

## Regulators Close Two More Banks Totaling Nine in 2012

February 13, 2012

**SCB Bank** (Docket Number: 4044), a thrift based in Shelbyville, Indiana, was closed by the Office of the Comptroller of the Currency on February 10, 2012. The bank had been rated “E” for six consecutive quarters and appeared on the *Institutions of Concern* list throughout the 2011 rating period. The failed thrift ranked in the bottom percentile of all thrifts for capital adequacy in the second and third quarters of 2011 and did not fare much better in the prior quarters. SCB Bank’s Tier 1 and tangible capital ratios stood at 4.14% and 2.77%, respectively. The institution recorded a 49% decline in equity capital in the first quarter of 2011, followed by declines of 26% and 27% in the subsequent quarters. Nonperforming assets, which totaled \$16.60 million, comprised 199.20% of remaining equity capital plus reserves and 8.28% of total assets. In other words, nonaccruing loans exceeded accruing loans by nearly eight to one. Liquidity was another area of weakness for SCB Bank: deposits were 40.24% comprised of brokered deposits and the thrift reported a high loans to assets ratio of 71.74%. SCB Bank posted a third quarter net loss of \$1.9 million and a cumulative loss of \$3.61 million for the first nine months of 2011, resulting in an annualized return on assets of negative 2.40%. **First Merchants Bank, National Association** (rating “B”, FDIC Certificate Number: 4365), based in Muncie, Indiana, assumed SCB Bank’s deposits.

**Charter National Bank and Trust** (FDIC Certificate Number: 23187) based in Hoffman Estates, Illinois, was closed on February 10, 2012. The bank had \$98.41 million in assets and retained an “E” rating since the September 2009 rating period. The bank was closed due to weak asset quality, net losses, and poor capital adequacy. The bank reported nonperforming assets equal to 265.66% of total equity plus reserves and 17.59% of total assets in the third quarter of 2011, both steadily increasing over the past several quarters. Additionally, reserves covered just 15.03% of NPAs. Charter National Bank and Trust posted a net loss in the third quarter of 2011 of \$340,000, resulting in a cumulative annualized return on assets (ROA) of negative 1.61% and a cumulative net loss of \$1.19 million. Moreover, the bank’s capital ratios steadily declined over the last three quarters with the leverage capital ratio equaling 3.37% in the third quarter of 2011. All deposits of Charter National Bank and Trust have been transferred to **Barrington Bank & Trust Company, National Association** (rating “C+”, FDIC Certificate Number: 34395), a bank based in Barrington, Illinois.

### 3Q11 Financial Summary

Name	City	State	Total Assets (\$Mil)	Brokered Dep. / Deposits (%)	Net Loans / Assets (%)	NPAs / Capital (%)	(Cap. - Intang. Asts) / Assets (%)	NIM (%)	ROA (%)	1Q11 Rating	2Q11 Rating	3Q11 Rating
SCB Bank	Shelbyville	IN	200.41	40.24	71.74	199.20	2.77	2.59	(2.40)	E	E	E
Charter National Bank and Trust	Hoffman Estates	IL	98.41	0.00	66.10	265.66	4.07	4.13	(1.61)	E	E	E

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