



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF THE FIRST NATIONAL BANK OF PRAIRIE CITY, PRAIRIE CITY, IOWA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of The First National Bank of Prairie City, Prairie City, Iowa, by Security Bank, Marshalltown, Iowa.

The failed bank's only office will reopen on Friday, July 25, 1986, as a branch of Security Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The First National Bank of Prairie City, with total assets of \$18.9 million, was closed on Thursday, July 24, 1986, by Robert J. Herrmann, Deputy Comptroller of the Currency, and the FDIC was named receiver. Mr. Herrmann said: "Over the last few years the bank experienced substantial deterioration in the quality of its loan portfolio due to poor lending practices by prior management and sustained adverse economic conditions."

Security Bank will assume about \$18.3 million in 4,900 deposit accounts and has agreed to pay the FDIC a purchase premium of \$102,000. It also will purchase certain of the failed bank's loans and other assets for \$11.6 million. To facilitate the transaction, the FDIC will advance \$6.9 million to the assuming bank and will retain assets of the failed bank with a book value of about \$7.3 million.

The Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the FDIC. The Board made such a finding in this case because of the premium paid by Security Bank.

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The FDIC will recover a portion of its outlay through the liquidation of assets not transferred to the assuming bank. In this respect, the FDIC notes that its claim will have priority over the claims of shareholders of the closed bank.

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