



# NEWS RELEASE

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FDIC GRANTS ASSISTANCE TO FACILITATE ACQUISITION OF THE COMMERCIAL BANK,  
ANDALUSIA, ALABAMA, BY FIRST ALABAMA BANCSHARES, INC., MONTGOMERY, ALABAMA

The Board of Directors of the Federal Deposit Insurance Corporation has approved the granting of financial assistance under Section 13(c) of the FDI Act to facilitate the acquisition of The Commercial Bank, Andalusia, Alabama, by First Alabama Bancshares, Inc., Montgomery, Alabama. The transaction is effective as of the close of business today.

As a result of this action, The Commercial Bank will be strengthened and recapitalized, and uninterrupted service will be afforded all deposit and loan customers of the bank. The Commercial Bank, which operates one office in Andalusia, has assets of \$89 million and deposits of \$76 million. First Alabama controls 28 banks in Alabama and has consolidated assets of \$3.5 billion.

The FDIC acted following notification by the State Superintendent of Banks of Alabama that The Commercial Bank was in danger of failing.

The FDIC's financial assistance consists solely of an indemnity of The Commercial Bank against non-book liabilities, in an amount not to exceed \$2 million, discovered within a two-year period. At present, no such claims are known to exist.

To ensure the financial strength and stability of The Commercial Bank, First Alabama is to immediately contribute \$6 million to the capital of the bank.

The transaction has been approved by the shareholders of The Commercial Bank and by First Alabama. All regulatory approvals also have been granted.

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The FDIC usually acts following the failure of a commercial bank either to arrange for its deposits to be assumed by a healthy bank or, if that is not possible, to pay off insured depositors and liquidate the failed bank's assets. The FDIC Board agreed in this case to provide assistance on an open-bank basis because the cost of the assistance granted is substantially lower than the cost of either a deposit assumption or a deposit payoff. In addition, the FDIC will avoid the substantial cost of a failed bank receivership.

The Board, as a matter of policy, generally will not approve any proposal requesting assistance to prevent the closing of an insured bank unless:

- 1) The financial impact on executive management, directors, shareholders and subordinated debt holders is comparable to what would have occurred if the bank had actually closed.
- 2) Recoveries from non-book sources such as charged-off assets or claims against officers, directors, bonding companies and the like accrue first to the FDIC to the extent of any losses it will sustain in connection with the proposal. The FDIC should be "last in and first out" in any open bank proposal.
- 3) The proposal clearly and unquestionably represents the least costly alternative available to the FDIC, taking into account the maximum "premium" the FDIC could expect to receive in a closed bank auction.
- 4) The proposal features sufficient tangible capitalization and otherwise reasonably assures the future viability of the bank.

The Board determined that the First Alabama proposal met these criteria.

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