



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC GRANTS ASSISTANCE TO PREVENT FAILURE OF THE TALMAGE STATE BANK, TALMAGE, KANSAS

The Board of Directors of the Federal Deposit Insurance Corporation today announced it has granted financial assistance under Section 13(c)(1) of the FDI Act to prevent the failure of The Talmage State Bank, Talmage, Kansas. The transaction is effective as of the close of business today. The FDIC acted following notification by the Kansas State Bank Commissioner that The Talmage State Bank was in danger of failing.

As a result of this action, The Talmage State Bank will be strengthened and recapitalized, and uninterrupted service will be afforded all deposit and loan customers of the bank. The bank operates one office in Talmage, Kansas, and has assets of \$9.6 million and deposits of \$8.9 million. The Talmage State Bank is a subsidiary of Talmage Investment, Inc., a one-bank holding company.

The FDIC's financial assistance consists of a \$1,700,000 loan due in 13 months, with a provision for renewal for an additional five-year period. The parent company will initially contribute \$225,000 to the capital of the bank and will provide an additional \$250,000 after 13 months, which is to be applied against the principal balance of the FDIC assistance note. Provisions of the assistance package provide for full payback of the loan with interest.

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 either a deposit assumption or a deposit payoff, Section 13(c)(1) of the FDI Act allows the

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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 where 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 Talmage State Bank 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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