



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF FIRST NATIONAL
BANK OF PRIOR LAKE, PRIOR LAKE, MINNESOTA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of First National Bank of Prior Lake, Prior Lake, Minnesota, have been assumed by First National Bank of Shakopee, Shakopee, Minnesota. The failed bank's sole office will reopen on Friday, May 25, as a branch and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

First National Bank of Prior Lake was closed on May 24 by Senior Deputy Comptroller Michael A. Mancusi, and the FDIC was named receiver. Mr. Mancusi said: "The bank recently experienced a substantial deterioration in the quality of its loan portfolio. The bank was unable to remedy its loan portfolio problems and losses finally exhausted the bank's capital funds, resulting in its insolvency."

In addition to assuming about \$13.4 million in 2,500 deposit accounts, including \$2.5 million in brokered deposits in 25 accounts, First National Bank of Shakopee has agreed to pay the FDIC a purchase premium of \$780,000. The assuming bank will purchase the failed bank's installment loans, securities and certain other assets. To facilitate the transaction, the FDIC will advance cash amounting to \$7.9 million to the assuming bank and will retain assets of the failed bank with a book value of approximately \$9.5 million.

The FDIC 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 of Directors made such a finding in this case because of the premium paid by First National Bank of Shakopee. The FDIC expects to recover a substantial

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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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