



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF BANK OF NIOBRARA, NIOBRARA, NEBRASKA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of the Bank of Niobrara, Niobrara, Nebraska, have been assumed by Farmers and Merchants State Bank, Bloomfield, Nebraska. The sole office of Bank of Niobrara will reopen July 9, 1983, as a branch of Farmers and Merchants, and all depositors of the closed bank automatically will become depositors of the assuming bank.

Bank of Niobrara was closed on July 8, 1983, by Nebraska Director of Banking and Finance Paul Amen, and the FDIC was named receiver. Director Amen said: "Bad loans as a result of questionable management and lending practices led to the bank's insolvency."

The deposit assumption was made possible with assistance from the FDIC and avoids the necessity for a payoff of the estimated 1,500 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 \$6.2 million in deposits, Farmers and Merchants has agreed to pay the FDIC a purchase premium of \$408,888. 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 \$3.8 million to the assuming bank. In addition, the FDIC will retain assets of the failed bank with a book value of \$5.2 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 to the Corporation. The Board of Directors made such a finding in this case because of the

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premium paid by Farmers and Merchants. 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 shareholders of the closed bank.

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