



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF CHESTER STATE BANK, CHESTER, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Chester State Bank, Chester, Texas, by Bank of East Texas, a newly-chartered subsidiary of Bancwell Financial Corporation, Wells, Texas.

The failed bank's only office will reopen on Monday, November 25, 1985, as Bank of East Texas and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Chester State Bank was closed on Friday, November 22, 1985, by Texas Banking Commissioner James L. Sexton and the FDIC was named receiver. Mr. Sexton said: "The bank failed primarily as a result of a half-dozen large credits, most of which were of very questionable quality at inception. The credits classified 'loss' included insider debt, loans related to energy and real estate development, and capital-type loans to local business people."

Bank of East Texas will assume about \$10.1 million in 1,300 deposit accounts and has agreed to pay the FDIC a purchase premium of \$50,000. It also will purchase certain of the failed bank's loans and other assets for \$8.1 million. To facilitate the transaction, the FDIC will advance \$2.0 million to the assuming bank and will retain assets of the failed bank with a book value of about \$1.9 million. Total assets of the failed bank amounted to \$10.0 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

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potential loss to the FDIC. The Board made such a finding in this case because of the premium paid by Bank of East Texas.

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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