



NEWS RELEASE

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FDIC APPROVES ASSISTANCE PROGRAM FOR ALASKA MUTUAL BANK AND UNITED BANK ALASKA

A financial assistance program to infuse capital into Alaska Mutual Bank and United Bank Alaska, both of Anchorage, Alaska, has received preliminary approval from the Federal Deposit Insurance Corporation.

The assistance will be provided in conjunction with a series of mergers of the two banks, their two holding companies (Alaska Mutual Bancorporation and United Bancorporation Alaska, Inc.) and United Bank Alaska Southeastern, Juneau, Alaska, another subsidiary of United Bancorporation Alaska, Inc. The restructuring will result in one holding company and one bank.

The key elements of the rehabilitation plan are:

- a one-time \$295 million contribution from the FDIC to the restructured holding company, which will immediately be transferred to the resulting bank to enhance its reserves for losses and capital; and
- an infusion of \$65 million in additional capital from private investors who are expected to assume control of the restructured holding company.

The FDIC will have no further obligation, nor will it purchase any of the assets held by the assisted banks. Instead, the banks' new investors and managers will be expected to implement their own strategies for dealing with poor quality assets and maintaining the bank in sound condition. Both the restructured holding company and its subsidiary bank will be subject to dividend restrictions.

The financial assistance program has been agreed to in principle by the FDIC, which determined that it will be less costly to the FDIC than the costs which would be incurred by the failure of Alaska Mutual Bank and United Bank Alaska.

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As a condition of the assistance program, on the date of consummation of the transaction the FDIC will receive warrants, exercisable over 20 years, to purchase 20 percent of the common stock of the restructured holding company.

As a further condition of the assistance program, the Hallwood Group, Inc., a New York-based merchant banking concern which specializes in the restructuring of troubled publicly-held companies, will organize a rights offering to raise \$65 million of new common equity capital for the restructured holding company. This offering, which will be made first to existing shareholders, will represent substantially all of the ownership interest in the restructured holding company.

The FDIC agreed in principle to the assistance program after it was advised by Alaska's Director of Banking and Securities that both Alaska Mutual Bank and United Bank Alaska 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 insured depositors.

The assistance program is subject to approval by the shareholders of Alaska Mutual Bancorporation and United Bancorporation Alaska, Inc. and approval of final documentation by the FDIC.

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