



NEWS RELEASE

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FDIC GRANTS ASSISTANCE TO FACILITATE ACQUISITION OF
STATE BANK OF WESTPHALIA, WESTPHALIA, KANSAS
BY KANSAS STATE BANK, GARNETT, 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 facilitate the acquisition of State Bank of Westphalia, Westphalia, Kansas, by Kansas State Bank, Garnett, Kansas. The transaction is effective today.

As a result of this action, State Bank of Westphalia will be merged into Kansas State Bank, and uninterrupted service will be afforded all deposit and loan customers of the bank. Kansas State Bank will operate as a branch the one office of State Bank of Westphalia, which has assets of approximately \$4.3 million and deposits of \$4.1 million.

The FDIC acted following notification by Kansas State Bank Commissioner Eugene T. Barrett, Jr. that State Bank of Westphalia was in danger of failing. The merger was made possible by recent state legislation that allows for the merger of a failing bank with a viable institution.

The FDIC's financial assistance consists of a guaranty to Kansas State Bank against potential loan losses of approximately \$277,000. The transaction has been approved by the shareholders of both banks. State and federal regulators also have granted approval for the transaction.

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, when determined to be less costly than a deposit payoff,

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Section 13(c) of the FDI Act allows the FDIC to provide assistance to an open bank. The FDIC's Board, as a matter of policy, generally will approve a proposal requesting assistance to prevent the closing of an insured bank only if it determines that:

- 1) The bank's proposed capitalization and management plan reasonably assures the future viability of the bank.
- 2) The proposal represents the least costly alternative available to the FDIC, taking into account the maximum "premium" the FDIC could expect to receive in a closed bank auction.
- 3) New capital has been provided by the proponents of the transaction in sufficient amount to support FDIC financial assistance.
- 4) Recoveries from non-book sources such as charged-off assets or claims against officers, directors and bonding companies accrue first to the FDIC to the extent of any losses it will sustain in connection with the proposal.
- 5) The financial impact on executive management, directors, shareholders and subordinated debt holders is comparable to what would have occurred if the bank had actually closed.

The FDIC Board voted to approve the State Bank of Westphalia 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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