FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE PR-74-83 (9-30-83)

FDIC BOARD APPROVES ASSISTED MERGER OF AUBURN SAVINGS BANK INTO SYRACUSE SAVINGS BANK

The Board of Directors of the Federal Deposit Insurance Corporation has approved, effective October 1, 1983, an FDIC-assisted merger of Auburn Savings Bank, Auburn, New York, into Syracuse Savings Bank, Syracuse, New York. All deposit and loan customers of Auburn automatically become customers of Syracuse, which will acquire the assets and assume the liabilities of Auburn. Auburn's four offices will operate as branches of Syracuse and will open at normal hours Saturday, October 1.

Prior to the merger, Syracuse had assets of approximately $1 billion and Auburn had assets of approximately $130 million.

To facilitate the merger, the FDIC will give assistance in three parts:

1. The FDIC will purchase a 7-year non-amortizing subordinated note from Syracuse in an amount which will bring the combined bank's surplus, net worth certificates and subordinated notes to 5 percent of deposits as of September 30. The note will carry a floating market rate of interest.

2. The FDIC will make quarterly income maintenance payments to Syracuse through September 1990 at 50 basis points above the difference between a predetermined yield on certain earning assets of Auburn and the average cost of funds for FDIC-insured savings banks with assets in excess of $500 million.

3. The FDIC will purchase an additional subordinated note from Syracuse by issuing a promissory note for up to $10 million to offset losses that Syracuse incurs on the sale of earning assets over the next 60 days.

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

In accordance with FDIC policy, a number of FDIC-insured institutions were invited to submit proposals to acquire Auburn. No acceptable offer better than the proposal by Syracuse was received.

A deposit payoff had Auburn been permitted to fail would have cost the FDIC an estimated $18 million, while the assisted merger results in an estimated present value cost of $2.9 million.

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