



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF STATE BANK OF FROST, FROST, MINNESOTA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of State Bank of Frost, Frost, Minnesota, by Frost State Bank, a newly-chartered state nonmember bank.

The failed bank's only office will reopen on Monday, December 23, 1985, as Frost State Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

State Bank of Frost was closed on Friday, December 20, 1985, by James G. Miller, Minnesota Deputy Commissioner of Commerce, and the FDIC was named receiver. Mr. Miller said: "The bank failed because of an unusually high percentage of poor quality loans and the recent loss of depositor confidence. The seriousness of the problem was compounded by withdrawals in excess of \$1 million by depositors over the past 30 days."

Frost State Bank will assume about \$6.2 million in 1,300 deposit accounts and has agreed to pay the FDIC a purchase premium of \$34,101. It also will purchase certain of the failed bank's loans and other assets for \$5.0 million. To facilitate the transaction, the FDIC will advance \$1.7 million to the assuming bank and will retain assets of the failed bank with a book value of about \$2.3 million. Total assets of the failed bank amounted to \$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 Frost State Bank.

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The FDIC expects to recover a substantial 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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