

# SR003\_7: Failed Bank Report

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## Teambank, National Association

1 South Pearl Street  
Paola, KS 66071

(10/20/1875 – 3/20/2009)

# Report Objective

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This report has **two** objectives, using the bank's **data**\*

1. To examine the bank finances in the quarters prior to its failure.
2. To analyze the bank finances using our Key Performance Indicator (KPI) scoring approach to determine if the bank's failure is something we could have predicted.

\*Data source: FDIC and company filings.

# Bank Background

<b>FDIC Certificate #</b>	<b>4754</b>
<b>Parent Holding Company</b>	Team Financial, Inc.
<b>Bank Charter Class</b>	National Bank
<b>Asset Concentration</b>	Commercial Lending Specialization
<b>Product Specialty</b>	Personal and Business Banking Services, Investment Services, Mortgage Loans, Trust Services
<b>Number of Branches</b>	17 (as of December 31, 2008)
<b>Number of Employees</b>	219 (as of December 31, 2008)

<b>Executives</b>	
<b>CEO/COO</b>	Sandra J. Moll
<b>CFO</b>	Richard J. Tremblay

# What took place?

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**T**eamBank, N.A., Paola, KS was closed by the Office of the Comptroller of the Currency on March 20<sup>th</sup>, 2009. The Federal Deposit Insurance Corporation (FDIC) was named Receiver. The estimated cost to the FDIC Deposit Insurance Fund is \$98,000,000, compared to the average cost of \$389,206,944. Great Southern Bank of Springfield, MO acquired all deposits and some assets.

# Bank Financial Snapshot

Financial Data Overlay (thousands)			
	2007 Q4	2008 Q4	Percentage Change
<b>Assets</b>	\$ 689,907	\$ 669,830	↓ 2.9%
<b>Liabilities</b>	\$ 629,528	\$ 639,342	↑ 1.6%
<b>Net Income</b>	\$ 5,865	-\$ 33,333	↓ 668%

- The average net income change for all FDIC banks was -83.49% in the same period.
- The average net income change for all the commercial lending specialization banks was -99.60% in the same period.
- Compared with the whole industry and other commercial lending specialization banks, Teambank's decline from net Income is relatively large (-668%) during 2008.

# Key Performance Indicators


KPI Summary for 2008 Q4	
Normalized Income Rating	Very Poor
Delinquent Asset Rating	Moderate
Asset: Liability Rating	Very Poor
Real Estate Asset Rating*	Moderate
Bankability Composite Score	6.54** (Very Poor)

Possible ratings: *Excellent, Good, Moderate, Poor, Very Poor.*

\*This rating is relevant to the current “financial crisis” fueled by mortgage security backed loans.


\*\*This is out of 100.

# Normalized Income Analysis

	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4 
Normalized Income	0.20%	0.18%	0.03%	-0.90%	-1.36%	-2.76%
SD's from Average*	0.0241	0.155	-0.165	-1.43	-1.59	-2.47
Ranking	Moderate	Moderate	Moderate	Poor	Poor	Very Poor

- TeamBank, N.A. had a normalized income of -2.76% in the fourth quarter of 2008, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average normalized income of -0.24%. The standard deviation of the normalized incomes was 1.02%, which means that TeamBank was 2.47 SD's below the average.
- Since the first quarter of 2008, TeamBank's normalized income in relation to banks of the same asset concentration hierarchy has declined each quarter.

\*Average of banks of the same asset concentration hierarchy

 Indicates sign of bank in financial distress

# Delinquent Asset Analysis

	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4
Delinquent Asset	1.6834%	0.9149%	1.7301%	4.7593%	5.0950%	2.8182%
SD's from Average*	0.29	-0.28	0.11	1.81	1.88	0.50
Ranking	Moderate	Good	Moderate	Poor	Poor	Moderate

- Teambank had a delinquent assets out of total assets ratio 2.8% in the fourth quarter of 2008, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average delinquent asset of 1.7356%. The standard deviation of the delinquent assets was 2.15%, which means that Teambank was about 0.5 SD's above the average.
- Since the third quarter of 2007, Teambank's delinquent assets ratio has been stable and around the average. However, between the second and the third quarter of 2008, its delinquent asset ratio increased to about 5%. But the ratio went down before Teambank's failure.

\*Average of banks of the same asset concentration hierarchy

# Real Estate Loan Asset Analysis

	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4
Real Estate Loan Asset Ratio	57.34%	58.50%	59.83%	62.95%	63.82%	60.36%
SD from Average*	0.14	0.19	0.28	0.44	0.48	0.25
Ranking	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate

- Teambank, National Association had a 60.36% of R/A ratio in 08 Q4, the quarter before it failed.
- In 08 Q4, banks of the same asset concentration hierarchy (commercial lending specialization) had an average R/A ratio of 56.72%. The standard deviation of the R/A ratio was 14.63%, which means that Teambank, National Association was 0.25 SD's above the average.


\* Average of banks of the same asset concentration hierarchy

# Asset: Liability Analysis

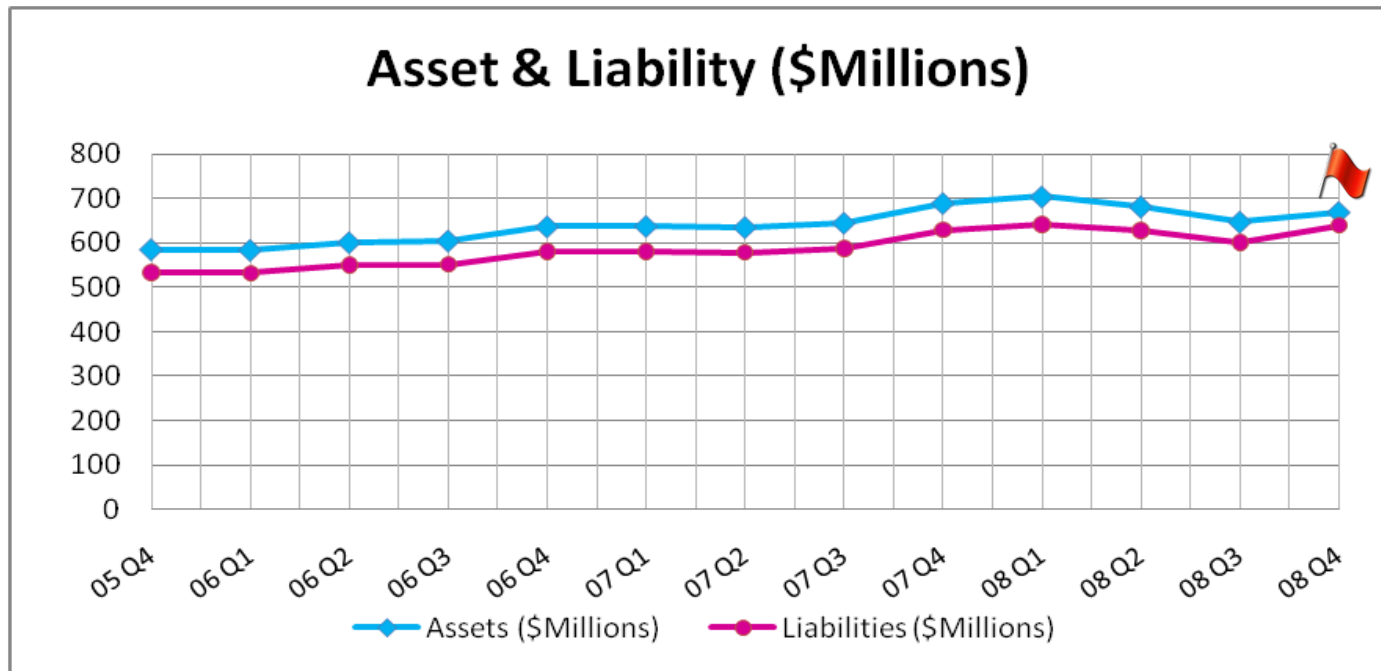
	2007Q3	2007Q4	2008Q1	2008Q2	2008Q3	2008Q4 
Asset: Liability Ratio	109.87%	109.59%	109.68%	108.67%	107.79%	104.77%
Median A/L Ratio*	110.97%	110.95%	110.93%	110.69%	110.65%	110.52%
Ranking	Moderate	Moderate	Moderate	Poor	Poor	Very Poor

- Teambank, National Association experienced decreasing A/L ratio since 08 Q1.
- The bank fell into the worst ranking in 08 Q4.
- Of the banks failed in 09 Q1, 90.48% of them had an A/L ratio under 107%.
- Of the bank with an A/L ratio under 106% in 08 Q4, 12% failed in the subsequent quarter.

\*Average of banks of the same asset concentration hierarchy

 Indicates sign of bank in financial distress

# Asset & Liability History

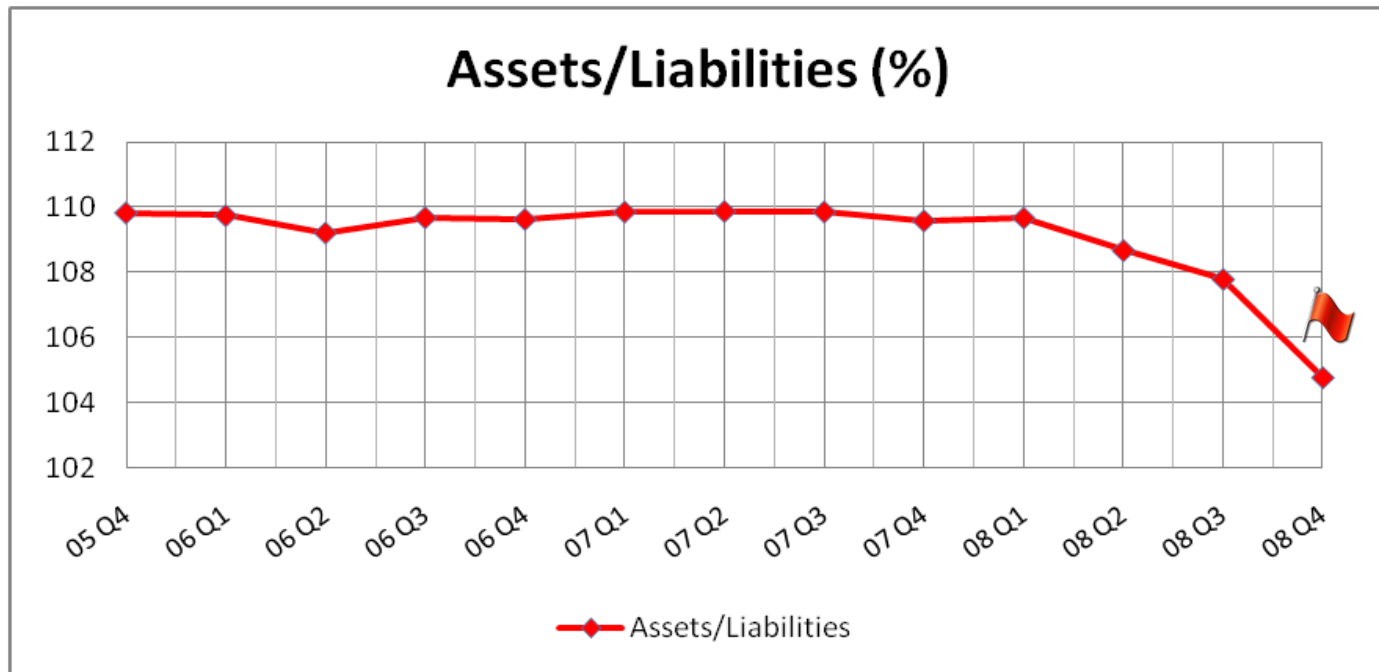


- The difference between asset and liability was getting closer in 08 Q4.




Indicates sign of bank in financial distress

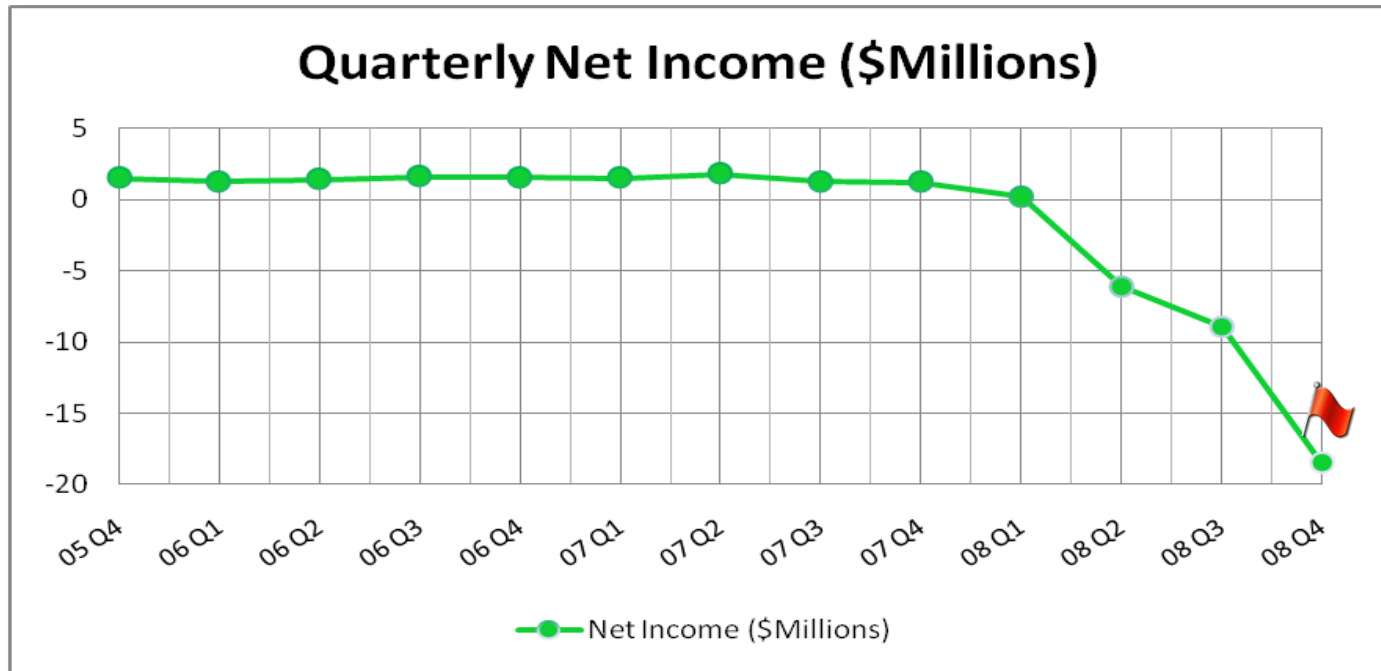
# Asset/Liability History



- The A/L ratio was decreasing since 08 Q1.

 Indicates sign of bank in financial distress

# Net Income History

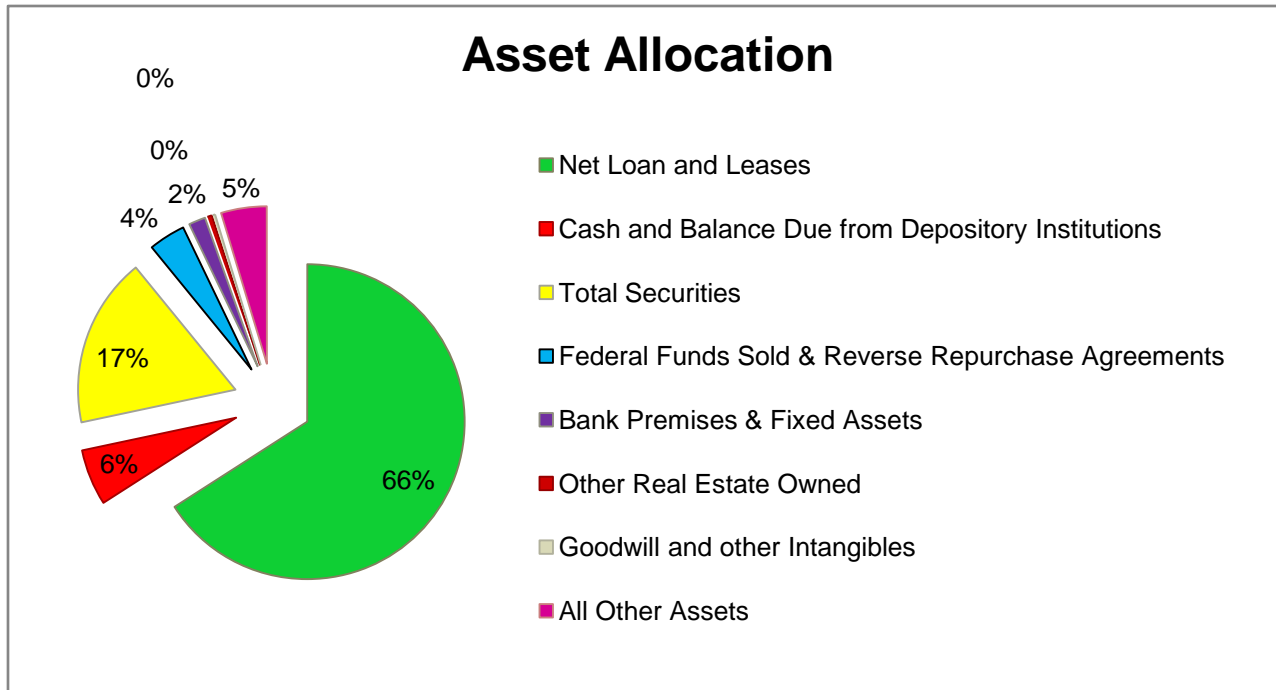


- The bank recorded big losses in the last three quarters prior to failure.



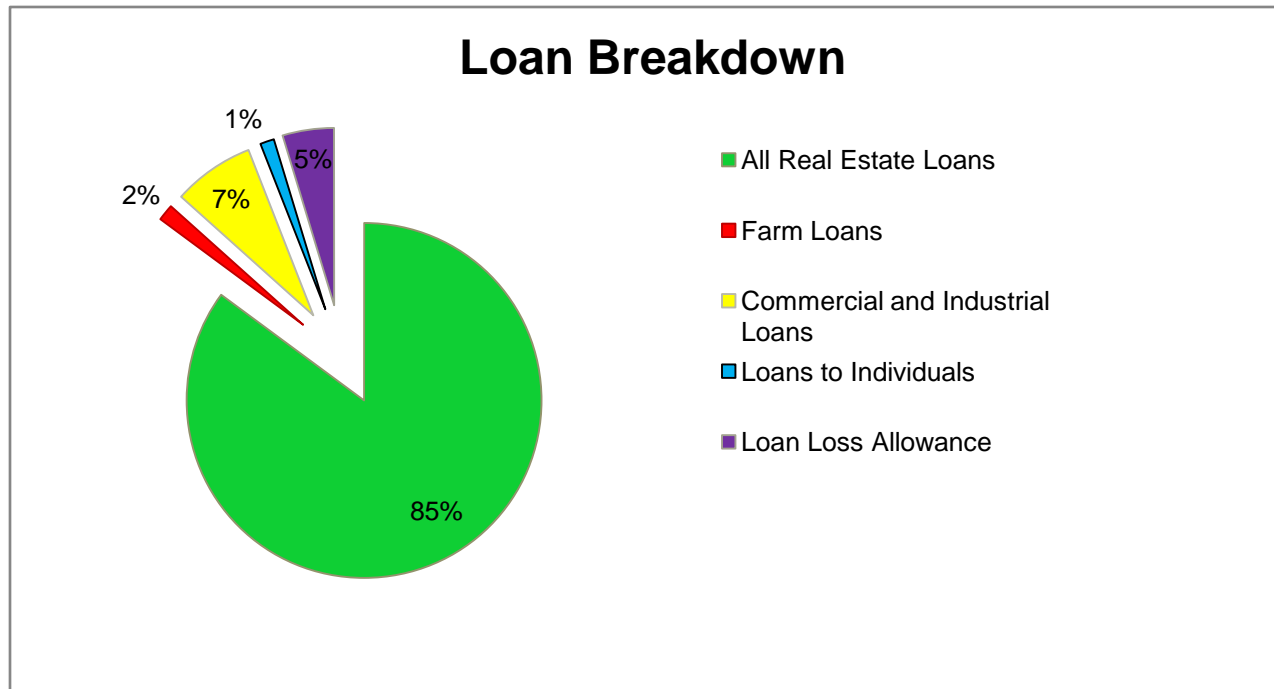
Indicates sign of bank in financial distress

# Asset Allocation



- The average percentage of Net Loans for banks of the same Asset Concentration Hierarchy in first quarter of 2009 was 72.53%.
- The average Net Loan percentage of all banks in the first quarter of 2009 was 68.49%.

# Loan Breakdown



- The average percentage of Real Estate Loans for banks of the same Asset Concentration Hierarchy in the fourth quarter of 2008 was 76.45%.
- The average percentage for all banks in the fourth quarter of 2008 was 71.23%.

# Events Timeline

- Mar. 4, 08** - SEC voted to disclose information for the secondary market ETF investors in Form N-1A.
- Mar. 7, 08** - The Fed will initiate a series of term repurchase transactions that are expected to cumulate to \$100 billion.
- Mar. 19, 08** - Fannie Mae and Freddie Mac is expected to provide support to the U.S. mortgage market, up to \$200 billion immediate liquidity.
- May 2, 08** - The Board of Directors of Team Financial, Inc. approved a merger of two subsidiary banks, TeamBank, NA and Colorado National Bank.
- May 10, 08** – Regulators have determined TeamBank is heavy real estate lender in “troubled condition.”
- May 29, 08** - U.S.-Canada mutual recognition arrangement: U.S. Securities markets and certain U.S. financial service firms could gain greater freedom to operate in Canada under SEC.
- June 10, 08** - FDIC releases a supervisory letter to all banks on interest reserves that examines the risks that this underwriting practice presents.
- June 11, 08** - SEC voted on a comprehensive series of credit rating agency reforms to bring increased transparency to credit rating process.
- June 17, 08** - New HOPE NOW guidelines to deal with issues surrounding second mortgages and short sales.
- June 26, 08** - FDIC adopts Basel II-Based Standardized Approach as an alternative risk-based capital framework available to all banks except the largest and most complex banks

# Events Timeline

- June 26, 08** - FRS, FDIC, and OCC issued the host state loan-to-deposit ratios, which help indicate branches outside of the home state that were established or acquired for the purpose of deposit production.
- Jul. 13, 08** - Paulson Announces a three-part plan for GSEs: a temporary increase in the line of credit, a temporary authority for Treasury to purchase equity, and an advisory role is given to the Fed.
- Aug. 7, 08** - TeamBank posted a \$1.4 million loss in the 2Q.
- Aug. 13, 08** - The parent company of TeamBank has extended its \$4million line of credit from US Bank.
- Aug. 20, 08** - FDIC's implementation in Loan Modification Program will help to modify troubled IndyMac mortgages loans.
- Sept. 17, 08** - SEC clarified that bank support of money market mutual funds generally are not required to present the fund on-balance sheet, but disclosure of the nature of the support provided is expected.
- Sept. 18, 08** - SEC requires that certain institutional money managers report their new short sales of certain publicly traded securities.
- Sept. 19, 08** - SEC prohibited short selling in 779 financial institutions.
- Sept. 20, 08** - Treasury Secretary Hank Paulson releases \$700 billion proposal to purchase troubled mortgage-related assets.
- Oct. 7, 08** - Emergency Economic Stabilization Act of 2008 Temporarily Increases Basic FDIC Insurance Coverage from \$100,000 to \$250,000 per Depositor.

# Events Timeline

- Oct. 14, 08** - FDIC creates new program to guarantee bank debts and fully insure non-interest bearing deposit transaction accounts.
- Oct. 14, 08** - The Treasury Department will invest up to \$250 billion in the nation's banks via the Capital Purchase Program.
- Nov. 20, 08** - FDIC announces the availability of IndyMac Loan Modification Model.
- Nov. 25, 08** - Created the Term Asset-Backed Securities Loan Facility to support the issuance of asset-backed securities collateralized by loans.
- Dec. 3, 08** - SEC approved measures to strengthen oversight of credit rating agencies.
- Dec. 16, 08** - Troubled banks have to provide certain position level and counterparty level data and QFC counterparty and portfolio identifiers to FDIC in a timely manner.
- Dec. 23, 08** - Treasury provides TARP funds to focal Banks by purchasing \$2.8 billion investment from 49 banks.
- Dec. 30, 08** - The Fed announced that it will purchase mortgage-backed securities.
- Jan. 15, 09** - The Senate voted to allow access to the remaining bailout funds of \$350 billion.
- Jan. 27, 09** - As part of the Capital Purchase Program, Treasury announced investments of \$386 million in 23 healthy banks.
- Feb. 10, 09** - Geithner rolls out the Financial Stability Plan, promises to perform "stress tests" on big banks, and commit \$100 billion to boost the TALF.
- Feb. 10, 09** - A Capital Assistance Program to help ensure banks hold sufficient capital, produce a more consistent and forward-looking assessment of risks on banks' balance and their potential capital needs.

# Events Timeline

- Feb. 10, 09** - A Public-Private Investment Fund will combine public and private capital with government financing to help free up capital to support new lending.
- Feb. 10, 09** - Treasury and Fed expanded the Term Asset-Backed Securities Lending facility up to \$1 trillion.
- Feb. 18, 09** - President Obama signs the American Recovery and Reinvestment Act of 2009, which limits bonuses of the highest earning executives.
- Mar. 4, 09** - Treasury announced loan modification guidelines under the Administration's Homeowner Affordability and Stability Plan.
- Mar. 20, 09** - Teambank was closed by the Office of the Comptroller of the Currency. Great Southern Bank assumed all of the deposits of Teambank.
- Mar. 23, 09** - Using TARP capital and capital from private investors, the Public-Private Investment Program will generate \$500 billion in purchasing power to buy legacy assets.
- May 29, 09** - FDIC tightens the deposit interest rates paid by banks that are less than well capitalized. Generally, such banks will be permitted to offer to "national rate" plus 75 basis points.
- June 9, 09** - 10 Of the largest U.S financial institutions are expected to make CPP repayments to Treasury.
- Jul. 2, 09** - FDIC proposed guidelines require private equity firms to hold bank purchases for 3yrs and maintain capital levels.

# Report Summary – *Surprise?*

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Based on the methods with which we analyzed TeamBank, its failure was *not a surprise*.

Here are the indications that TeamBank should fail:

- 1) **TeamBank's normalized income declined every quarter since the second quarter of 2007. The quarter before it failed its normalized income was more than 2 SD's below average.**
- 2) **5% of TeamBank's assets were delinquent two quarters before it failed.**
- 3) **TeamBank's asset to liability ratio decreased every quarter since the first quarter of 2007. It had a 104.77% ratio the quarter before it failed.**
- 4) **TeamBank had a bankability composite score of 6.54 the quarter before it failed and 21.05 the quarter before. These scores indicate the bank's very poor overall financial health and likelihood to fail.**

# References

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# Contact Information

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For additional information regarding this report series, you can contact us at:

**By E-mail:**

[info@moneyeconomics.com](mailto:info@moneyeconomics.com)

**By Mail:**

Money Economics  
P.O. Box 587  
Alameda, CA 94501

**By Phone:\***

510.550.1694

*\*For media inquiry only please.*