

Joint Release

Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

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The OCC Closes Peoples National Bank of Commerce, Miami
FDIC Approves the Assumption of All of the Bank's Deposits

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency (OCC) closed Peoples National Bank of Commerce, Miami, Florida, at 6:00 p.m. today and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. The FDIC entered into an agreement with Boston Bank of Commerce, a minority-owned bank based in Boston, Massachusetts, to assume all the failed bank's deposits and essentially all its assets.

The OCC used its authority under the FDIC Improvement Act of 1991 when it found that Peoples National Bank of Commerce was critically undercapitalized -- that is, its tangible equity capital was less than 2 percent of its total assets. It was also determined to be in an unsafe and unsound condition to transact business. The bank suffered from poor lending practices, improper record keeping and accounting, and ineffective board and management supervision. As a result, it incurred losses that depleted substantially all of its capital. In light of these findings, the OCC determined that closure and the appointment of the FDIC as receiver were necessary to protect the interests of the bank's insured depositors.

Peoples National Bank of Commerce received a national bank charter on February 3, 1960. As of June 30, 1999, the failed bank had total assets of \$37.6 million and total deposits of \$36.1 million. Although it had been a troubled institution in the past, its recent problems started when the Board of Directors embarked on an ambitious growth program. In 1995, the bank began purchasing indirect, sub-prime automobile paper. In 1996, it acquired Jefferson Bank of Broward County, which doubled Peoples' asset size. The bank's management and its infrastructure were ill equipped to handle this rapid growth. Several years of heavy losses and high personnel turnover left the bank critically undercapitalized and in very weak condition.

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Peoples National's two former offices will reopen as branches of Boston Bank of Commerce on Monday. Depositors of the failed institution will automatically become depositors of Boston Bank of Commerce. As part of the transaction, Boston Bank of Commerce purchased \$34.0 million of the failed bank's assets at a discount of \$1.8 million. The FDIC as receiver will retain the remaining \$3.6 million in assets for later disposition.

The FDIC estimates the cost of this transaction to the Bank Insurance Fund (BIF) will be approximately \$2.2 million.

Peoples National is the fifth FDIC-insured bank failure in the U.S. this year and the first in Florida since National City Bank, Coral Springs, was closed on February 21, 1992.

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 10,390 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed.

The OCC charters, regulates and examines approximately 2,400 national banks and 60 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.