



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF
HERITAGE BANK, ASHLAND, OREGON

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of Heritage Bank, Ashland, Oregon, have been assumed by Valley of the Rogue Bank, Rogue River, Oregon. The single office of the closed bank will reopen Monday, May 2, 1983, as a branch of Valley of the Rogue Bank, and all depositors of the closed bank automatically will become depositors of the assuming bank. The appropriate court has approved the transaction.

Heritage Bank was closed on April 29, 1983, by Oregon Superintendent of Banks John B. Olin, and the FDIC was named receiver. Superintendent Olin said: "During 1982 and 1983, Heritage Bank experienced serious loan losses and had other earnings and liquidity problems. The bank has been unsuccessful in raising capital, and loan losses finally exhausted the bank's capital funds."

The deposit assumption was made possible with assistance from the FDIC and avoids the necessity for a payoff of the estimated 4,400 accounts in the failed bank. It also prevents possible financial loss to the owners of deposits that exceed the statutory insurance limit of \$100,000.

In addition to assuming about \$15 million in deposits and other liabilities, Valley of the Rogue Bank has agreed to pay the FDIC a purchase premium of \$25,000. The assuming bank will purchase the failed bank's securities, installment loans and certain other assets. To facilitate the transaction, the FDIC will advance cash amounting to \$1,065,000 to the assuming bank. In addition, the FDIC will retain assets of the failed bank with a book value of \$10.6 million.

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The FDIC approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the Corporation. The Board of Directors made such a finding in this case because of the premium paid by Valley of the Rogue 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 the shareholders of the closed bank.

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