FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC BOARD AGREES IN PRINCIPLE TO ASSISTANCE PLAN FOR FIRST CITY BANCORPORATION, HOUSTON, TEXAS

A financial assistance plan designed to infuse capital into subsidiary banks of First City Bancorporation of Texas (First City) has received preliminary approval from the Federal Deposit Insurance Corporation (FDIC). The assistance program would be the second largest in FDIC history. First City is a $12 billion organization headquartered in Houston, Texas, with 62 banking subsidiaries.

Key elements of the rehabilitation plan are:

-- $500 million in new capital will be infused through a stock offering to be arranged by Donaldson, Lufkin & Jenrette Securities Corporation. New private investors, led by A. Robert Abboud, will assume control of the restructured holding company. As a result of this new capital, the current 100% ownership interest of First City's common shareholders will be reduced to less than three percent of total equity.

-- Management and policy direction of the company will be provided by a new management team and board of directors headed by Mr. Abboud, which will be responsible for implementing strategies and maintaining the banks in sound condition.

-- FDIC assistance to First City and its subsidiaries will take the form of $970 million in notes. These notes will bear interest at the Treasury Bill rate plus one-half of one percent with principal payable by the FDIC in 10 equal semi-annual installments.

-- Initially $1.79 billion in nonperforming and troubled assets will be transferred to a separate entity created to service such assets, funded

-moreby notes from the First City subsidiaries and the FDIC. Collections by that new entity will go first to repay First City subsidiaries' notes, then to repay the FDIC notes and finally to existing shareholders of First City. The FDIC will not purchase any assets held by the assisted banks, and will be guaranteed a minimum repayment of $100 million from collections.

-- The FDIC will receive warrants on the date of consummation of the transaction exercisable for five years, to purchase five percent of the common stock of First City at a price equal to the initial offering price of the stock. In addition, the FDIC will purchase $43 million of junior preferred stock convertible into a 10 percent interest in the common stock in the restructured holding company. The FDIC may elect to purchase additional amounts to the extent that a rights offering to existing shareholders of $43 million of additional stock is not fully subscribed.

-- The existing holders of First City's preferred stock and publicly-held long-term debt must agree to substantial concessions.

The FDIC agreed in principle to the assistance plan after it determined that subsidiary banks of First City, including its $5 billion lead bank in Houston, 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.

The assistance plan is subject to approval of the shareholders of First City and approval of final documentation by the FDIC.

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