SR003_7: Failed Bank Report

Bank of Wyoming

435 Arapahoe Street
Thermopolis, WY 82443

(11/24/1978 – 7/10/2009)

Report Objective

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.

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Bank Background

FDIC Certificate #	**22754**
Parent Holding Company	State Holding Company
Bank Charter Class	Commercial Bank
Asset Concentration	Commercial Lending Specialization
Product Specialty	Personal and Business Banking Services, Loans, Investments
Number of Branches	1 (as of June 30, 2009)
Number of Employees	20 (as of June 30, 2009)

Executives	
CEO/President	Veva Blakesley
VP	Jerry L Slagle

What took place?

Thermopolis' Bank of Wyoming was forced to close its doors due to capital insolvency. The Federal Deposit Insurance Corporation (FDIC) was named Receiver. The estimated cost to the FDIC Deposit Insurance Fund is $27,000,000. All non-brokered deposits and some assets acquired by Central Bank & Trust in Lander, Wyoming.

Key Performance Indicators

KPI Summary for 2009 Q2	
Normalized Income Rating	Poor
Delinquent Asset Rating	Poor
Asset: Liability Rating	Very Poor
Real Estate Asset Rating*	Moderate
Bankability Composite Score	4.40**(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.

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Bank Financial Snapshot

Financial Data Overlay (thousands)			
	2008 Q2	**2009 Q2**	**Percentage Change**
Assets	**$ 115,160**	**$ 70,190**	**↓ 39.05%**
Liabilities	**$ 105,690**	**$ 67,090**	**↓ 36.52%**
Net Income	**$ 235**	**-$ 4,593**	**↓ 2054.47%**

- The average net income change for all FDIC banks was -176.66% in the same period.
- The average net income change for all the commercial lending specialization banks was -139.89% in the same period.
- Compared with the whole industry and other commercial lending specialization banks, Bank of Wyoming's decline in Net Income was relatively large (-2054.47%) during 2009.

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Normalized Income Analysis

	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2
Normalized Income	0.25%	-0.04%	-0.08%	-1.33%	-3.45%	-1.90%
SD's from Average*	0.28	-0.11	-0.02	-0.97	-4.89	-1.79
Ranking	Moderate	Moderate	Moderate	Moderate	Very Poor	Poor

- Bank of Wyoming had a normalized income of -1.90% in the second quarter of 2009, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average normalized income of -0.17%. The standard deviation of the normalized incomes was 0.96%, which means that Bank of Wyoming was almost 2 SD's below the average.
- Since the second quarter of 2008, Bank of Wyoming's normalized income in relation to banks of the same asset concentration hierarchy has declined.

*Average of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

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Delinquent Asset Analysis

	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2
Weighted Delinquent Asset	2.35%	7.56%	9.34%	6.98%	23.16%	4.75%
SD's from Average*	0.43	3.31	3.95	2.47	9.07	1.43
Ranking	Poor	Very Poor	Very Poor	Very Poor	Very Poor	Poor

- Bank of Wyoming had a weighted delinquent assets out of total assets ratio of 4.75% in the second quarter of 2009, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average weighted delinquent asset of 1.76%. The standard deviation of the delinquent assets was 2.07%, which means that Bank of Wyoming was about 1.43 SD's above the average.
- Bank of Wyoming's weighted delinquent assets ratio has shown very strong signs of stress in the 5 quarters prior to its failure, topping out at over 23% in 2009 Q1.

*Average of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

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Real Estate Loan Asset Analysis

	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2
Real Estate Loan Asset Ratio	52.69%	53.49%	52.77%	50.77%	47.36%	59.82%
SD from Average*	-0.20	-0.19	-0.27	-0.41	-0.62	0.26
Ranking	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate

- Bank of Wyoming had a R/A ratio of 59.82% in 09 Q2, the quarter before it failed.
- In 09 Q2, banks of the same asset concentration hierarchy (commercial lending specialization) had an average R/A ratio of 56.21%. The standard deviation of the R/A ratio was 14.07%, which means that Bank of Wyoming was actually 0.26 SD's above the average, earning the rank of "Moderate".

* Average of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

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Asset: Liability Analysis

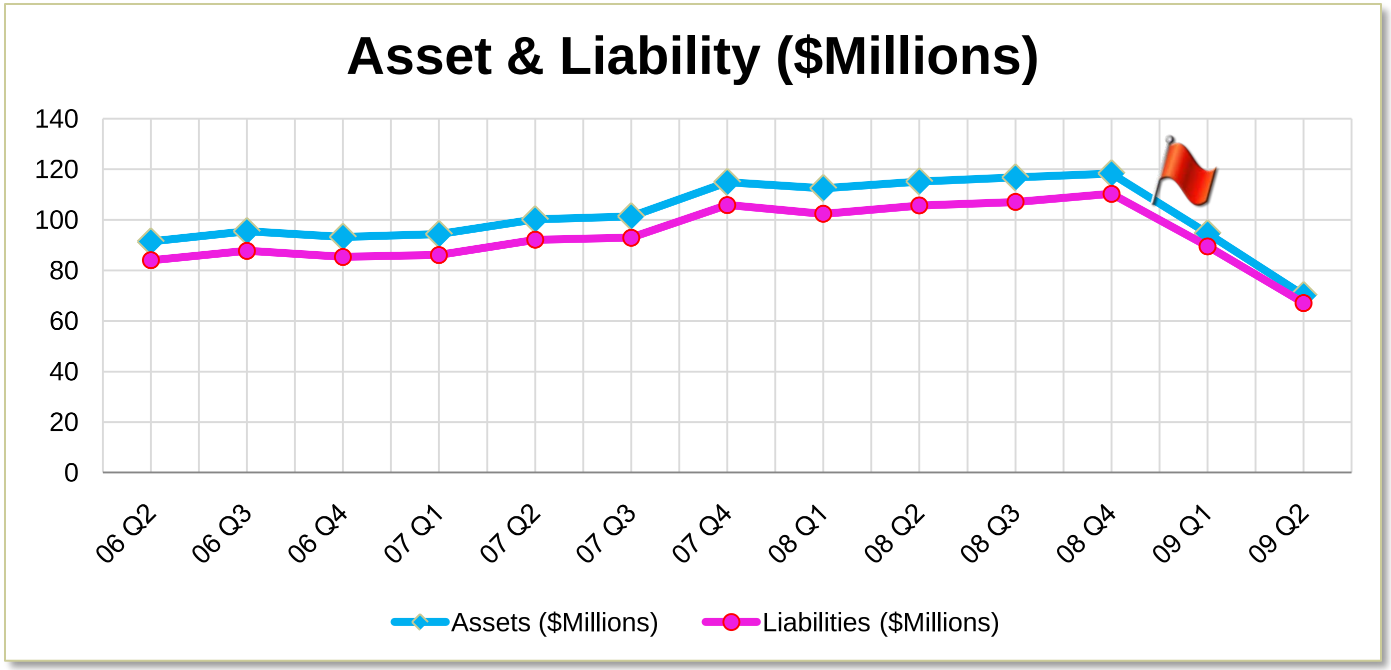
	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2
Asset: Liability Ratio	109.87%	108.96%	109.02%	107.34%	105.66%	104.62%
Median A/L Ratio*	110.92%	110.69%	110.65%	110.51%	110.53%	110.52%
Ranking	Poor	Poor	Poor	Poor	Very Poor	Very Poor

- Bank of Wyoming was rated poor and very poor for the last 6 quarters and its A:L ratio dropped to 104.62% in the quarter before it failed.
- The median A/L ratio for all banks in the same asset concentration hierarchy (commercial lending specialization) was 110.52% in the same period, meaning that Bank of Wyoming was more than 4% above the median. The median A/L ratio for all banks in 2009 Q2 was 110.98%.
- Of the 50 banks failed in 2009 Q3, 94% of them had an A/L ratio under 107%.

* Median of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

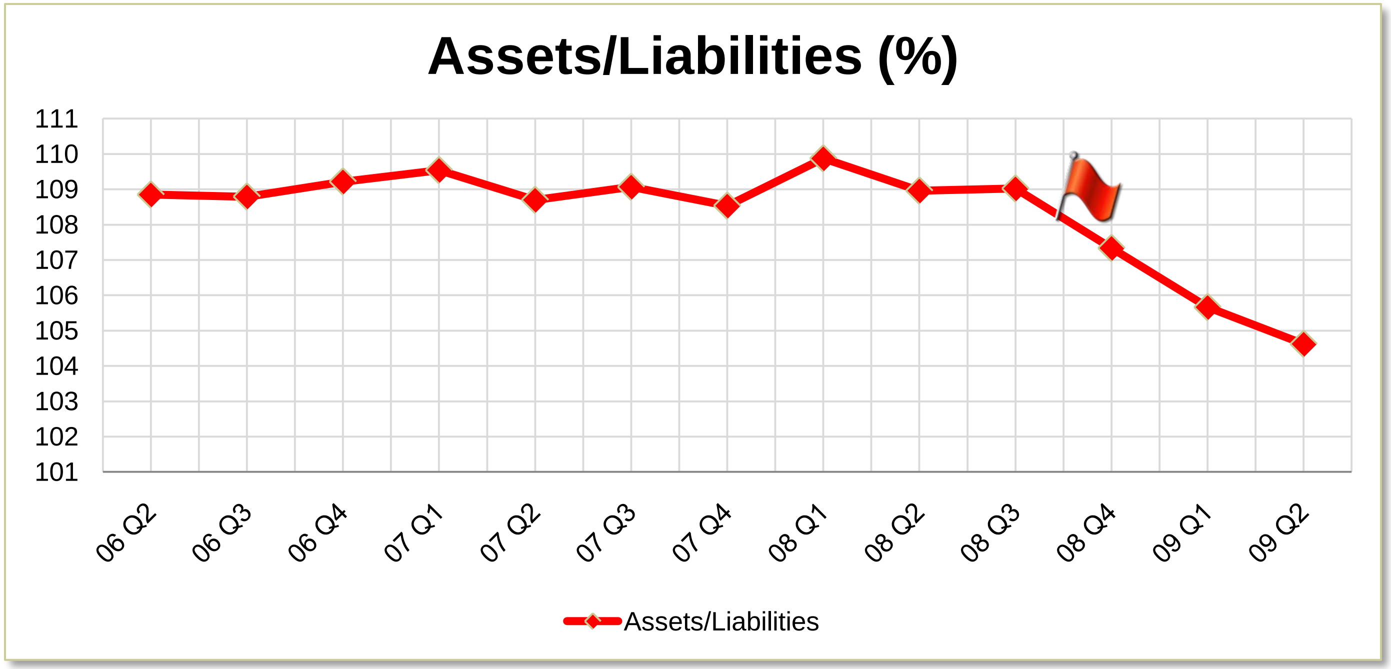
Asset & Liability History



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

Indicates sign of bank in financial distress

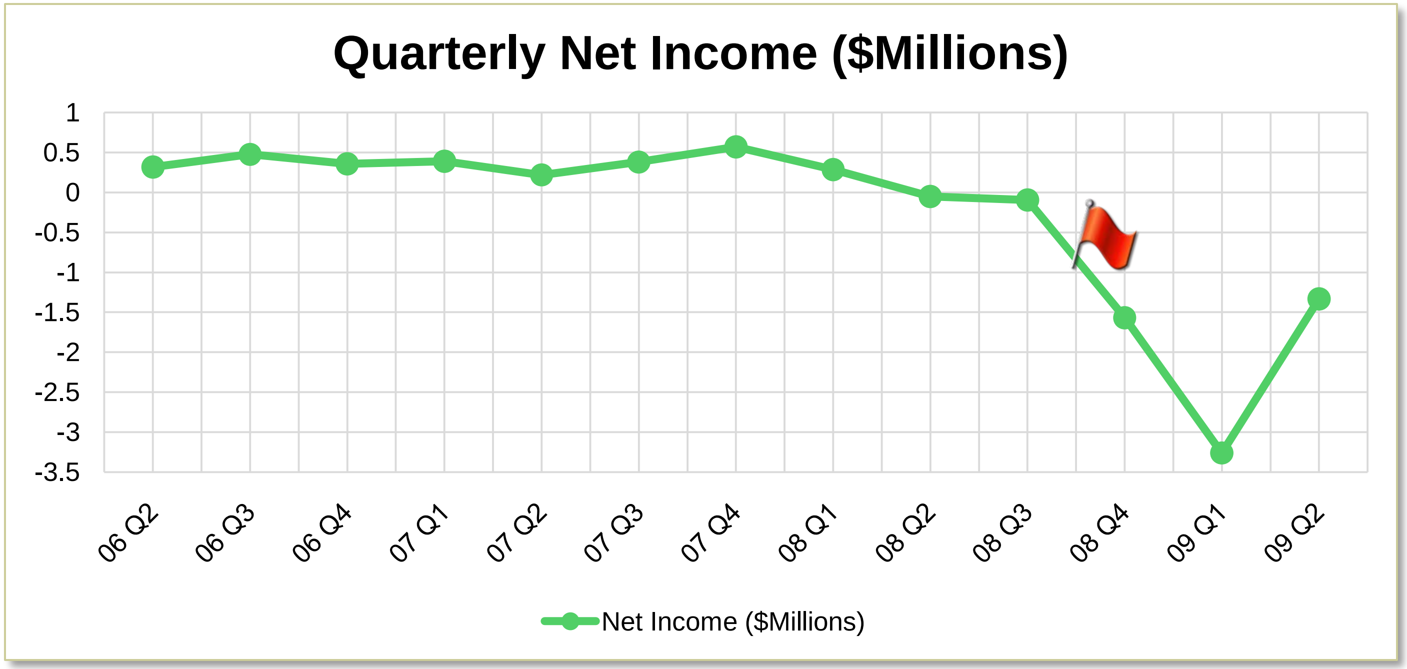
Asset/Liability History



- The A/L ratio was on a steady decline in 08 Q3.

Indicates sign of bank in financial distress

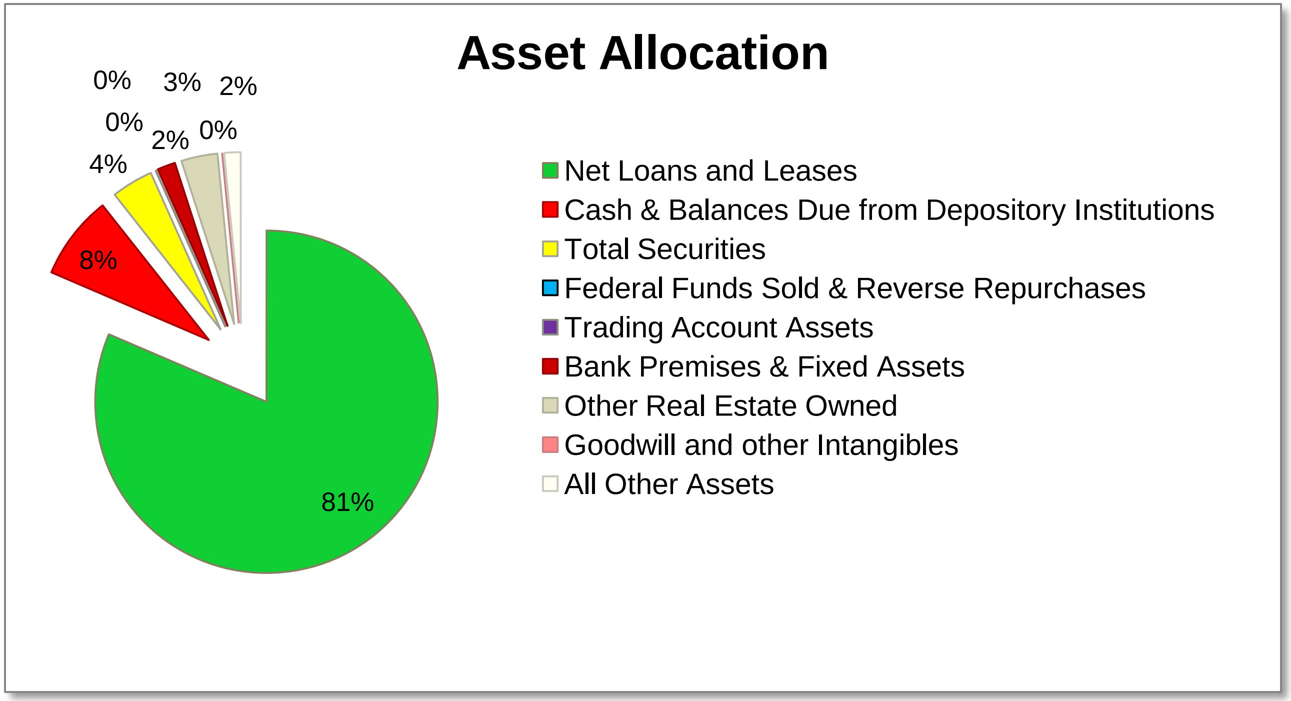
Net Income History



- The bank recorded big losses in the last three quarters prior to failure.
- Net income steadily and steeply declines after 08 Q2.

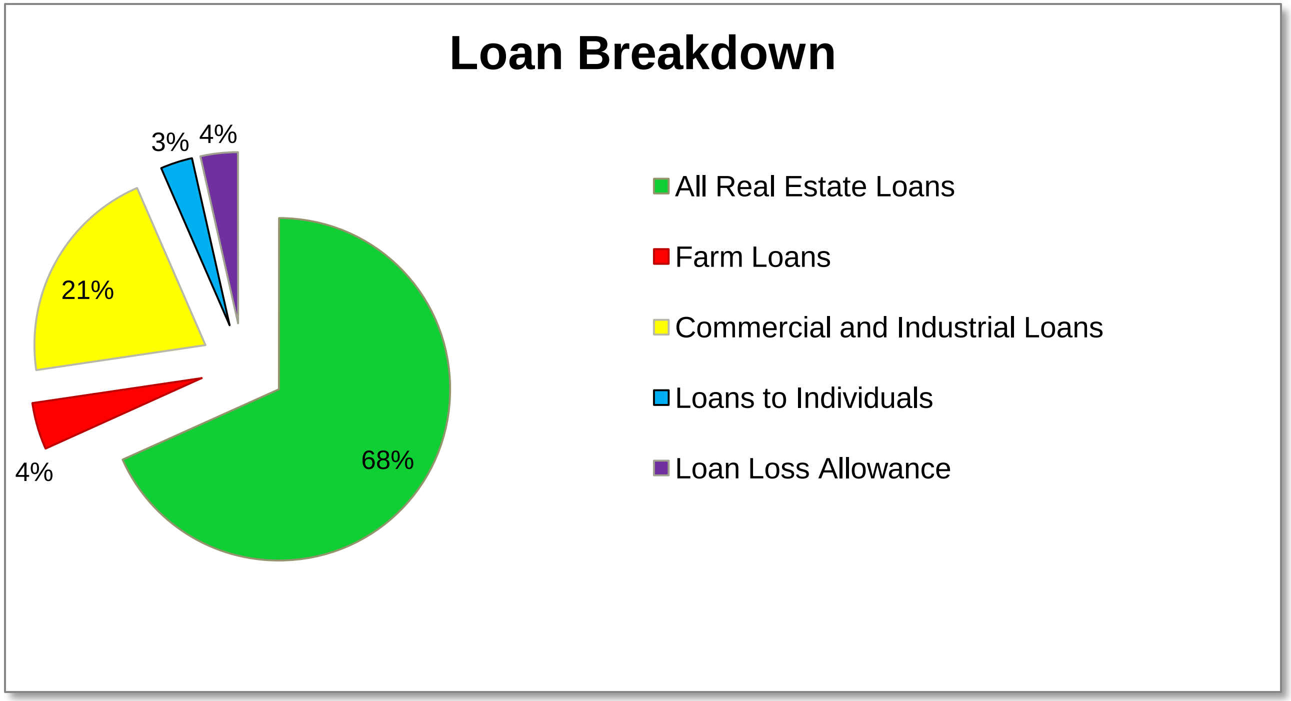
Indicates sign of bank in financial distress

Asset Allocation



- The average percentage of Net Loans for banks of the same Asset Concentration Hierarchy in the second quarter of 2009 was 67.77%.
- The average Net Loan percentage of all banks in the second quarter of 2009 was 55.79%.

Loan Breakdown



- The average percentage of Real Estate Loans for banks of the same Asset Concentration Hierarchy in the second quarter of 2009 was 68.36%.
- The average percentage for all banks in the second quarter of 2009 was 63.40%.

Events Timeline

Oct. 7, 08 - Emergency Economic Stabilization Act of 2008 Temporarily Increases Basic FDIC Insurance Coverage from $100,000 to $250,000 per Depositor.

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 I 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 commits $100 billion to boost the TALF.

Events Timeline

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.

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 expended 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. 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. 8, 09 - The Treasury purchases of total of $42 million in preferred stock from 7 U.S. banks under the Capital Purchase Program.

May. 13, 09 - The Treasury proposes amendments to the Commodity Exchange Act and securities laws to enhance govt. regulation of over the counter derivatives markets.

May. 14, 09 - SEC proposed rule amendments to strengthen safeguards of investor funds controlled by investment advisers.

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.

Events Timeline

June 9, 09 -10 of the largest U.S financial institutions are expected to make CPP repayments to Treasury.

June 30, 09 - Central Bank & Trust purchased $55 million of assets.

Jul. 2, 09 - FDIC proposed guidelines require private equity firms to hold bank purchases for 3 years and maintain capital levels.

Jul. 8, 09 - The Legacy Securities program is designed to facilitate price discovery to re-deploy capital and extend new credit to households and businesses. Treasury will invest up to $30 billion of equity and debt.

Jul. 10, 09 - Bank of Wyoming was closed by the FDIC.

Jul. 13, 09 - All deposit accounts, excluding some brokered deposits, have been transferred to Central Bank & Trust.

Jul. 15, 09 - SEC voted unanimously to propose rule amendments to improve the quality and timeliness of municipal securities disclosure.

Jul. 29, 09 - SEC announced several actions that would protect against abusive short sales and make more short sale information available to the public.

Aug. 26, 09 - Banking organizations affected by the new accounting standards generally will be subject to higher minimum regulatory capital requirements. New standards for investors interested in acquiring or investing in the deposit liabilities of failed banks or thrifts.

Aug. 27, 09 - Aggregate net loss of $3.7 billion in the second quarter of 2009, a decline of $8.5 billion from the $4.8 billion in profits the industry reported in the second quarter of 2008.

*All internal news are written in blue color.

Events Timeline

Sep. 9, 09 - FDIC Board adopted a Notice of Proposed Rulemaking (NPR) that reaffirms the expiration of the debt guarantee component of the Temporary Liquidity Guarantee Program.

Sep. 17, 09 - SEC voted unanimously to take several rulemaking actions to bolster oversight of credit ratings agencies by enhancing disclosure and improving the quality of credit ratings.

Sep. 24, 09 - Credit quality declined sharply for loan commitments of $20 million or more held by multiple federally supervised institutions.

Sep. 28, 09 - SEC (Section 31) fee rate applicable to securities transactions on the exchanges and in the over-the-counter markets will be set at $12.70 per million dollars.

Sep. 29, 09 - Institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012.

Report Summary – *Surprise?*

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

Here are the indications that Bank of Wyoming should fail:

1) **Bank of Wyoming's normalized income experienced a total loss (of its total assets) of almost 7% over the last 3 quarters.**
2) **The bank had a mounting volume of delinquent assets in the quarters before its failure.**
3) **The bank's asset to liability ratio dropped below 107% two quarters prior to failure. It had a 104.62% ratio the quarter before it failed.**
4) **Bank of Wyoming had a bankability composite score of 4.40 the quarter before it failed, indicating the bank's very poor overall financial health and likelihood to fail.**

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