Navigating Through a Bank Failure

June 3rd, 2019 | San Antonio
Navigating Through A Bank Failure

Everything you should know about avoiding a bank failure or successfully navigating through one. The panel will prepare you with an easy checklist so that you know what to do in advance, during and after a bank failure announcement.
Introductions:

• Cathy Davis – Panelist
• Kevin Franks – Panelist
• Kacy Owsley – Panelist
• Katrina King – Moderator
Cathy K. Davis is a Resolutions and Closings Manager with the Federal Deposit Insurance Corporation’s (FDIC) Division of Resolutions and Receiverships. In her role, Cathy is responsible for Claims deposit-related matters, which includes facilitating the payment of deposit insurance in the event of a bank failure. Cathy joined the FDIC in April 1990 and has held various positions during her career.
Panelist Bio – Kevin Franks

Kevin Franks is the Director of Pricing and Profitability of Cadence Bank, N.A. In this role he is responsible for the overall profitability methodology for products (e.g. loans and deposits) as well as individual officers and Cadence’s business lines. He is chairman of the Bank’s Pricing Committee, manages pricing for public fund depositors and serves on the Asset Liability Committee. He also works closely with human resources as he manages the Bank’s incentive plan.

He brings to the role an extensive background in risk management, capital planning, corporate treasury, and financial modeling. Most recently, he served as Treasurer of State Bank & Trust Company which was acquired by Cadence Bank in January 2019.

Prior to that, he held other leadership positions with Security Bank which he joined in 2003, including asset-liability manager and assistant controller. He began his career in public accounting after receiving his undergraduate degree in Accounting from Georgia College and State University in 1999 then went on to complete LSU’s Graduate School of Banking.

Kevin is involved with his local church and spends most of his free time coaching his daughter in whatever sport she’s currently playing. He enjoys basketball, triathlons and reading and finds reading to be much easier to recover from these days.
Panelist Bio – Kacy Owsley

Kacy is a results-driven business professional with 25 years’ experience in financial services having responsibilities for managing national sales teams, developing company strategies, product development and mentoring talent. She has a distinguished experience in improving non-interest income (fee income) performance for banks as well as deposit generation.

In her current role as an Executive Vice President of Cadence Bank’s Treasury Management Team and Director of Client Consulting, she is responsible for business development, portfolio profitability, risk mitigation, candidate identification, and talent training. As our clients trusted advisor, Kacy brings creative and innovative customized solutions to the market. Kacy is known as a self-starter and someone who continues to look for ways the team can achieve its highest level of productivity and effectiveness while delivering state of the art technology to our clients.

Prior to joining Cadence Bank N.A. in 2011, Kacy worked for Amegy Bank of Texas for 12 years as a Senior Vice President Sales Manager leading the highest producing team in the state covering specialized industries such as healthcare, energy, government and non-profit. She also held various positions in retail banking management at Klein Bank and First Victoria National Bank.

Kacy is a popular speaker at local conferences and organizations such as TEXPO, Space City, TM Seminar Series and HTMA. She is published in Smart Business Magazine as well as many consultative white papers and a Cadence eBook highlighting the benefits of automation and integrations.

Kacy is involved in the greater Houston community. She is an active Girl Scout leader and recent graduate of the fall 2018 Centers for Houston’s future, a community-based organization that brings together businesses and communities on behalf of the future of the Houston-Galveston region. She has also participated in Read Houston Read a program in HISD to ensure all students can read by the third grade. Kacy is graduate of Sam Houston State University with a bachelor’s in business administration.
Katrina King was named Executive Vice President of Treasury Management in March 2011 for Cadence Bank, N.A. and is responsible for all treasury management functions. She is charged with talent development, revenue generation, portfolio management, product management, client support services and treasury profitability for the Cadence’s five-state footprint.

King is also past chair of the Maximizing Relationships Subcommittee designed to strategically foster a bank culture of building long-term relationships while driving revenue and profitability across business lines through education, communication, collaboration, technology and leadership. She brings more than 35 years of banking experience working with middle market and large corporate clients in both treasury management and retail channels.

Previously, as Executive Vice President and Treasury Management Sales Manager for Amegy Bank of Texas, King was responsible for managing the sales of more than 40 treasury management products across Amegy’s three-city footprint of Houston, Dallas and San Antonio, which averaged $56 million dollars in annual revenue. Additionally, for four years, King served as co-chair of Amegy Bank’s Customer Centric Committee, a task force charged with maintaining and building upon Amegy’s high standard of customer service. Prior to joining Amegy Bank in 1999, King worked for Klein Bank and Bank One.

U.S. Banker magazine named King as one of the “Top 25 Women to Watch” as part of their annual ranking of the Most Powerful Women in Banking in 2008. King also was named “Houston’s Favorite Banker” twice by the Houston Treasury Management Association. King earned her CCM certification, Series 6, 63 Investment and Group 1 licenses in 1996.
## What to expect from our session

### Preparing for your RFP
- Advance preparation – target respondents
- What’s important to your organization and how do you communicate it in your RFP
- Prioritize requirements and weight value
- How much time to you give respondents may determine the quality of responses you receive
- Evaluation criteria
- Comparing responses, all things are not created equal

### Managing deposit relationships
- Prudent risk control
- Options for pledge requirements monitoring, tracking & fluctuation
- Financial strength of the bank
- Frequency of financial review and where to find data points
- Using the Texas Ratio
  - Divide nonperforming assets by tangible common equity and loan loss reserves

### What I should know about FDIC
- Deposit coverage
- Accounts held in an in-state and out-of-state bank
- Deposit Insurance for accounts held by Government Depositors
- Declaration for Government deposit
- FDIC Resource education

### Red Flags to watch
- Check the Federal Financial Institutions examination Council website:
  - https://www.ffcic.gov/
- Monitor Bankrate website for Safe & Sound Bank ratings
  - Bankrate.com
  - BauerFinancial.com
- Watch the news and read news published
- Paying above market deposit rates
- Bank earnings and low loan losses

### Trusted Advisor & Education
- Do your homework upfront and chose a bank that will be your partner:
  - Open communication
  - Continued education
  - Creative collaboration on technology, integration & tracking
  - Strategic planning based on your initiatives & objectives
  - Financial strength
Best Practices in Managing Deposit Relationships

1. Implement programs of prudent risk control. Such programs could include a formal depository risk policy and credit analysis. Develop procedures to monitor their collateral positions. Monitoring informs a public entity of under collateralization, which may threaten the safety of an entity's deposits. Governmental entities however cannot and should not accept the liability for maintaining collateral levels as the liability must fall to the financial institution.

2. Governmental entities should have all pledged collateral held at an independent third-party institution outside the holding company of their bank.
   - The value of the pledged collateral should be marked to market at least monthly. Texas statutes dictate a minimum margin level for collateral based on deposit levels plus accrued interest.
     - 110% school districts
     - 100% all others
   - Substitutions of collateral should be approved by the entity in writing prior to release, and the collateral should not be released until the replacement collateral has been received.
Managing Deposit Relationships

3. The pledge of collateral should comply with the investment policy or state statute, whichever is more restrictive. Governmental entities should know and understand securities pledged as collateral.

4. The governmental entity should thoroughly review the terms and conditions of any letters of credit, including those issued by a federal agency or government sponsored enterprise (i.e. Federal Home Loan Bank).

5. The governmental entity should establish and follow procedures for on-going review of their bank’s financial position and pledged collateral.
Government Accounts

Coverage:

- Funds held by an official custodian of a government entity are insured as follows:
  - Accounts held in an in-state bank
    - Up to $250,000 for the combined amount of all time and savings accounts (including NOW accounts) and
    - Up to $250,000 for all demand deposit accounts (interest-bearing and noninterest-bearing)
  - Accounts held in an out-of-state bank
    - Up to $250,000 for the combined total of all deposit accounts
Government Accounts

Government Accounts are funds placed by an official custodian of a government entity, including a federal, state, county, municipal entity, or political subdivision.

- For Government Accounts, the insured party is the “official custodian”—an appointed or elected official who has “plenary authority” over funds in the account owned by the public unit.

- “Plenary authority” includes possession, as well as the authority to establish accounts for such funds in banks and to make deposits, withdrawals, and disbursements of such funds.

Note: Please be careful not to assume that all of the “signers” on a government account qualify as official custodians. For the purpose of internal control, a government account might have three signers on an account, with the requirement that two out of three signers must authorize a transaction to withdraw funds. In this situation, the FDIC finds there is one official custodian.
By law, each of these government entities are eligible for deposit insurance coverage:

- United States
- Counties
- District of Columbia
- Other territories
- School districts
- Irrigation districts
- Other “political subdivisions”
- States
- Municipalities
- Puerto Rico
- Indian tribes
- Power districts
- Bridge or port authorities
Deposit Insurance for Accounts Held by Government Depositors

Section 330.15 of the FDIC's regulations (12 C.F.R. 330.15) governs the insurance coverage of public unit accounts. For deposit insurance purposes, the term "public unit" includes a state, county, municipality, or any "political subdivision" of the public unit. Under section 330.15, the "official custodian" of the funds belonging to the public unit – rather than the public unit itself – is insured as the depositor.

Permanent Rule
The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. Separately, all demand deposits owned by a public unit and held by the public unit’s official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. For the purpose of these rules, the term ‘time and savings deposits’ includes NOW accounts and money market deposit accounts but does not include interest-bearing demand deposit accounts (which were permitted after July 21, 2011). The term ‘demand deposits’ means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. The insurance coverage of accounts held by government depositors is different if the depository institution is located outside the State in which the public unit is located. In that case, all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit’s official custodian are added together and insured up to $250,000. Time and savings deposits are not insured separately from demand deposits.

As mentioned above, a political subdivision (through its official custodian) is entitled to its own insurance coverage. The term "political subdivision" is defined to include drainage, irrigation, navigation, improvement, levee, sanitary, school or power districts, and bridge or port authorities and other special districts created by state statute or compacts between the states. The term "political subdivision" also includes any subdivision or principal department of a public unit (state, county, or municipality) if the subdivision or department meets the following tests:

- The creation of the subdivision or department has been expressly authorized by the law of such public unit;
- Some functions of government have been delegated to the subdivision or department by such law; and
- The subdivision or department is empowered to exercise exclusive control over funds for its exclusive use.

The term "political subdivision" does not include subordinated or non-autonomous divisions, agencies, or boards within subdivisions or principal departments.

https://www.fdic.gov/deposit/deposits/factsheet.html
Conducting ongoing monitoring of bank’s financial position

Information about the bank may be provided by the bank or it can be accessed directly from the FDIC website:

https://research.fdic.gov/bankfind/ - find out information about the bank

https://cdr.ffiec.gov/public/ManageFacsimiles.aspx - compare financials to the bank’s peer group
Understanding the financial strength of the bank is important prior to establishing a relationship as well as monitoring on an ongoing basis.

There are a few metrics that are useful:
- Capital ratios
  - Tier 1 leverage capital (10% is a strong level; compare to peers and watch trends)
  - Total Risk-based Capital
- Return on Assets (ROA)
- Texas Ratio – developed during the 1980’s recession. It was noted that banks in Texas failed when the ratio surpassed 100%. A similar pattern also emerged during the 1990’s recession in New England banks. Banks that failed during the last recession also had ratios above 100%, but there were several that didn’t. It continues to be a gauge that bank analyst monitor but it’s not a hard and fast rule. It’s also not as easy to find as most banks don’t report it and since it’s not a regulatory ratio, most calculate it on their own. (Nonperforming loans + Real Estate Owned)/ (Tangible Common Equity + Loan Loss Reserves).
FDIC website – Accessing Failed Banks

FDIC Federal Deposit Insurance Corporation
FDIC deposits are insured by at least $250,000 per insured bank.

Transparency & Accountability - Resolutions & Failed Banks

One way the FDIC works to maintain stability and public confidence in the nation's financial system is by avoiding all the risks triggered by the closure of an FDIC-insured institution. This includes attempting to find a purchaser for the institution and the liquidation of the assets held by the failed banks.

For further questions or information regarding resolution and failed bank activities, please contact the Resolution Cell Center.

Click on the images below to view additional information.

Financial regulators evaluate banks for safety and soundness.

Financial regulators identify when resolution activities should begin.

The FDIC markets the failing bank to potential acquirers.

The bank is closed and the FDIC is appointed as receiver.

Often, the Bank is sold to another financial institution.

As receiver, the FDIC is responsible for the timely disposal of all remaining assets.
### Failed Bank List

The FDIC is often appointed as receiver for failed banks. This page contains useful information for customers and vendors of these banks. This includes information on the acquiring bank of applicable, how your accounts and loans are affected, and if there are class actions against the receivership.

This list includes banks which have failed since October 1, 2003. To search for banks that failed prior to those on this page, visit the link: [Failed Banks](#).

Chose arrows next to headings to sort in Ascending or Descending order.

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>City</th>
<th>State</th>
<th>FDIC #</th>
<th>Acquiring Institution</th>
<th>Closing Date</th>
<th>Failed Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Furlong County Bank</em></td>
<td>Moneta</td>
<td>VA</td>
<td>87721</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>May 2, 1977</td>
<td>March 22, 1978</td>
</tr>
<tr>
<td><em>Port Neches State Bank</em></td>
<td>Port Neches</td>
<td>TX</td>
<td>87727</td>
<td>State Bank of Texas</td>
<td>December 13, 1977</td>
<td>February 1, 1978</td>
</tr>
<tr>
<td><em>Riverview Bank</em></td>
<td>Riverview</td>
<td>FL</td>
<td>87729</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>January 27, 2017</td>
<td>January 23, 2019</td>
</tr>
<tr>
<td><em>Scott Community Bank</em></td>
<td>Posen</td>
<td>IL</td>
<td>87730</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>January 3, 2017</td>
<td>May 14, 2017</td>
</tr>
<tr>
<td><em>Sidal Bank</em></td>
<td>Moline</td>
<td>IL</td>
<td>87731</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>September 29, 2000</td>
<td>May 13, 2014</td>
</tr>
<tr>
<td><em>The Villachia Bank</em></td>
<td>Villachia</td>
<td>TX</td>
<td>87732</td>
<td>United Fidelity Bank, Inc</td>
<td>August 18, 1978</td>
<td>December 13, 1978</td>
</tr>
<tr>
<td><em>First Citizens Bank</em></td>
<td>Winnfield</td>
<td>LA</td>
<td>87733</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>March 1, 1977</td>
<td>December 13, 1977</td>
</tr>
<tr>
<td><em>Universitario Bank</em></td>
<td>Longview</td>
<td>TX</td>
<td>87735</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>October 2, 2015</td>
<td>February 19, 2016</td>
</tr>
<tr>
<td><em>The Bank of Georgia</em></td>
<td>Augusta</td>
<td>GA</td>
<td>87736</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>April 25, 2000</td>
<td>September 14, 2010</td>
</tr>
<tr>
<td><em>Pronghorn Bank</em></td>
<td>Denver</td>
<td>CO</td>
<td>87737</td>
<td>First National Bank of Colorado</td>
<td>April 18, 2010</td>
<td>July 1, 2010</td>
</tr>
<tr>
<td><em>Southern Star Bank</em></td>
<td>Huntsville</td>
<td>AL</td>
<td>87740</td>
<td>First Citizens Bank &amp; Trust Company</td>
<td>March 1, 1977</td>
<td>October 2, 2015</td>
</tr>
</tbody>
</table>

*If you had a deposit account:*

The bank insured balance in your account(s), including checking, savings, money market, non-brokered Certificates of Deposit, and retirement accounts, has been transferred to Royal Savings Bank.

For accounts exceeding $250,000, you should call 1-877-367-2718 to schedule an appointment with an FDIC Claims Agent.

You may continue to use your checks and ATM/Debit card. Direct deposits like paychecks and social security benefits will continue as usual. Please refer to the [Banking Services](#) section below for more details.

*If your account balance was less than $250,000:*

Your account was paid in full through the [Federal Deposit Insurance Corporation](#). Please review your statement for further details.

*If you have other accounts with the failed bank:*

You may be eligible to file a claim with the FDIC. Please review your statement for further details.

*If you are owed money for a service or product:*

You may be eligible to file a claim with the FDIC as well. Please review your statement for further details.

*If you have not been paid for services rendered:*

Please refer to the [Filing Claims](#) section below for more information.

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### FDIC Website – Failed Banks

[Link to FDIC Website](#)

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Please refer to the [Filing Claims](#) section below for more information.
FDIC website – Failed Bank Press Release

When a Bank Fails - Facts for Depositors, Creditors, and Borrowers

Payment to Depositors

How does the FDIC resolve a closed bank?

In the unlikely event of a bank failure, the FDIC acts quickly to protect insured depositors by arranging a sale to a healthy bank, or by paying depositors directly for their deposit accounts to the insured limit.

Purchase and Assumption Transaction. This is the preferred and most common method, under which a healthy bank assumes the insured deposits of the failed bank. Insured depositors of the failed bank immediately become depositors of the assuming bank and have access to their insured funds. The assuming bank may also purchase loans and other assets of the failed bank.

Deposit Payoff. When there is no open bank acquirer for the deposits, the FDIC will pay the depositor directly by check or to the insured balance in each account. Such payments usually begin within a few days after the bank closing.

When can I expect to receive my money?

Federal law requires the FDIC to make payments of insured deposits "as soon as possible" upon the failure of an insured institution. While every bank failure is unique, there are standard policies and procedures that the FDIC follows in making deposit insurance payments. It is the FDIC's goal to make deposit insurance payments within two business days of the failure of the insured institution.

Note: Some deposits that require supplemental documentation from the depositors, such as accounts linked to a formal written trust agreement, funds placed by a fiduciary on behalf of an owner such as a trust depot or funds placed by an administrator of an employee benefit plan may take a little longer. The timing of the completion of the deposit insurance determination is based solely on the depositor providing the documentation needed by the FDIC to determine insurance coverage.

FDIC press releases and other information are available on the Internet at www.fdic.gov, for subscription electronically (go to www.fdic.gov/deposit/whatsnew/subscribe.html) and may also be obtained through the FDIC’s Public Information Center (202-874-6513 or 703-622-2200). PR-06-2017

Last Updated 13/15/07

FDIC Federal Deposit Insurance Corporation
Each depositor insured to at least $250,000 per insured bank

Press Releases


FOR IMMEDIATE RELEASE
December 13, 2017

FDIC, Call Center
1-877-367-2378

Washington Federal Bank for Savings, Chicago, Illinois, was closed today by the Office of the Comptroller of the Currency, which then appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. To protect the depositors, the FDIC entered into a purchase and assumption agreement with Royal Savings Bank, Chicago, Illinois, to assume the insured deposits of Washington Federal Bank for Savings.

The two branches of Washington Federal Bank for Savings will reopen as branches of Royal Savings Bank during their normal business hours starting Saturdays. Depositors of the failed bank will automatically become depositors of Royal Savings Bank. Deposits assumed by Royal Savings Bank will continue to be insured by the FDIC, so there is no need for customers to change their banking relationship to retain their deposit insurance coverage.

Over the weekend, customers of Washington Federal Bank for Savings can access their money by writing checks or using ATMs or debit cards. Checks drawn on the bank will continue to be processed. Loan customers should continue to make their payments as usual.

As of September 30, 2017, Washington Federal Bank for Savings had total assets of $165.3 million and total deposits of $144.4 million, of which there were approximately $114.6 million that exceeded FDIC insurance limits. This estimate is likely to change once the FDIC obtains additional information from these customers.

Customers with accounts in excess of $250,000 should contact the FDIC toll-free at 1-877-367-2378 to set up an appointment to discuss their deposits. The phone number will be operating this evening until 9:00 p.m. CST, on Saturday from 9:00 a.m. to 8:00 p.m. CST, on Sunday from 9:00 a.m. to 6:00 p.m. CST, Monday from 8:00 a.m. to 8:00 p.m. CST, and thereafter from 8:00 a.m. to 5:00 p.m. CST. All customers who would like more information on today’s transaction can call the toll-free number or visit the FDIC’s website at https://www.fdic.gov/bank/restore/index.html.

Beginning Monday, depositors of Washington Federal Bank for Savings with more than $250,000 at the bank may visit the FDIC’s website “In My Account Fully Insured?” at https://www.fdic.gov/deposit/whatsnew/IMAFI to determine their insurance coverage.

Royal Savings Bank agreed to assume the insured deposits for a 1.25% premium. It will also purchase approximately $23.7 million of the failed bank’s assets. The FDIC will retain the remaining assets for later disposition.

The FDIC estimates that the failure will cost its Deposit Insurance Fund $55.6 million. Washington Federal Bank for Savings is the eighth bank to fail in the nation this year, and the third in Illinois. The last bank failure in Illinois was Fayette County Bank, Saint Elmo, on May 26, 2017.

Media contact:
David Barr
Office: (202) 874-4652
Cell: (703) 862-4700
dbarr@fdic.gov

Information as of September 30, 2017. Transactions expected to be completed within one business day after closure. FDIC press releases and other information are available on the Internet at www.fdic.gov, for subscription electronically (go to www.fdic.gov/deposit/whatsnew/subscribe.html) and may also be obtained through the FDIC’s Public Information Center (202-874-6513 or 703-622-2200). PR-06-2017

Press Releases
When a Bank Fails - Facts for Depositors, Creditors, and Borrowers

The Federal Deposit Insurance Corporation is an independent federal agency created in 1933 to promote public confidence and stability in the nation's banking system.

Throughout its history, the FDIC has provided bank customers with prompt access to their insured deposits whenever an FDIC-insured bank or savings association has failed.

No depositor has ever lost a penny of insured deposits since the FDIC was created in 1933.

The FDIC official sign – posted at every insured bank and savings association across the country – is a symbol of confidence for Americans.

Customers know, when they see the FDIC sign, that they will get back all of their insured deposits in the unlikely event their insured bank or savings association should fail.

What is a bank failure?
A bank failure is the closing of a bank by a federal or state banking regulatory agency. Generally, a bank is closed when it is unable to meet its obligations to depositors and others. This brochure deals with the failure of "insured banks." The term "insured bank" means a bank insured by FDIC, including banks chartered by the federal government as well as most banks chartered by the state governments. An insured bank must display an official FDIC sign at each teller window.

What is FDIC’s role in a bank failure?
In the event of a bank failure, the FDIC acts in two capacities. First, as the insurer of the bank’s deposits, the FDIC pays insurance to the depositors up to the insurance limit. Second, the FDIC, as the "Receiver" of the failed bank, assumes the task of selling/fourting the assets of the failed bank and settling its debts, including claims for deposits in excess of the insured limit.

What is the purpose of FDIC deposit insurance?
The FDIC protects depositors’ funds in the unlikely event of the financial failure of their bank or savings institution. FDIC deposit insurance covers the balance of each depositors account, dollar for dollar, up to the insurance limit, including principal and any accrued interest through the date of the insured bank’s closing.

What is the FDIC insurance amount?
The standard insurance amount is $250,000 per depositor, per insured bank, for each ownership category. This includes principal and accrued interest and applies to all deposits of an insured bank.

Deposits in separate branches of an insured bank are not separately insured. Deposits in one insured bank are insured separately from deposits in another insured bank.

Deposits maintained in different categories of legal ownership at the same bank can be separately insured. Therefore, it is possible to have deposits of more than $250,000 at one insured bank and still be fully insured. For more information on deposit insurance coverage, see the FDIC's brochure "Your Insured Deposits," which can be accessed at https://www.fdic.gov/deposit/deposits/your-insured-deposits-english.html.

Who does the FDIC insure?
Any person or entity can have FDIC insurance on a deposit. A depositor does not have to be a citizen, or even a resident of the United States. FDIC insurance only protects depositors, although some depositors may also be creditors or shareholders of an insured bank.

What does FDIC deposit insurance cover?
FDIC insurance covers deposits received at an insured bank. Types of deposit products include checking, NOW, and savings accounts, money market deposit accounts (MMDAs), and time deposits such as certificates of deposit (CDs).

What is the source of funding used by the FDIC to pay insured depositors of a failed bank?
The FDIC’s deposit insurance fund consists of premiums already paid by insured banks and interest earnings on its investment portfolio of U.S. Treasury securities. No federal or state tax revenues are involved.

How am I notified when my bank has been closed?
The FDIC notifies each depositor in writing using the depositor’s address on record with the bank. This notification is mailed immediately after the bank closes.

When the failed bank is acquired by another bank, the assuming bank also notifies the depositors. This notification usually is mailed with the first bank statement after the assumption.

Every effort also is made to inform the public through the news media, town meetings, and notices posted at the bank.

1 Note: For purposes of this brochure, we will use the word “bank” to include all FDIC-insured financial institutions.
Cadence Bank, N.A. Member FDIC

FDIC website – Failed Bank FAQ

Washington Federal Bank For Savings
Chicago, IL

The following list of responses to frequently asked questions may assist you in understanding what is happening at Washington Federal Bank for Savings.

On Friday, December 15, 2017, Washington Federal Bank for Savings, Chicago, IL, was closed by the
Office of the Comptroller of the Currency. The Federal Deposit Insurance Corporation (FDIC) was then
appointed Receiver. Subsequent to the closure, Royal Savings Bank, Chicago, IL, acquired the insured
deposits and certain assets of Washington Federal Bank for Savings from the FDIC as Receiver. All shares
of stock were owned by the holding company, which was not involved in this transaction.

YOUR INSURED DEPOSITS ARE SAFE! No one lost any insured money on deposit as a
result of the closure of this bank. The insured balance in your deposit account(s) was transferred to Royal
Savings Bank.

If you had more than $250,000 in your account(s), or if the total of your related accounts exceeded $250,000,
your accounts may require review by an FDIC Claims Agent. Please contact the FDIC Call Center at 1-877-
367-2178 to schedule an appointment with an FDIC Claims Agent.

If the total of your related deposit accounts DOES NOT exceed $250,000, you do not need
an appointment with the FDIC.

ACCESS TO YOUR MONEY: You may continue to use your checks and ATM/Debit cards,
and they will draw down the insured balance in your account. The total insured balance in your account,
including checking, savings, money market, non-CDR Certificates of Deposit, and retirement accounts,
has been transferred to Royal Savings Bank and will be available for transactions during regular business
hours at the former bank branches.

DIRECT DEPOSITS: All direct deposits, including social security checks, payroll, benefits, or any
payment you receive electronically will continue as usual.

AUTOPAYMENTS/BILL PAY/ONLINE BANKING: These services will be available in read-
only mode over the weekend and will operate as usual on Monday, December 18, 2017. Your routing
number and account number will remain the same until you are notified in writing by Royal Savings Bank.

INTEREST RATES: Interest on deposits accrued through close of business on December 15, 2017,
will be paid at your same rate, up to the insured amount. Washington Federal Bank for Savings will
be reviewed by Royal Savings Bank and may be lowered, however, you will be notified in writing of any
changes. You may withdraw funds from any transferred account that is not held, regardless of whether
your interest rate changes, without an early withdrawal penalty until you enter into a new deposit agreement
with Royal Savings Bank. This may be done by renewing your deposit or making a new deposit, or a
withdrawal from your account.

Please note: If you withdraw funds from retirement accounts, there may be tax implications.

The waiver of early withdrawal penalties on CDs does not include tax penalties imposed by the IRS on
retirement accounts. Please review IRS Publication 560-A and 560-B for information or go to www.irs.gov.

BROKERED DEPOSITS: Brokered deposits will be held, and the insured funds will be paid directly
by the FDIC. If you are a customer who has a deposit through a broker, you must contact your broker
with any questions. Please note: Insured deposits placed via the Internet through a listing service such as
QuickRate were passed to Royal Savings Bank.

TAX REPORTING – 1098 AND/OR 1099: Royal Savings Bank will be responsible for making
your 1098 tax information. Your 1099 reporting will be done by the FDIC or the servicer of your loan. You
will be notified of any changes in ownership or serving of your loan.

SAFE DEPOSIT BOXES: You may continue to access your safe deposit box during normal
business hours. Any changes will be communicated by Royal Savings Bank.

OVERDRAFT PROTECTION PLANS: These plans have been transferred to Royal Savings
Bank. Please contact Royal Savings Bank if you have additional questions regarding your accounts.

LOANS: You should continue to make your payments according to the terms of your written contract.
You may continue to make your payments at the branch office or send them to the same payment address
with checks made payable to Washington Federal Bank for Savings. You will receive a letter informing you
of the owner of your loan. Please contact your loan officer with any questions.

ESCROW PAYMENTS: All escrow services previously performed will continue. Should you receive
notification that any portion of your taxes or insurance was not paid, notify your loan officer immediately.

SHARES OF STOCK: All shares of stock were owned by the holding company, Washington
Bancshares, Inc., Chicago, IL. The holding company was not involved in the closing of the bank or the
resulting relationship. If you are a shareholder, please do not contact or file a claim with the receiver.
You must contact the holding company directly for more information.

Washington Bancshares, Inc.
3465 S. Archer Avenue
Chicago, IL 60638

CLAIMS: Please send claims to the following address:
FDIC as Receiver for Washington Federal Bank for Savings
1601 Bryan Street
Dallas, TX 75201-3430
ATTN: Claims Agent
Or by email at NovCpClaimsDd@fdic.gov

ACCOUNTS WITH BOTH BANKS – INSURANCE COVERAGE: If you have accounts in
both Washington Federal Bank for Savings and Royal Savings Bank, they will be insured separately for at
least six months following the merger of the banks. This will allow you time to restructure your accounts,
if necessary. For assistance in calculating deposit FDIC insurance, visit www.fdic.gov.

ADDITIONAL QUESTIONS: Contact the FDIC Service Center at the following number:
1-877-367-2178

FDIC CALL CENTER HOURS OF OPERATION: ALL HOURS ARE CENTRAL TIME
Friday, December 15, 2017: 8:00 a.m. – 9:00 p.m.
Saturday, December 16, 2017: 8:00 a.m. – 6:00 p.m.
Sunday, December 17, 2017: 8:00 a.m. – 4:30 p.m.
Monday, December 18, 2017: 8:00 a.m. – 4:00 p.m.

Tips: If you are being called by someone claiming to be from the FDIC, you can verify their authenticity
by calling our service number at the top of this page.

SCAMS: Be watchful for attempts to extract any claims to obtain personal information from you by
individuals or entities stating that they are acting on behalf of either the failed bank, new bank, or the FDIC.

Additional information: https://www.fdic.gov/consumer/bankfail/bankfail.html
Declaration for Government Deposit

Federal Deposit Insurance Corporation
DECLARATION FOR GOVERNMENT DEPOSIT

INSTRUCTIONS: Please type or print all information legibly and sign. See page 2 for the Paperwork Reduction Act Notice.

Financial Institution: ________________________________
Closing Date: ________________________________
Account Number: ________________________________
Customer Number: ________________________________

1. I am (we are) the official custodian(s) of the account(s) at the following financial institution (list financial institution(s) and account number(s) - we are the only legal custodian of the listed account(s)).

2. The account was owned by (check one of the following):

A. The United States of America
B. A state of the United States
C. A county
D. A municipality
E. The District of Columbia
F. The Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, Guam, or The Commonwealth of the Northern Mariana Islands, or any county or municipality thereof

G. A "political subdivision" of a public unit mentioned in (A), (B), (C), (D), or (E) above, under the FDIC's regulation, 12 C.F.R. § 330.15, a "political subdivision" is defined to include "districts, boroughs, townships, improvement districts, sanitary districts, school or power districts, and other political districts or other special districts created by state statute or compact between states." 12 C.F.R. § 330.15(c).

H. An Indian Tribe (as defined in 25 U.S.C. § 1421b(c))

3. To the best knowledge of the undersigned, the Public Unit does not have an ownership interest in any other accounts at the closed institution whether established by the official custodian or any other person, except for the accounts listed here.

4. This declaration is made to induce the Federal Deposit Insurance Corporation to pay insurance covering the deposit to the extent that the deposit is secured by insurance.

5. This declaration, under penalty of perjury, is executed pursuant to 28 U.S.C. § 1746. I (we) declare, under penalty of perjury, that the foregoing is true and correct. Executed on: ________________________________

Signature of Official Custodian: ________________________________
Signature of Official Custodian: ________________________________
Title: ________________________________
Title: ________________________________

THE PENALTY FOR KNOWINGLY MAKING OR SENDING FALSE OR COUNTERFEIT STATEMENT DOCUMENT OR FOR THE PURPOSE OF INFLUENCING OR AFFECTING THE AGENCY OF THE FEDERAL DEPOSIT INSURANCE CORPORATION IS A FINE NOT MORE THAN $10,000 OR IMPRISONMENT FOR NOT MORE THAN THIRTY YEARS, OR BOTH (18 U.S.C. § 1007).

PAPERWORK REDUCTION ACT NOTICE
The information collected is required for determination of insured deposits where a financial institution fails in accordance with the FDIC's deposit insurance regulations. Publicly reporting hidden the disclosure of information is authorized to average $200 per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Respondents are not required to respond to any collection of information unless it displays a currently valid OMB control number.

FDIC 720004 (5-14) Page 2
Deposit Insurance Coverage Resources

- Many of the FDIC’s deposit insurance resources are available on FDIC’s Deposit Insurance Coverage homepage - [www.fdic.gov/deposit](http://www.fdic.gov/deposit)


- FDIC’s toll free number 1-877-ASK-FDIC or 1-877-275-3342

- Deposit Insurance On-Line Form – [https://ask.fdic.gov/FDICDepositInsuranceForm](https://ask.fdic.gov/FDICDepositInsuranceForm)
FDIC Seminars on YouTube

➢ **Fundamentals of Deposit Insurance Coverage**
  - Discussion of the nine most common deposit insurance categories
  - Available at: [https://youtu.be/OqM4uGkFCXU](https://youtu.be/OqM4uGkFCXU)

➢ **Deposit Insurance Coverage for Revocable Trust Accounts**
  - Detailed discussion for depositors with accounts in excess of $1,250,000 and six or more beneficiaries
  - Available at: [https://youtu.be/pUYZRPPtFVo](https://youtu.be/pUYZRPPtFVo)

➢ **Advanced Topics in Deposit Insurance Coverage**
  - Health Savings Accounts
  - When Banks Merge
  - Right of Offset
  - Available at: [https://youtu.be/X3Vr7EfOG9w](https://youtu.be/X3Vr7EfOG9w)

Also available at: [www.fdic.gov/deposit/seminars.html](http://www.fdic.gov/deposit/seminars.html)
Best Practices to Minimize Fraud

Best Practices to Minimize Fraud

Cadence Bank wants to assist you in safeguarding your business financial transactions and recommends that you consider these best practices. As fraud continues to threaten businesses of all sizes, staying informed about the various ways to protect your company’s assets is an important, ongoing effort.

Steps to minimize online fraud:

- Social Media
- Mobile Devices
- Cloud Computing
Best Practices to Minimize Fraud

- Develop a social media policy to help regulate employee access and to establish what your business considers appropriate behavior. Require employees to learn and incorporate maximum privacy settings and even request that they leave their employment status blank on their social media profile. Key provisions in your policy should include risk tolerance and acceptable use, effective issue escalation/crisis management, and centralized risk and use control management.

- Ensure all managers and IT personnel responsible for managing technology are fully informed about the security risks and set good leadership examples.

- Protect your passwords. Since most companies' social media accounts are managed by more than one person, make sure employees use strong, unique passwords and never share them or write them down.

- Apply your existing security policies to mobile devices, and communicate and enforce these policies regularly. Employees should clearly understand the potential risks.

- Set your devices to automatically delete all content after a set number of failed login attempts, or invest in tools to automatically wipe any network device that has been reported lost or stolen.

- Restrict mobile devices to domestic use only. If employees are traveling overseas, issue them a temporary device with minimal data.

- Use a whole-disk encryption program to safeguard against unauthorized access of data on your laptop or notebook computer.

- Establish a “whitelist” of approved applications for all employee-issued mobile devices to prevent third party applications from remotely monitoring devices for passwords, account numbers and personal data.

- Choose a cloud provider according to your business needs and require a detailed service contract agreement.

- Know where the cloud components and your data will be housed and the data protection laws for your jurisdiction(s).

- Apply your business standards to service providers, and remember that you can outsource functions, but not risks.

- Be vigilant about employee access privileges and develop good policies around passwords—how they are created, protected, and changed.

- Ask the cloud provider for an independent security audit and the last date one was conducted. If frequent independent security audits are not made, seek an independent security audit of the cloud provider if feasible.

- Identify any third parties with which the company deals and whether they will have access to your data/devices for passwords, account numbers and personal data.
## Best Practices to Minimize Fraud

<table>
<thead>
<tr>
<th>Technical</th>
<th>Operational</th>
<th>Administrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Download and install Trusteer Rapport™ protection on all your personal computers—download available at cadencebank.com.</td>
<td>- Protect your company by verifying any payment request received by email.</td>
<td>- Create an employee Internet policy and audit often.</td>
</tr>
<tr>
<td>- Apply operating system and application updates [patches] regularly.</td>
<td>- Reconcile bank accounts in a timely manner; daily if possible.</td>
<td>- Implement employee awareness training for red flags and set up immediate notifications from your banking partners.</td>
</tr>
<tr>
<td>- Ensure that anti-virus/spyware software is installed, functional and updated with the most current version.</td>
<td>- Use a dedicated computer for financial transactional activity. Do NOT use this computer for general web browsing and email.</td>
<td>- Utilize Positive Pay and ACH Positive Pay offered by Cadence Bank.</td>
</tr>
<tr>
<td>- Have host-based firewall software and network monitoring tools installed on computers.</td>
<td>- Protect and frequently change your passcodes and other online access credentials.</td>
<td>- Use credit cards for payments.</td>
</tr>
<tr>
<td>- Use latest versions of Internet browsers, such as Explorer, Firefox or Google Chrome with &quot;pop-up&quot; blockers, and keep patches up to date.</td>
<td>- Require a minimum of two individuals to originate and approve electronic funds transfers.</td>
<td>- Review and strengthen internal procedures and controls as appropriate.</td>
</tr>
<tr>
<td>- Turn off your computer when not in use.</td>
<td>- Release ACH batches and wire transfers by using the security token provided by Cadence Bank.</td>
<td>- Ensure that disaster recovery plans include the ability to continue with strong controls.</td>
</tr>
<tr>
<td></td>
<td>- Review your banking transactions and your credit report regularly.</td>
<td>- Restrict network access for payments to only company-issued laptops and mobile devices for emergencies only.</td>
</tr>
</tbody>
</table>
Best Practices to Minimize Fraud

**HIGHLIGHTS of 2018 Survey Results**

Fraud can have a substantial impact on a business, no matter what size. That's why at Cadence Bank, we offer products and services developed for our business clients to help lower their risk of becoming a victim. Below are results from a 2017 survey on fraud conducted by the Association for Financial Professionals:

- **77%** of organizations experienced fraud via Business Email Compromise (BEC)
- **28%** were subject to ACH debit fraud and **13%** were subject to ACH credit fraud
- **74%** of organizations experienced check fraud

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>60%</td>
<td>62%</td>
<td>73%</td>
<td>74%</td>
<td>78%</td>
</tr>
</tbody>
</table>

* Source: 2018 AFP® Payments Fraud and Control Survey, Association for Financial Professionals

www.cadencebank.com

Rev. 5.01.18
Treasury Management Services & Tools

Receivable Management:
- Lockbox – Retail & Wholesale:
  - Remote Lockbox
  - eLockbox
  - Corrective Workstation
  - Match File Process
  - Data Transmission
- ACH
- Wires
- EDI
- Remote Capture
- Return Items
- Merchant Services
- Vault

Payable & Risk Management:
- Account Reconciliation
  - ACH
- Cards – Payroll, Pcard, Corp Card
- Control Disbursement Account
- Electronic Bill Presentment
- Fraud Prevention:
  - Positive Pay
  - ACH Positive Pay
- Multifactor Authentication
- Outsourced Payables
- Payables Lockbox
- Wires
- Zero Balance Account

Liquidity Management:
- Loan Sweeps
- Investment Sweeps:
  - ICS Demand
  - Fidelity
  - Dreyfus
- Combination Sweeps
- Self Directed Investments
- CDARS

Information Management:
- Information Reporting
- Integrated Reporting
- MultiBank Reporting
  - Online Reports
  - BAI Files
- Electronic Bank Statements
- Alert Notification
- Administration Rights
- Data Archive
What to expect from our session – **Use your checklist and your resources**

### Preparing for your RFP
- Advance preparation – target respondents
- What’s important to your organization and how do you communicate it in your RFP
- Prioritize requirements and weight value
- How much time to you give respondents may determine the quality of responses you receive
- Evaluation criteria
- Comparing responses, all things are not created equal

### Managing deposit relationships
- Prudent risk control
- Options for pledge requirements monitoring, tracking & fluctuation
- Financial strength of the bank
- Frequency of financial review and where to find data points
- Using the Texas Ratio
  - Divide nonperforming assets by tangible common equity and loan loss reserves

### What I should know about FDIC
- Deposit coverage
- Accounts held in an in-state and out-of-state bank
- Deposit Insurance for accounts held by Government Depositors
- Declaration for Government deposit
- FDIC Resource education

### Red Flags to watch
- Check the Federal Financial Institutions examination Council website:
  - https://www.ffcie.gov/
- Monitor Bankrate website for Safe & Sound Bank ratings
  - Bankrate.com
  - BauerFinancial.com
- Watch the news and read news published
- Paying above market deposit rates
- Bank earnings and low loan losses

### Trusted Advisor & Education
- Do your homework upfront and chose a bank that will be your partner:
  - Open communication
  - Continued education
  - Creative collaboration on technology, integration & tracking
  - Strategic planning based on your initiatives & objectives
  - Financial strength
Questions

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