FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC BOARD APPROVES AID TO FACILITATE MERGER OF DRY DOCK SAVINGS BANK INTO DOLLAR SAVINGS BANK OF NEW YORK

The Board of Directors of the Federal Deposit Insurance Corporation today approved the granting of assistance to facilitate the voluntary merger effective February 9, 1983, of the Dry Dock Savings Bank, New York, New York (Dry Dock), into the Dollar Savings Bank of New York, New York, New York (Dollar).

The resulting institution is named Dollar-Dry Dock Savings Bank of New York (Dollar-Dry Dock). All deposit and loan customers of both institutions automatically become customers of Dollar-Dry Dock, which will acquire the assets and assume the liabilities of Dry Dock.

Prior to the merger, Dry Dock had assets of approximately $2.5 billion and Dollar had assets of approximately $2.6 billion. The combined institution becomes the fifth largest mutual savings bank in the United States and New York State's fourth largest.

FDIC assistance to Dollar-Dry Dock consists of a five-year income maintenance agreement. The FDIC will make quarterly payments to Dollar-Dry Dock through 1987 at 50 basis points above the difference between the yield on Dry Dock's assets and the average cost of funds for U.S. savings banks with assets in excess of $500 million. All income maintenance payments plus interest are repayable to the FDIC out of future profits of Dollar-Dry Dock. The assistance is expected to result in an approximate present value cost to the FDIC of $32 million over the next 10 years. This estimate is based upon continuation of current interest rate levels and may be adjusted from time to time depending on the future course of interest rates.

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In addition, the FDIC will acquire a net worth certificate from Dollar-Dry Dock in exchange for an FDIC promissory note for up to $25 million to provide a capital cushion to the bank for losses it will incur on the sale of tax-exempt securities. The net worth certificate and FDIC note are matched as to interest rate and maturity and thus will result in no cost to the FDIC.

The FDIC determined to assist the merger under the terms of the "voluntary merger plan" announced last December in conjunction with the agency's net worth certificate program. The plan was designed to encourage mergers involving savings banks where one of the participants is sufficiently weakened to be eligible for aid under the net worth certificate program. FDIC assistance in such cases may take the form of interest-bearing notes, income maintenance payments, cash or any other acceptable form proposed.

The FDIC's voluntary merger plan does not automatically require the elimination of either institution's board of trustees, the dismissal of senior management or the reduction of staff positions. However, Dollar-Dry Dock has committed itself to reducing the size of its board to 15 or fewer individuals and achieving additional reductions in the size of its staff.

In accordance with FDIC policy, a number of FDIC-insured institutions, both in-state and out-of-state, were invited to submit proposals to acquire Dry Dock. No offer better than the proposal by Dollar was received.

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