FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC ANNOUNCES SALE OF UNITED AMERICAN BANK, KNOXVILLE, TENNESSEE

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities and assets of the United American Bank in Knoxville, Tennessee ("UAB"), have been transferred to First Tennessee Bank, Knoxville, Tennessee, a subsidiary of First Tennessee Corporation, Tennessee's largest bank holding company. The bank will open at normal hours today and all deposit and loan customers of the closed bank automatically will become customers of the assuming bank.

UAB was closed yesterday by Tennessee Banking Commissioner W. C. Adams, and the FDIC was named receiver. Commissioner Adams attributed the bank's failure to large and unusual loan losses.

FDIC Chairman William M. Isaac said: "We never like to see any bank failure, but we are extremely pleased to be able to resolve this one in a manner that avoids any loss to depositors by transferring their accounts to a strong institution like First Tennessee. I would be remiss if I did not express sincere appreciation to the First Tennessee organization, the numerous other banks that offered proposals to us, Commissioner Adams and the scores of FDIC employees who worked around the clock over the past several days to provide an orderly transition."

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The transaction was accomplished in accordance with the extraordinary acquisition provisions of the Garn-St Germain Depository Institutions Act of 1982. The Act permits the sale of a failed bank with $500 million or more in assets to an in-state or out-of-state banking organization. This is the first time these provisions of the Act have been utilized by the FDIC.

A number of firms throughout the United States were invited to submit proposals to the FDIC. Eight firms submitted offers. Because the proposal representing the lowest cost to the FDIC was made by an out-of-state firm, the Act required a second round of bids to be sought from the best bidder and those whose bids were within 15% of the best bid.

The transaction was made possible with assistance from the FDIC and avoided the necessity for a payoff of the estimated 134,900 deposit accounts in the failed bank. It also prevented possible financial loss to the owners of deposits that exceeded the statutory insurance limit of $100,000.

In addition to assuming approximately $794 million in deposits and other book liabilities, First Tennessee will acquire all book assets of UAB.

First Tennessee will absorb up to $86.5 million in credit losses in UAB. The FDIC has agreed to indemnify First Tennessee for loan losses in excess of $86.5 million incurred during the next two years on existing UAB loans.

All collections on charged-off assets will be paid to the FDIC until it has been fully reimbursed for any outlays under its indemnity. First Tennessee will administer and collect all assets of UAB, sparing the FDIC significant administrative and funding costs.

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In addition to the $86.5 million in credit losses, First Tennessee will absorb in excess of $18 million in market depreciation on UAB's investment portfolio and other assets.

The book equity, reserves and subordinated debentures of UAB, totalling approximately $52 million, will serve as a buffer to reduce the actual credit and market losses absorbed by First Tennessee.

The FDIC has loaned First Tennessee Corporation $36 million, repayable in 10 years and bearing interest at the one-year Treasury rate, plus 50 basis points, adjusted quarterly. The FDIC will indemnify First Tennessee against certain non-book potential liabilities of UAB.

The FDIC will retain the right to pursue any legal claims with respect to officers, directors, bonding companies, accounting firms and the like.

It is too early to forecast the FDIC's probable losses in connection with the failure of UAB. Significant losses appear likely, however, indicating that no funds will be available for distribution to shareholders and subordinated note holders in UAB.

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