

VERIBANC'S TRACK RECORD

The accuracy of VERIBANC's rating system is unmatched by any other company in the country. As an example of VERIBANC's track record, the last seventeen years of bank failures and the associated ratings provided to clients are presented below. VERIBANC provides exact data on the accuracy of past ratings. No other bank rating service or credit risk rating agency tells you *exactly* how accurate their ratings are. Some bank raters selectively tell you about their successes.

VERIBANC believes that you should have enough information so that you can make up your own mind as to which bank to use -- and which bank rating firm to use. The ratings in the table that follows are the ones which were being furnished to VERIBANC's customers before, and at the time, each bank failed. There are eight rating categories in VERIBANC's system.

Please note that we do not claim to be perfect, just optimally tuned. Our rating system is unique in that we do not "conservatively adjust" our criteria so that a large part (30 percent or higher) of the banking industry winds up in our lower rating categories - so as to improve or inflate our predictive results. Instead we balance predictability of bank failure with false alarms, so we can provide our customers with true value. There is not much value in a rating system if over 30 percent of the industry has a lower rating - that is just not consistent with the average number of failures since 1991. Interestingly, please note that over 80 percent of the industry received our highest rating of Green with Three Stars from 1991 through 2007. Our current ratings effectiveness rate is over 99 percent, while our false alarm rate is just under 20 percent. Ask our competition what their ratings effectiveness rate and false alarm rates are.

Average Number of Banks in Each Color and Star Classification With Failure Rates† Between 1991 and 2007

Color Code and Star Rating	Average No. of Banks in Category	Average Percentage of Banks in each Category	Annualized Failure Rate as a Percentage	per 10,000 Banks/year
Green ***	7,770	80.88	0.003	1
Green **	883	9.20	0.007	3
Green *	198	2.06	0.052	21
Green, none	6	0.07	0.233	93 #
Yellow **	593	6.18	0.019	8
Yellow *	90	0.93	0.246	98
Yellow, none	21	0.22	1.347	539
Red, none	45	0.47	8.671	3469

Statistical Variance due to small sample during the epoch

Note that the combinations Yellow***, Red***, Red**, and Red* are not used.