FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC ANNOUNCES SALE OF 20 BRIDGE BANKS ESTABLISHED IN OCTOBER TO RESOLVE CLOSED BANK SUBSIDIARIES OF FIRST CITY BANCORPORATION OF TEXAS, HOUSTON; AGENCY ALSO ADDS TO PREVIOUS PAYMENT TO CERTAIN UNINSURED DEPOSITORS

The FDIC Board of Directors announced today the sale of the 20 full-service "bridge banks" established by the agency in October to continue the banking services of 20 closed subsidiary banks of First City Bancorporation of Texas, Inc., Houston.

The bridge banks, which have combined assets of more than $9 billion, are being sold to 12 different financial institutions. Texas Commerce Bancshares, a wholly owned subsidiary of Chemical Banking Corporation, will acquire the dominant share of First City's former franchise. Texas Commerce is acquiring five bridge banks with approximately 73 percent of the total assets in the entire package, including the two largest in Houston and in Dallas.

The FDIC established the bridge banks on October 30, 1992, to assume certain deposits, certain other liabilities and most of the assets of the 20 bank subsidiaries of First City that were closed that same day by their chartering authorities. The bridge banks, which carry the New First City name, are chartered by the Office of the Comptroller of the Currency and are insured by the FDIC. The FDIC received 111 bids on the bridge banks from 32 potential purchasers.

The transactions under which the bridge banks are being sold are broadly similar:

(1) Acquiring institutions will purchase at book value (market value for securities) all the assets except other real estate owned

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(OREO), in-substance foreclosed loans (ISF) and premises — with an option to acquire banking premises at fair market value.

(2) Acquiring institutions will assume all bridge bank deposits and virtually all other bridge bank liabilities.

(3) Acquiring institutions will pay or receive cash for the difference between assets purchased and liabilities assumed, plus or minus a "bid amount."

In the case of three bridge banks — located in Houston, Dallas and Austin — the FDIC has agreed to absorb 80 percent of net charge-offs on a specified pool of loans. (See Pages 3 and 4 for a description of these "loss-sharing" arrangements.)

As shown in the attached table, the aggregate bid amount to be paid for the 20 bridge banks is $434 million. Since acquiring institutions will be absorbing loss on some of the assets acquired at book value — 20 percent of net charge-offs on loss-share assets, 100 percent of any loss on the rest — the economic premiums being paid for the banks exceed the bid amounts.

As a result of this larger than expected economic premium, including the acquiring institutions' willingness to absorb certain future losses on First City assets, the agency now estimates that the Bank Insurance Fund (BIF) will suffer no loss as a result of the First City resolution. This is in contrast to an estimate at the time of closing in October 1992 that the First City transaction could cost the BIF about $500 million. (All cost estimates exclude the $970 million the FDIC provided to First City as part of a 1988 assistance transaction.) FDIC officials today cautioned that a no-cost resolution will depend on future events and conditions involving collections and dispositions of assets.

In a related development, the FDIC Board announced today that certain uninsured depositors and creditors of the banks that failed last October will receive additional payments due to the bids received. While all deposits in 16 of the 20 closed First City banks were fully protected and transferred to the new bridge banks in October, only deposits within the $100,000 federal insurance limit at the Houston, Dallas, Austin and San Antonio bank subsidiaries were transferred to the bridge banks. At that time, the FDIC declared immediate advance dividends on the uninsureds' receivership certificates equal to 80 percent of such uninsured balances, based on an estimate of what the agency would recover from the four banks.

Because losses on the receiverships for the Dallas, Austin and San Antonio banks are likely to be less than projected in October, the FDIC Board announced today an additional advance dividend for certain depositors and creditors. Specifically, the FDIC said it would advance an additional 10 cents for every dollar of uninsured claim for depositors of the closed Dallas bank and for the uninsured depositors and other unsecured creditors of the Austin and San Antonio banks. For uninsured depositors and unsecured creditors of the closed Houston bank, the advance dividend remains at 80 cents per dollar. Based on actual recoveries from the four failed banks, uninsured depositors ultimately may receive additional payments on their claims.

Of the 20 bridge banks, three (New First City-Houston, Dallas and Austin) will be sold with five-year loss-sharing arrangements on approximately $2 billion of multi-family residential, commercial real estate and commercial and industrial loans ("loss-sharing assets"). During the five-year period, the FDIC will reimburse the relevant acquiring institution for 80 percent of verified net charge-offs on these assets. The acquiring institution will absorb the remaining 20 percent. The FDIC has agreed that if net charge-offs exceed certain amounts on loss-sharing assets at each bank, the FDIC will increase its coverage to 95 percent of additional net charge-offs on those assets. During this period and for two years thereafter, the FDIC will receive 80 percent of all recoveries on charged-off assets.

This previously employed loss-sharing agreement is designed to provide the private sector ample incentive to minimize losses on large volumes of problem assets. The agreement also is designed to minimize disruption for loan customers. The remaining 17 bridge banks were sold with no ongoing FDIC loss-sharing assistance.

FDIC Chairman Andrew C. Hove, Jr., said today: "The results — the bids to the FDIC and the diversity of the bidders who won — really make you believe in the market. The results also lead us to believe that by taking our time and not acting as a forced seller, by marketing the banks the way we did, we maintained and perhaps created value in the 20 institutions."

The 12 acquiring institutions consist of eight independent banks or holding companies located primarily in Texas, one thrift institution located primarily in Texas, and three bank holding companies located or controlled primarily out-of-state. Six of the 12 acquiring institutions are part of bank groups or holding companies with less than $1 billion in total assets. With the exception of Texas Commerce, each acquiring institution has aggregate bank and affiliate assets of less than $5 billion.

Although the FDIC has accepted the bids of the acquiring institutions, each bridge bank will not be transferred until required regulatory waiting periods have expired. The FDIC anticipates that each bridge bank will be transferred to its respective acquiring institution in mid-February.

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(A detailed listing of the bridge banks, the acquiring institutions and the bid amounts is attached)