

OFFICE OF THRIFT SUPERVISION

Receivership of a Federal Savings Association

Date: April 24, 2009
Order No.: 2009-25
OTS Docket No. 17496

The Acting Director of the Office of Thrift Supervision (OTS), or his designee, in cooperation with the Federal Deposit Insurance Corporation (FDIC), has determined to appoint the FDIC as receiver of First Bank of Idaho, FSB, Ketchum, Idaho (Savings Bank).

GROUND FOR APPOINTMENT OF FDIC AS RECEIVER FOR THE SAVINGS BANK

The Acting Director, or his designee, based upon the administrative record, finds and determines the following:

- (i) The Savings Bank is in an unsafe and unsound condition to transact business;
- (ii) The Savings Bank is likely to be unable to pay its obligations or meet its depositors' demands in the normal course of business; and
- (iii) The Savings Bank has consented to the appointment of a conservator or receiver.

The Savings Bank is a federally chartered stock savings bank, the accounts of which are insured by the Deposit Insurance Fund (DIF). The Savings Bank has its home office in Ketchum, Idaho. As of December 31, 2008, the Savings Bank reported approximately \$488.87 million in assets, \$450.34 million in liabilities, and a net loss for the twelve months ended December 31, 2008, of approximately \$4.2 million. At December 31, 2008, the Savings Bank reported core and total risk-based capital of 7.39 percent, and 9.55 percent, respectively. The Savings Bank is wholly owned by Sun Valley Bancorp (Holding Company).

DISCUSSION OF GROUNDS FOR APPOINTMENT OF A RECEIVER FOR THE SAVINGS BANK

Section 5(d)(2)(A) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(d)(2)(A), provides that OTS may appoint a receiver for any insured savings association if OTS determines that one or more grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1821(c)(5), exist.

Unsafe and Unsound Condition

Under section 11(c)(5)(C) of the FDIA, OTS may appoint a receiver if a savings association is in an unsafe and unsound condition to transact business. The Savings Bank is in an unsafe and unsound condition as a result of its severe liquidity strain, deteriorating asset quality, and negative operating earnings with no realistic prospects for raising sufficient capital. The various matters are summarized below.

The Savings Bank's asset quality and earnings significantly declined over the last year. In the last six months of 2008, non-performing assets increased from 1.83 percent to 4.89 percent of total assets and adversely classified assets increased from 3.00 percent to 5.95 percent of total assets. The ratio of classified assets to core capital plus loan allowances increased to 66.65 percent at December 31, 2008, more than doubling from 29.53 percent at June 30, 2008. The Savings Bank's declining asset quality has materially affected its earnings. The Savings Bank reported a net loss total of \$4.2 million for 2008, compared with \$5.2 million net earnings in each of the two prior years.

The Savings Bank's capital declined from well capitalized to adequately capitalized when it corrected its December 31, 2008 Thrift Financial Report in March 2009. As a result of the Savings Bank being only adequately capitalized, it cannot accept or roll over brokered deposits without the FDIC granting a waiver of the brokered deposit restrictions. The Savings Bank has requested that the FDIC provide such a waiver but no waiver has been granted. The Savings Bank requires \$6 million to pay off maturing brokered deposits in the period ending May 10, 2009, and substantially more to repay such deposits over the next year.

Moreover, since April 9, 2009, the Savings Bank has experienced withdrawals averaging \$2.7 million of net deposits per business day, with a high outflow of \$5.5 million on April 20, 2009. This net outflow of deposits has strained the Savings Bank's liquidity. The Savings Bank does not have sufficient liquid assets or borrowing capacity to ensure that it can meet all its needs.

The Savings Bank has limited borrowing capacity from the Federal Reserve Bank of San Francisco (FRB-SF) and the Federal Home Loan Bank of Seattle (FHLB). On April 22, 2009 management of the Savings Bank projected that by April 24, 2009 the Savings Bank will have needed to borrow from the FRB-SF and the FHLB nearly all of the amount that those entities would be willing to lend to the Savings Bank. The Savings Bank has estimated that by April 24, 2009, it would be able to borrow \$102.9 million, or only \$800 thousand more than what it would need to maintain a \$10 million minimum cash balance to start the next business day. Assuming continued deposit runoffs and no additional borrowing capacity, the Savings Bank projects that it will run out of cash on April 30, 2009.

Therefore, OTS concludes that the Savings Bank is in an unsafe and unsound condition as a result of its severe liquidity strain, deteriorating asset quality, and negative operating earnings with no realistic prospects for raising capital quickly enough to ensure that it can repay

all of its liabilities, including deposits. Therefore, the Acting Director, or his designee, concludes that the Savings Bank is in an unsafe and unsound condition to transact business.

Inability to Pay Obligations or Meet Depositors' Demands

Under section 11(c)(5)(F) of the FDIA, OTS may appoint a receiver for a savings association if it is likely to be unable to pay its obligations or meet its depositors' demands in the normal course of business. As discussed above, the Savings Bank has projected insignificant cash to meet its obligations by April 30, 2009.

The Acting Director, or his designee, concludes that the Savings Bank is likely to be unable to pay its obligations or meet its depositors' demands in the normal course of business.

Consent

Under section 11(c)(5)(I) of the FDIA, a resolution by the board of directors consenting to the appointment of a conservator or receiver provides sufficient grounds for such an appointment. The board of directors of the Savings Bank, by resolution dated April 10, 2009, consented to the appointment of a conservator or receiver by the Acting Director and the Savings Bank entered into the stipulation and consent agreement with OTS for the appointment of a receiver.

The Acting Director, or his designee, concludes that the Savings Bank has consented to the appointment of a receiver.

The Acting Director, or his designee, therefore, has determined that grounds for the appointment for a receiver for the Savings Bank exist under section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), and sections 11(c)(5)(C), (F), and (I) of the FDIA, 12 U.S.C. §§ 1821(c)(5)(C), (F), and (I).

ACTIONS ORDERED OR APPROVED

Appointment of a Receiver

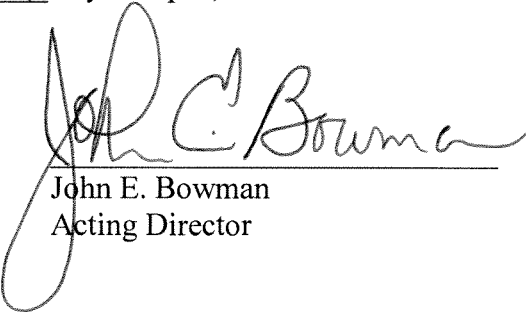
The Acting Director, or his designee, hereby appoints the FDIC as receiver for the Savings Bank, for the purpose of liquidation, pursuant to section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), and section 11(c)(6)(B) of the FDIA, 12 U.S.C. § 1821(c)(6)(B).

DELEGATION OF AUTHORITY TO ACT FOR OTS

The Acting Director, or his designee, hereby authorizes the OTS Western Regional Director, or his designee, and the Deputy Chief Counsel for the Business Transactions Division of the Chief Counsel's Office, or his designee, to: (1) certify orders; (2) sign, execute, attest or certify other documents of OTS issued or authorized by this Order; (3) designate the person or entity that will give notice of the appointment of a receiver for the Savings Bank and serve the

Savings Bank with a copy of this Order pursuant to 12 C.F.R. § 558.2; and (4) perform such other actions of OTS necessary or appropriate for the implementation of such Order. All documents to be issued under the authority of this Order must be first approved, in form and content, by the Chief Counsel's Office. In addition, the Acting Director, or his designee, hereby authorizes the Deputy Chief Counsel for the Business Transactions Division, or his designee, to make any subsequent technical corrections, that might be necessary, to this Order, or any documents issued under the authority of this Order.

By Order of the Acting Director of OTS, or his designee, effective immediately upon service of this Order on the Savings Bank, this ~~24th~~ day of April, 2009.



John E. Bowman
Acting Director