FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC APPROVES ASSISTED MERGER OF HAMBURG SAVINGS BANK WITH HOME SAVINGS BANK

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assisted merger of the Hamburg Savings Bank, Brooklyn, New York, and the Home Savings Bank, White Plains, New York, effective as of the close of business December 31, 1985. The merged banks will retain the charter of Hamburg Savings Bank but will be renamed The Home Savings Bank.

Deposit and loan customers of Home Savings Bank automatically will become customers of the consolidated institution. The four offices of Home Savings Bank will continue normal operation as branches of The Home Savings Bank.

Prior to the merger, Hamburg Savings Bank had assets of about $1 billion, and Home Savings Bank had assets of about $400 million.

FDIC Chairman L. William Seidman said: "It is believed that the combination of these mutual savings banks in conjunction with the assistance package will result in a stronger institution capable of offering a wider array of services to an expanded customer base. In addition, there will be significant operating economies and a strengthened management team."

Merger assistance is being provided in accordance with the FDIC's "Voluntary Assisted Merger Program," which establishes criteria for granting financial assistance to facilitate a voluntary merger or acquisition involving an FDIC-insured savings bank that is in a weakened financial condition. FDIC assistance will consist of the following:

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- Existing net worth certificates under Section 13(i) of the FDIC regulations, amounting to $5.6 million, will continue in effect at their full amount until scheduled maturity, and can be prepaid at the option of the merged bank.
- The FDIC will make a cash capital contribution of $8.5 million to the merged bank. The merged bank has an obligation to repay the contribution plus a floating market rate of interest from a portion of net operating income for seven years. In the event the merged bank converts to stock ownership within seven years, it may satisfy the repayment obligation by making a payment equal to 50 percent of the outstanding balance of the capital contribution to the FDIC. The cost of the contribution has been priced by the FDIC at $8.5 million, notwithstanding the likelihood of repayment in the current environment.
- The FDIC will support certain of Home Savings Bank's low yielding assets for four years under an Income Maintenance Agreement (IMA). The FDIC will provide quarterly payments (adjusted to provide a contribution toward overhead expense in years one and two) to cover the difference between the yield on these assets and the average cost of funds for FDIC-insured savings banks greater than $500 million in assets. In addition, in years five and six, the FDIC will provide IMA support to the extent that the average cost of funds exceeds the yield on these assets by one percent. During the six-year period, if the cost of funds index falls below the yield on the assets, the resulting bank would have to make a payment to the FDIC. The IMA assistance is expected to result in an approximate present value return to the FDIC of $2.4 million. This estimate is based on a continuation of current interest rate levels and may be

revised periodically depending on the future course of interest rates.

. The FDIC will purchase a ten-year nonamortizing $15 million subordinated note from the merged bank. The note will be at a floating market rate of interest and therefore is considered a no-cost item to the FDIC.

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