



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC GRANTS ASSISTANCE TO PREVENT FAILURE OF THE PEOPLES STATE BANK AND TRUST COMPANY, ELLINWOOD, KANSAS

The Board of Directors of the Federal Deposit Insurance Corporation today announced it has granted financial assistance under Section 13(c) of the Federal Deposit Insurance Act to prevent the failure of The Peoples State Bank and Trust Company, Ellinwood, Kansas. The transaction is effective January 7, 1988. The FDIC acted following notification by W. Newton Male, Kansas State Bank Commissioner, that The Peoples State Bank and Trust Company was in danger of failing.

As a result of this action, The Peoples State Bank and Trust Company will be strengthened and recapitalized, and uninterrupted service will be afforded all deposit and loan customers of the bank. The bank operates its sole office in Ellinwood, Kansas, and has assets of \$40.6 million and deposits of \$40.0 million.

The FDIC's financial assistance consists of a maximum contribution of \$5.3 million to offset losses in the bank. An additional \$2.75 million capital injection will be provided by private investors. The FDIC will share in recoveries of covered losses of the bank. The responsibility for pursuing collections and claims will remain with the bank.

The FDIC usually acts following the failure of a commercial bank either to arrange for its deposits to be assumed by a healthy bank or, if that is not possible, to pay off insured depositors and liquidate the failed bank's assets. However, the FDIC's Board, as a matter of policy, generally will approve a request for assistance to prevent the closing of an insured bank or thrift if it determines that the proposal is clearly the least costly

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alternative available to the FDIC and the bank will have managerial resources capable of returning it to viability. An assistance proposal must provide for sufficient capitalization of a failing bank and should include capital infusions from non-FDIC sources. Furthermore, the financial effect of FDIC assistance upon shareholders and creditors of the bank, or of the bank's holding company, must approximate the effect on these parties which would have resulted had the assisted bank failed.

In granting financial assistance, the FDIC will attempt to avoid acquiring or servicing the institution's assets. Responsibility for pursuing legal claims against bonding and insurance companies and others should remain with the bank in most cases.

The FDIC Board voted to approve the Peoples State Bank and Trust Company assistance transaction based on the determination that it was in compliance with the mandatory cost test as well as these policy criteria.

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