



NEWS RELEASE

FOR IMMEDIATE RELEASE

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

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Chokio State Bank, Chokio, Minnesota, by First Bank of Chokio, Chokio, Minnesota, a newly-chartered subsidiary of Barron Bancshares, Inc., Chokio, Minnesota.

The failed bank's only office will reopen on Monday, November 10, 1986, as First Bank of Chokio and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Chokio State Bank, with total assets of \$11.6 million, was closed on Friday, November 7, 1986, by Minnesota Commissioner of Commerce Michael A. Hatch and the FDIC was named receiver. Mr. Hatch said: "The condition of the bank deteriorated due to an unusually high percentage of poor quality loans and assets. Despite the efforts of the board and a new management team, it was impossible for the bank to reinstate safe operating conditions. Continued weakness in the farm economy contributed to the failure of the bank."

First Bank of Chokio will assume about \$11.0 million in 2,400 deposit accounts and has agreed to pay the FDIC a purchase premium of \$25,100. It also will purchase certain of the failed bank's loans and other assets for \$4.7 million. To facilitate the transaction, the FDIC will advance \$6.3 million to the assuming bank and will retain assets of the failed bank with a book value of about \$6.9 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

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potential loss to the FDIC. The Board made such a finding in this case because of the premium paid by First Bank of Chokio.

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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