competitors were shrinking their businesses. We are following a disciplined approach in this strategy, working to attract to Superior Bank those creditworthy businesses and individuals who have grown frustrated with the dislocations caused by the

merger activity and poor service among the major players in our markets. Ultimately, Superior is positioned as a survivor in this environment.”

## **Capital Management**

Entering the fourth quarter 2008 as a “well capitalized” bank, Superior took the opportunity to raise additional capital through a \$10 million privately-placed debt offering in late September and the receipt of \$69 million of preferred capital from the U. S. Treasury Troubled Asset Relief Program (“TARP”) in December. These efforts provided the additional capital to continue substantial customer and balance sheet growth well into the future. As of December 31, 2008, Superior Bancorp’s tangible equity ratio was 7.5% and Superior Bank remained “well-capitalized” with a 12.15% total risk-based capital ratio.

## **Credit Quality Management**

Non-performing assets (NPA, including non-accrual loans, loans past due 90 days and accruing, and foreclosed assets) were relatively stable for the quarter, declining to \$85.7 million, or 3.67% of loans and other real estate owned at December 31, 2008, from \$86.3 million, or 3.85% at September 30, 2008. Of these NPAs, \$40.6 million are in Alabama and \$45.1 million are in Florida.

Loans in the 30-89 days past due (DPD) category increased modestly to 1.03% of total loans at December 31, 2008 from 0.86% of total loans at September 30, 2008. Past-due loans that were 90 DPD and still accruing decreased during the fourth quarter, moving to 0.35% at December 31, 2008 from 0.37% as of September 30, 2008. Loans in this category are included in NPAs.

Net loan charge-offs decreased to 0.32% as a percentage of average loans during the fourth quarter of 2008, compared to 0.34% during the third quarter of 2008. Of the \$1.8 million net charge-offs in the fourth quarter of 2008, Superior Bank’s charge-offs were \$1.3 million, or 0.23% of consolidated average loans, and our two Consumer Finance companies charge-offs were \$480,000, or 0.09% of consolidated average loans.

The provision for loan losses was \$3.0 million in the fourth quarter of 2008, maintaining the allowance for loan losses at 1.25% of net loans, or \$28.9 million, at December 31, 2008, compared to 1.25% of net loans, or \$27.7 million at September 30, 2008.

### **Potential Goodwill Impairment**

Superior is in the process of completing its required annual impairment analysis of the \$163 million of goodwill intangible assets created by three acquisitions since 2006. The analysis of the Alabama reporting segment goodwill totaling \$66 million and the Florida reporting segment goodwill totaling \$97 million are currently being analyzed for a potential non-cash impairment charge that could affect the fourth quarter 2008 results. This potential non-cash impairment charge would have no effect on tangible equity, regulatory capital or cash.

### **Preliminary Fourth Quarter 2008 Results (excluding effects of a potential non-cash goodwill impairment charge)**

Preliminary net income for the fourth quarter of 2008 was \$ 1.1 million, or \$0.08 per share, compared to \$1.9 million, or \$0.19 per share, for the fourth quarter of 2007. The fourth quarter 2008 earnings results are preliminary because they do not include a potential non-cash charge for our goodwill intangible assets. The specific amount of the potential impairment charge will be determined in the near future, and, regardless of the amount, it would have no effect on our tangible equity, regulatory capital or cash.

Net interest income increased 11% to \$21.8 million during the fourth quarter of 2008 from \$19.7 million in the fourth quarter of 2007. The tax-adjusted net interest margin for the fourth quarter of 2008 was 3.29% compared to 3.20% for the fourth quarter of 2007 and 3.33% for the third quarter of 2008. Lower market deposit pricing and the resumption of market risk-based loan pricing contributed to the relatively stable margin.

Superior's core non-interest income increased to \$5.3 million in the fourth quarter of 2008 from \$4.6 million in the fourth quarter of 2007, a 15% increase. Deposit service charges were up approximately 18%, due to recent pricing changes and account growth.

Superior's core non-interest expense increased to \$23.9 million in the fourth quarter of 2008 from \$20.1 million in the fourth quarter of 2007, a 19% increase, largely due to the full impact of Superior's new branch program, which contributed to increases in personnel, occupancy cost, and equipment expense. An additional large increase was recorded in

insurance expense (\$0.4 million, or 64%) as the full impact of FDIC premium expense was realized as previous premium rebates were exhausted. Superior's branching program has made a significant contribution to the growth in Superior's deposit funding. To date, new branches have added approximately \$310 million in core deposits to Superior's funding, enabling us to fund loan growth through local sources rather than borrowings, giving Superior's balance sheet a much stronger foundation.

### **Preliminary Full Year 2008 Results (excluding effects of potential non-cash goodwill impairment charge)**

Superior recorded a preliminary net loss of \$3.8 million, or \$0.41 per share in 2008, compared to a profit of \$7.6 million, or \$0.82 per share in 2007. Superior's preliminary net loss for the year includes a \$5.3 million, net of tax, non-cash other-than-temporary impairment ("OTTI") charge on preferred securities issued by Fannie Mae and Freddie Mac and on three private-label, mortgage-backed securities that experienced significant rating downgrades.

Net interest income increased 11% to \$83.3 million during 2008 from \$75.2 million during 2007. The tax-adjusted net interest margin was 3.27% for the year 2008 compared to 3.37% in during 2007.

Superior's core non-interest income increased to \$21.1 million in 2008 from \$17.6 million in 2007, a 20% increase. Deposit service charges were up approximately 18%, due to recent pricing changes and account growth.

Superior's core non-interest expense increased to \$90.1 million in 2008 from \$74.1 million in 2007, a 22% increase, due largely to the full impact of the new branch program, which contributed to increases in personnel, occupancy cost, and equipment expense. Personnel expense was up \$7.4 million or 17.4%; occupancy cost and equipment expense was up \$3.8 million, or 28.4%; and insurance was up \$1.3 million, or 59.3%.

### **Balance Sheet Growth**

Superior Bancorp's total deposits at December 31, 2008 were \$2.34 billion, up from \$2.20 billion at December 31, 2007. Loans increased to \$2.3 billion at December 31, 2008, an increase of 15% from December 31, 2007. Deposit and loan growth occurred across all of Superior's Alabama and Florida markets. Customer dislocations associated with recent merger activities among Superior's major competitors also contributed to the deposit performance.

## **Outlook**

The current economic environment is as difficult as we have ever seen. We're clearly in a protracted recession that is proving to be of historic proportions. The national efforts at economic stimulus are encouraging, but whether they will be effective remains to be seen. But it is certain that even if they are effective, it will take time for them impact the market. In the near-term the unemployment rate will likely rise as the prospects for downsizings and business failures continues to look gloomy. However, we believe in the underlying fabric of the American economic model, and in the ability of the U. S. economy to meet and to adjust to challenges. At Superior, we are doing our part by focusing on those things that we can control – maintaining credit quality, developing business with creditworthy customers interested in having a banking relationship with a bank “in it for the long-term,” and being opportunistic about our chances to build long-term shareholder value.

“Our 2009 plans call for Superior to continue prudent growth while focusing on attracting those customers able to bring their total relationships to our bank – both deposits and loans. We see our role in our local economies as crucial to restoration of their growth. Only by our maintaining a healthy attitude toward new business opportunities can we be in the position to help our customers and our communities recover and grow. We ask that you join us in this mission by bringing us your business and seeing what an experienced team of locally focused bankers committed to local economic growth can do for you,” Bailey concluded.

### **About Superior Bancorp**

Superior Bancorp is a \$3.2 billion thrift holding company headquartered in Birmingham, Alabama. The principal subsidiary of Superior Bancorp is Superior Bank, a Southeastern community bank and the third largest U S banking institution headquartered in Alabama. Superior Bank currently has 77 branches, with 45 locations throughout the state of Alabama and 32 locations in Florida. Superior Bank also operates 24 consumer finance offices in North Alabama as 1st Community Credit and Superior Financial Services.

This press release contains financial information determined by methods other than in accordance with U.S. generally accepted accounting principles (“GAAP”). Superior’s management uses these “non-GAAP” measures in its analysis of Superior’s performance. Non-GAAP measures typically adjust GAAP performance measures to exclude the effects of charges, expenses and gains related to the consummation of mergers and acquisitions, and costs related to the integration of merged entities. These non-GAAP measures may also exclude other significant gains, losses or expenses that are unusual in nature and not expected to recur. Since these items and their impact on Superior’s performance are difficult to predict, management believes presentations of financial measures excluding the impact of these items provide useful supplemental information that is important for a proper understanding of the operating results of Superior’s core business. These disclosures should not be viewed

**Superior Bancorp and Subsidiaries**  
**Preliminary Condensed Consolidated Statements of Financial Condition**  
(Dollars In Thousands)

**All Results are Preliminary Subject to Finalization of Goodwill Impairment Analysis**

	December 31,	
	2008 (Unaudited)	2007
<b>Assets</b>		
Cash and due from banks	\$ 74,237	\$ 52,983
Interest-bearing deposits in other banks	10,042	6,916
Federal funds sold	5,169	3,452
Investment securities available for sale	347,142	361,171
Tax lien certificates	23,786	15,615
Mortgage loans held for sale	22,040	33,408
Loans, net of unearned income	2,314,921	2,017,011
Less: Allowance for loan losses	(28,850)	(22,868)
Net loans	2,286,071	1,994,143
Premises and equipment, net	104,085	104,799
Accrued interest receivable	14,794	16,512
Stock in FHLB	21,410	14,945
Cash surrender value of life insurance	48,291	45,277
Goodwill and other intangibles	183,442	187,520
Other assets	71,528	48,684
<b>Total assets</b>	<b>\$ 3,212,037</b>	<b>\$ 2,885,425</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Deposits</b>		
Noninterest-bearing	\$ 212,732	\$ 207,602
Interest-bearing	2,130,256	1,993,009
<b>Total deposits</b>	2,342,988	2,200,611
Advances from FHLB	361,324	222,828
Federal funds borrowed and security repurchase agreements	3,563	17,075
Note payable	7,000	9,500
Subordinated debentures	60,884	53,744
Accrued expenses and other liabilities	25,719	31,625
<b>Total liabilities</b>	2,801,478	2,535,383
<b>Stockholders' Equity</b>		
Preferred stock, par value \$.001 per share; authorized 5,000,000 shares:		
Series A, fixed rate cumulative perpetual preferred stock, 69,000 shares issued and outstanding at December 31, 2008	-	-
Common stock, par value \$.001 per share; authorized 15,000,000 shares; shares issued 10,403,087 and 10,380,658 respectively; outstanding 10,074,999 and 10,027,079, respectively	10	10
Surplus - preferred	62,978	-
- common	329,461	329,232
- warrants	8,646	-
Retained earnings	29,416	33,557
Accumulated other comprehensive (loss) gain	(7,925)	174
Treasury stock, at cost	(11,373)	(12,309)
Unearned ESOP stock	(443)	(622)
Unearned restricted stock	(211)	-
<b>Total stockholders' equity</b>	410,559	350,042
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,212,037</b>	<b>\$ 2,885,425</b>



as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that are presented by other companies.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. *In addition to what follows, it should be noted that the results herein are preliminary because they do not include a potential non-cash goodwill impairment charge.* Some of the disclosures in this release, including any statements preceded by, followed by or which include the words “preliminary,” “may,” “could,” “should,” “will,” “would,” “hope,” “might,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “assume” or similar expressions constitute forward-looking statements. These forward-looking statements, implicitly and explicitly, include the assumptions underlying the statements and other information with respect to our beliefs, plans, objectives, goals, expectations, anticipations, estimates, intentions, financial condition, results of operations, future performance and business, including our expectations and estimates with respect to our revenues, expenses, earnings, return on equity, return on assets, efficiency ratio, asset quality, the adequacy of our allowance for loan losses and other financial data and capital and performance ratios. Although we believe that the expectations reflected in our forward-looking statements are reasonable, these statements involve risks and uncertainties which are subject to change based on various important factors (some of which are beyond our control). Such forward looking statements should, therefore, be considered in light of various important factors set forth from time to time in our reports and registration statements filed with the SEC. The following factors, among others, could cause our financial performance to differ materially from our goals, plans, objectives, intentions, expectations and other forward-looking statements: (1) the strength of the United States economy in general and the strength of the regional and local economies in which we conduct operations; (2) the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; (3) inflation, interest rate, market and monetary fluctuations; (4) our ability to successfully integrate the assets, liabilities, customers, systems and management we acquire or merge into our operations; (5) our timely development of new products and services in a changing environment, including the features, pricing and quality compared to the products and services of our competitors; (6) the willingness of users to substitute competitors’ products and services for our products and services; (7) the impact of changes in financial services policies, laws and regulations, including laws, regulations and policies concerning taxes, banking, securities and insurance, and the application thereof by regulatory bodies; (8) our ability to resolve any legal proceeding on acceptable terms and its effect on our financial condition or results of operations; (9) technological changes; (10) changes in consumer spending and savings habits; (11) the effect of natural disasters, such as hurricanes, in our geographic markets; (12) regulatory, legal or judicial proceedings; (13) the continuing instability in the domestic and international capital markets; (14) the effects of new and proposed laws relating to financial institutions and credit transactions; and (15) the effects of policy initiatives that have been and may continue to be introduced by the new Presidential administration and related regulatory actions.

Superior Bancorp disclaims any intent or obligation to update forward-looking statements.

More information on Superior Bancorp and its subsidiaries may be obtained over the Internet, <http://www.superiorbank.com>, or by calling 1-877-326-BANK (2265).

#### **COMPANY CONTACT:**

Jim White, Chief Financial Officer, (205) 327-3656