



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-181-86 (11-14-86)

FDIC APPROVES DEPOSIT ASSUMPTION OF THE BANK OF NORTHERN CALIFORNIA, SAN JOSE, CALIFORNIA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of The Bank of Northern California, San Jose, California, by Pacific Valley Bank, San Jose, California.

The failed bank's only office will reopen on Monday, November 17, 1986, as a branch of Pacific Valley Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The Bank of Northern California, with total assets of about \$15.2 million, was closed on Friday, November 14, 1986, by Louis Carter, California Superintendent of Banks, and the FDIC was named receiver. Mr. Carter said: "The bank was closed because significant loan and operating losses exhausted the bank's capital."

Pacific Valley Bank will assume about \$14.1 million in 550 deposit accounts and has agreed to pay the FDIC a purchase premium of \$25,001. It also will purchase certain of the failed bank's loans and other assets for \$3.0 million. To facilitate the transaction, the FDIC will advance \$11.1 million to the assuming bank and will retain assets of the failed bank with a book value of about \$12.2 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 Board made such a finding in this case because of the premium paid by Pacific Valley Bank.

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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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