



PRESS RELEASE

Federal Deposit Insurance Corporation

March 8, 1996

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JEFFERSON BANK, HAVERFORD, PENNSYLVANIA, ASSUMES INSURED DEPOSITS OF METROBANK OF PHILADELPHIA, N.A.

FOR IMMEDIATE RELEASE

Jefferson Bank, Haverford, Pennsylvania, has assumed the insured deposits of Metrobank of Philadelphia, N.A., Philadelphia, which was closed today by the Office of the Comptroller of the Currency (OCC). The FDIC was named receiver.

Metrobank, with assets of \$43.3 million and total deposits of \$39.9 million as of November 30, 1995, was chartered by the OCC on June 1, 1989.

The OCC used its authority under the FDIC Improvement Act of 1991 (FDICIA) to close the bank when it found that Metrobank was critically undercapitalized -- that is, it had less than 2 percent tangible equity capital. The bank suffered from poor asset quality, an insufficient earning-asset base, and ineffective board and management supervision.

Since opening in 1989, the bank never had a profitable year. Losses stemmed from a high cost of funds and high level of problem loans, due to poor credit underwriting, loan administration weaknesses and heavy emphasis on real estate based lending. Additionally, Metrobank's board of directors lacked banking knowledge which resulted in an inability to make cohesive and timely decisions. Finally, a check-kite scheme in 1995 heavily impacted an already weak capital base and eventually led to a critically undercapitalized position.

In light of these findings, the OCC determined that closure and the appointment of the FDIC as receiver were necessary to protect the interests of the bank's insured depositors.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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Metrobank's sole office will reopen on Monday, March 11, as Jefferson Bank. Deposit customers of Metrobank automatically will become depositors of Jefferson Bank.

Jefferson Bank will assume about \$38.2 million in 1,800 deposit accounts. At the time Metrobank was closed, about \$1.7 million in 77 accounts exceeded the federal insurance limit of \$100,000 and will not be assumed by Jefferson Bank.

The FDIC Board of Directors also voted to make a prompt 58 percent advance dividend payment to uninsured depositors. The payment is based on anticipated recoveries from the sale of assets. FDIC claims agents will be available to meet with uninsured depositors beginning March 11, at Metrobank's former office.

The assuming bank will pay a premium of \$76,000 for the right to receive the failed bank's deposits but will not purchase any of the failed bank's assets. The FDIC will retain Metrobank's approximately \$43.3 million in assets. The FDIC estimates the cost of this transaction to the Bank Insurance Fund (BIF) to be approximately \$1.9 million.

The FDIC Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the BIF. Under federal law, creditors holding deposit claims will receive priority in payment from the sale of assets of the failed institution over creditors holding non-deposit claims.

Metrobank is the first BIF-insured failure in Pennsylvania since Meritor Savings Bank, Philadelphia, was closed on December 11, 1992, and the first in the U.S. since July 28, 1995.