



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF STATE BANK OF MORGAN, MORGAN, MINNESOTA

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assumption of the deposit and other liabilities of State Bank of Morgan, Morgan, Minnesota, by Farmers and Merchants State Bank, Springfield, Minnesota.

The failed bank's sole office will reopen on Monday, March 21, 1988, as a branch of Farmers and Merchants State Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

State Bank of Morgan, with total assets of \$20.0 million, was closed on Friday, March 18, 1988, by Michael A. Hatch, Minnesota Commissioner of Commerce, and the FDIC was named receiver.

Farmers and Merchants State Bank will assume about \$19.4 million in 4,500 deposit accounts and has agreed to pay the FDIC a purchase premium of \$458,000. It also will purchase certain of the failed bank's loans and other assets for \$12.4 million. To facilitate the transaction, the FDIC will advance about \$6.9 million to the assuming bank and will retain assets of the failed bank with a book value of about \$7.6 million.

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 shareholders of the closed bank.

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