



NEWS RELEASE

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FDIC APPROVES RECAPITALIZATION PROGRAM FOR NATIONAL BANCSHARES CORPORATION OF TEXAS, SAN ANTONIO, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation has agreed in principle to a financial assistance plan proposed by Equimark Corporation, Pittsburgh, Pa., in which National Bancshares Corporation of Texas, San Antonio, Texas (NBC) will be privately recapitalized and certain of its banking units assisted by the FDIC.

All NBC banks will remain open and will continue to provide banking services without interruption to their customers.

Key elements of the assistance plan are:

- \$117 million of new equity will be provided to a new holding company, which will merge with NBC and assume its name. Of that amount, Equimark will invest \$31 million and become NBC's largest shareholder. Together with a wholly-owned subsidiary, EquiManagement Inc., it will own approximately 44 percent of NBC's common stock. The remaining \$86 million will be raised from other investors through private placements of preferred and common stock.
- NBC's existing stockholders will receive approximately 2 percent of the new holding company's common stock.
- NBC's existing subordinated creditors will be required to make substantial debt concessions.

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- The bank's balance sheet will be marked to market, and the FDIC will contribute cash and short-term notes sufficient to eliminate the bank's negative net worth. The FDIC also will absorb losses on a pool of problem assets, which NBC will manage under FDIC supervision. The cost to the FDIC of its assistance is estimated to be \$250 million. A reserve of \$200 million was established by the FDIC in 1988 for this transaction.

- The capital invested in the new holding company by Equimark and other investors will be downstreamed to the bank subsidiaries. After the capital infusion, the banks will satisfy required regulatory capital standards.

- The FDIC will have no equity interest in the new holding company or its subsidiaries.

NBC has 12 bank subsidiaries and consolidated assets of \$2.3 billion. The banks have approximately \$2.2 billion in deposits. Equimark has consolidated assets of approximately \$3.7 billion and approximately \$2.9 billion in deposits.

Upon consummation of these transactions, it is anticipated that James H. McLaughlin, currently President and Chief Operating Officer of Equibank, will become NBC's chief executive. The assistance plan is subject to approval by NBC shareholders, concessions by debt holders, and final documentation.

The FDIC agreed in principle to the assistance plan after it determined that subsidiary banks of NBC were in danger of failing. Section 13(c) of the Federal Deposit Insurance Act permits the FDIC to extend financial assistance to an open bank to prevent its closing when such assistance is determined to be less costly to the FDIC than a payoff of depositors.

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