



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF BANK OF PANAMA, PANAMA, NEBRASKA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Bank of Panama, Panama, Nebraska, by Farmers State Bank, Douglas, Nebraska.

The failed bank's only office will reopen on Friday, December 20, 1985, as a branch of Farmers State Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The Bank of Panama was closed on Thursday, December 19, 1985, by James C. Barbee, Nebraska Director of Banking and Finance, and the FDIC was named receiver. Mr. Barbee said: "The bank failed as a result of management's liberal lending policies and collection practices in prior years, which were compounded by a depressed local farm economy."

Farmers State Bank will assume about \$4.3 million in 1,600 deposit accounts and has agreed to pay the FDIC a purchase premium of \$5,000. It also will purchase certain of the failed bank's loans and other assets for \$2.9 million. To facilitate the transaction, the FDIC will advance \$1.5 million to the assuming bank and will retain assets of the failed bank with a book value of about \$1.6 million. Total assets of the failed bank amounted to \$4.5 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 Farmers State Bank.

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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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