



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-197-89 (10-12-89)

FDIC APPROVES ASSUMPTION OF DEPOSITS OF CITIZENS BANK, GALVESTON, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assumption of the deposits and fully secured liabilities of Citizens Bank, Galveston, Texas, by Bank of Galveston, National Association, Galveston, Texas. The failed bank's sole office will reopen on Friday, October 13, 1989, as a branch of Bank of Galveston, National Association, and its depositors automatically will become depositors of the assuming bank.

Citizens Bank, with total assets of about \$31.6 million, was closed on Thursday, October 12, 1989, by Kenneth W. Littlefield, Texas Banking Commissioner, and the FDIC was named receiver.

Bank of Galveston, National Association, will assume about \$32.3 million in 4,900 deposit accounts and will pay the FDIC a purchase premium of \$206,272.78. It also will purchase approximately \$26.7 million of the failed bank's assets, including \$2.5 million of the bank's small loans.

To facilitate the transaction the FDIC will advance \$5.6 million to the assuming bank and will retain assets of the failed bank with a book value of \$4.9 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 FDIC will recover a 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.