

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

WYOMING DIVISION OF BANKING

CHEYENNE, WYOMING

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In the Matter of: )  
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STATE BANK )  
GREEN RIVER, WYOMING )

(INSURED STATE NONMEMBER BANK) )  
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CONSENT ORDER

FDIC-19-0048b

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for State Bank, Green River, Wyoming (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q)(3). The Wyoming Division of Banking (“WDB”) is the appropriate State banking agency for the Bank under Wyoming Statute § 13-10-202(b).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated May 2, 2019, that is accepted by the FDIC and the WDB. With the Stipulation, the Bank has consented, without admitting or denying any violations of law or charges of unsafe or unsound banking practices relating to capital adequacy, management, earnings, credit administration, liquidity and information technology, to the issuance of this Consent Order (“Order”) by the FDIC and the WDB pursuant to Section 8(b)(1) of the FDI Act, and Wyoming Statutes §§ 13-10-202(b) and 13-10-203(a).

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act and Wyoming Statute § 13-10-203(a) have been satisfied, the FDIC and the WDB hereby order that:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The Board shall provide appropriate written authority to each member of management listed below to implement the provisions of this Order. Management shall include the following:

(i) a chief executive officer with proven ability in managing a bank of comparable size and risk profile;

(ii) a cashier or chief financial officer with proven ability in all aspects of financial management; and

(iii) a senior lending officer with significant lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this Order;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition,

including asset quality, capital adequacy, earnings, management effectiveness, liquidity, information technology and sensitivity to market risk.

(c) During the life of this Order, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the

Wyoming Division of Banking ("Commissioner") in writing, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100–303.104, and any requirement of the WDB for prior notification and approval.

2. (a) Throughout the life of this Order, the Bank shall maintain its Tier 1 capital in such an amount to ensure that the Bank's leverage ratio equals or exceeds 10 percent.

(b) The level of capital to be maintained during the life of this Order shall be in addition to a fully funded allowance for loan and lease losses (ALLL), the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(c) For the purposes of this Order, all terms relating to capital shall have the meanings and be calculated in accordance with the applicable FDIC's Rules and Regulations concerning Capital Adequacy/Capital Maintenance at 12 C.F.R. Part 324, and the Bank shall comply with all applicable regulatory guidance on capital.

3. The Bank shall not pay cash dividends or make any other payments to its shareholders without the prior written consent of the Regional Director and the Commissioner.

4. Within 90 days from the effective date of this Order, and within the first 30 days of each calendar year thereafter, the board of directors shall develop, adopt, and fully implement a written Profit Plan consisting of goals and strategies, consistent with sound banking practices,

and taking into account the Institution's other written plans, policies, or other actions as required by this Order. The Profit Plan and any subsequent modification thereto shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. The Profit Plan shall include, at a minimum:

- (a) identification of the major areas and means by which the board of directors will seek to improve the Bank's operating performance;
- (b) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings, as well as maintain adequate provisions to the allowance for loan and lease losses;
- (c) realistic and comprehensive budgets for all categories of income and expense items;
- (d) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;
- (e) coordination of the Bank's loan, investment, funds management, and operating policies; strategic plan; and allowance for loan and lease loss methodology with the Profit Plan;
- (f) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly; and record the results of the evaluation and any actions the Bank takes in the minutes of the Board meeting at which such evaluation is undertaken; and
- (g) individual(s) responsible for implementing each of the goals and strategies of the Profit Plan.

5. Within 90 days from the effective date of this Order, the Bank shall develop, adopt, and implement an Audit Program acceptable to the Regional Director and Commissioner that at a minimum includes an audit risk assessment, an audit schedule, an audit plan, and the role and responsibilities of the audit committee. The audit committee shall ensure that timely audits are completed according to the results of the risk assessment, audit schedule and audit plan. Any deviations from the audit schedule or audit plan shall be presented to the audit committee for review and approval. The audit committee shall track and report all audit exceptions and recommendations to the Board until final resolution.

6. Within 90 days from the effective date of this Order, the Bank shall correct all credit underwriting and administration weaknesses outlined in the Report of Examination dated November 5, 2018 (ROE), including weaknesses pertaining to loan file technical exceptions. The Bank shall ensure that appropriate credit analysis is performed on all loans prior to an extension or renewal, and ensure that the carrying values of Other Real Estate Owned properties are accurate and supported, including assumptions regarding costs-to-sell. The Bank shall also ensure that all adversely classified loans have documented and current action plans in place, including documentation showing current collection efforts. The Bank shall also enhance the loan policy to include loan collection and workout procedures for troubled loans as well as procedures for identifying and managing troubled debt restructures.

7. The Bank shall make an immediate provision of \$42,000 to replenish the ALLL as documented in the ROE. In addition, the bank shall enhance the ALLL methodology and practices by implementing the following procedures:

(a) the environmental factor for changes in lending staff and experience shall be updated to reflect the current environment;



(b) the ALLL recommendations from the most recent external loan review;  
and

(c) the impairment sheets shall be updated quarterly.

8. Within 90 days from the effective date of this Order, management shall improve liquidity risk management practices by:

(a) developing stress testing scenarios that include both bank-specific and market-wide stress events;

(b) developing assessments of prospective cash flow or sources and uses of funds that are commensurate with the bank's activities; and

(c) ensuring all contingency funding/borrowing lines are periodically tested.

9. Within 90 days from the effective date of this Order, the Bank shall improve interest rate risk management practices by resuming interest rate stress testing to identify the exposure to earnings and capital from changes in interest rates. These risk management practices shall include back-testing, model validation, and an independent review of the overall interest rate risk management program. The Bank shall enhance the Asset Liability Management Policy by including key interest rate risk measures and appropriate risk limits, which shall include acceptable changes in Economic Value of Equity and Earnings-at-Risk measurements for each of plus/minus 100, 200, 300 and 400 basis-point interest rate scenarios.

10. Within 120 days from the effective date of this Order, the Bank shall eliminate and/or correct all violations of law cited in the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

11. Within 60 days from the effective date of this Order, the Bank shall develop a plan to retain IT management and staffing levels acceptable to the Regional Director and

Commissioner. Such management shall include qualified IT staff or co-sourced resources to restore the Bank's IT operations to a satisfactory condition.

12. Within 60 days from the date of this Order, the Bank shall ensure that individuals performing IT system administrative activities do not perform conflicting duties in the bank. If full separation of duties cannot be achieved due to staffing limitations, the Bank shall implement rigorous independent monitoring of system administrative activities on the core system and network.

13. Within 120 days from the date of this Order, the Bank shall develop a business impact analysis and test the disaster recovery and business continuity plan. The Bank shall provide the results of this test to the Board for review.

14. Within 120 days from the date of this Order, the Bank shall review all vulnerabilities identified in the 2017 vulnerability assessment, and either remediate or accept the risk posed by those vulnerabilities.

15. Within 60 days from the date of this Order, the Bank shall ensure that backup connections to the Internet from the internal network are fully protected using a firewall.

16. Within 180 days from the date of this Order, the Bank shall update the IT Risk Assessment to:

(a) identify internal and external threats that could result in unauthorized access to customer information, and address the likelihood and potential harm; and

(b) document a determination of the quality of controls listed in the Risk Assessment.

17. Within 90 days from the date of this Order, the Bank shall document an assessment of the adequacy of the institution's cyber preparedness, including risk identification

processes and mitigating controls. The Bank shall report the results of the assessment to the Board.

18. Within 90 days from the date of this Order, the Bank shall ensure that all bank employees receive annual training for information security awareness, cybersecurity awareness, and identity theft red flags.

19. Within 120 days from the date of this Order, the Bank shall correct all information technology weaknesses that are documented in the ROE but not specifically addressed in the provisions of this Order.

20. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. The Bank may discontinue such reports when the Bank has accomplished the corrections required by this Order, and the Regional Director and the Commissioner release the Bank in writing from making further reports.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the WDB, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the WDB.

The provisions of this Order are binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain effective and enforceable except to the extent



that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC and the WDB.

Issued pursuant to delegated authority.

Dated this 3<sup>rd</sup> day of May, 2019.

/s/

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Paul P. Worthing  
Deputy Regional Director  
Division of Risk Management Supervision  
San Francisco Region  
Federal Deposit Insurance Corporation

/s/

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Albert L. Forkner  
Commissioner  
Wyoming Division of Banking