



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-81-83 (10-14-83)

FDIC ANNOUNCES DEPOSIT ASSUMPTION OF FIRST NATIONAL BANK OF MIDLAND

The Board of Directors of the Federal Deposit Insurance Corporation announced today that the deposit liabilities of First National Bank of Midland, Midland, Texas, have been assumed by RepublicBank First National Midland, Midland, Texas, a newly-chartered subsidiary of RepublicBank Corporation, Dallas, Texas. First National's sole office will reopen Monday, October 17, as RepublicBank and its depositors automatically will become depositors of RepublicBank.

The acquisition of First National by RepublicBank followed a competitive bidding process which included both in-state and out-of-state potential acquirers. The transaction was approved by the FDIC Board pursuant to a provision of the Garn-St Germain Depository Institutions Act of 1982 which authorizes the FDIC to solicit bids from out-of-state banking organizations in cases involving failed banks with \$500 million or more in assets.

First National was declared insolvent and closed on October 14, 1983, by Acting Comptroller of the Currency H. Joe Selby due to the bank's inability to meet depositor demand. The Comptroller's Office noted that the bank had experienced severe operating losses over the past 16 months, attributable to substantial losses on energy related loans. Widespread publicity on the bank's losses eroded public confidence in the bank, its deposit and funding sources withdrew, and First National became unable to locate liquidity sources to meet its obligations as they matured.

The deposit assumption was made possible with assistance from the FDIC and avoids the necessity for a payoff of the estimated 76,400 accounts in the

- more -

failed bank. It also prevents possible financial loss to the owners of deposits that exceed the statutory insurance limit of \$100,000.

In addition to assuming about \$622 million in deposits and other liabilities, RepublicBank has agreed to pay the FDIC a purchase premium of \$51.1 million. The assuming bank will purchase the failed bank's securities, installment loans and certain other assets. To facilitate the transaction, the FDIC will advance \$302 million in cash to the assuming bank and will assume First National's debt of \$664 million to the Federal Reserve Bank of Dallas. In addition, the FDIC will retain assets of the failed bank with a book value of approximately \$1.2 billion.

The FDIC approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential cost to the FDIC. The Board of Directors made such a finding in this case because of the premium paid by RepublicBank. The FDIC expects to recover a substantial portion of its outlay, including a \$100 million subordinated note purchased from First National, by liquidating assets not transferred to the assuming bank. In this respect, the FDIC notes that its claim will have priority over the claims of the shareholders of the closed bank.

#