



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF FARMERS STATE BANK, KANAWHA, IOWA

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assumption of the deposit liabilities of Farmers State Bank, Kanawha, Iowa, by The First National Bank of Clarion, Clarion, Iowa.

The failed bank's sole office will reopen on Friday, July 31, 1987, as a branch of The First National Bank of Clarion and its depositors automatically will become depositors of the assuming bank.

Farmers State Bank, with total assets of \$15.4 million, was closed on Thursday, July 30, 1987, by William R. Bernau, Iowa Superintendent of Banking, and the FDIC was named receiver.

The First National Bank of Clarion will assume about \$14.3 million in 2,900 deposit accounts and has agreed to pay the FDIC a purchase premium of \$226,200. It also will purchase certain of the failed bank's assets for \$4.4 million. To facilitate the transaction, the FDIC will advance about \$10.2 million to the assuming bank and will retain assets of the failed bank with a book value of about \$11.0 million. The First National Bank of Clarion will have an option to purchase any of the assets retained by the FDIC. The exercise of this option is expected to reduce the FDIC's net cash outlay.

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 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 nondepositor creditors and shareholders of the closed bank.

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