



# NEWS RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF  
CITIZENS STATE BANK, ARAPAHOE, NEBRASKA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of Citizens State Bank, Arapahoe, Nebraska, have been assumed by Farmers and Merchants Bank, Edison, Nebraska. The failed bank's sole office will reopen on Monday, March 11, 1985, as a branch of Farmers and Merchants Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Citizens State Bank was closed on March 8, 1985, by Roger M. Beverage, Nebraska Director of Banking and Finance, and the FDIC was named receiver. Mr. Beverage said: "The owners of Citizens State Bank failed to recapitalize the bank after suffering excessive losses in the bank's agricultural loans. The losses eroded capital accounts and a substantial injection of capital was required."

In addition to assuming about \$14.0 million in 3,000 deposit accounts, Farmers and Merchants Bank has agreed to pay the FDIC a purchase premium of \$511,000. The assuming bank will purchase the failed bank's installment and real estate loans and certain other assets for \$6.7 million. To facilitate the transaction, the FDIC will advance cash amounting to \$6.8 million and will retain assets of the failed bank with a book value of about \$8.6 million.

The FDIC approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss

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to the Corporation. The Board of Directors made such a finding in this case because of the premium paid by Farmers and Merchants Bank.

The FDIC expects to recover a substantial 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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