FDIC NEWS RELEASE

FEDERAL DEPOSIT INSURANCE CORPORATION

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FDIC ANNOUNCES SALE OF NEW FIRST NATIONAL BANK OF VERMONT, BRADFORD, VERMONT

The FDIC announced today the sale of the New First National Bank of Vermont, Bradford, Vermont, established by the agency in January to continue the banking services of the closed First National Bank of Vermont.

The bridge bank, with total assets of $195.8 million as of April 29, 1993, is being sold to The Merchants Bank, Burlington, Vermont. Depositors of the bridge bank automatically will become depositors of The Merchants Bank.

The FDIC established the bridge bank on January 29, 1993, to assume insured deposits, certain other liabilities and most of the assets of First National Bank of Vermont, which was closed by the Office of the Comptroller of the Currency. Bridge banks are chartered by the Office of the Comptroller of the Currency and insured by the FDIC.

The transaction with Merchants is structured as follows:

- Merchants will assume all deposits, totaling about $205.9 million in about 33,000 deposit accounts. It will pay the FDIC a bid amount of $2.4 million for the right to assume the bank's deposits and will share in certain expected losses of the bridge bank.
- Merchants will purchase all of the bank's assets. It will purchase at book value all assets except securities (which will be bought at market value) and premises and equipment. Merchants has an option to purchase premises and equipment at prices designed to reflect fair market value.

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- The FDIC receivership will retain $62.7 million in assets from the former failed bank. This figure includes assets that were retained upon the bank's closing.

As part of the transaction, Merchants will be provided with a three-year loss-sharing arrangement on approximately $165 million in residential and commercial real estate loans, commercial and industrial loans and agriculture loans.

During the three-year period, the FDIC will reimburse Merchants for 80 percent of net charge-offs on these assets; Merchants will absorb the remaining 20 percent. The FDIC has agreed that if net charge-offs exceed $41.1 million, the FDIC will increase its coverage to 95 percent of additional net charge-offs on these assets and Merchants will absorb the remaining five percent. During this period and for two years thereafter, the FDIC will receive 80 percent of all recoveries of charged-off assets. The loss-sharing arrangement is expected to maximize returns on the assets covered by the arrangement by keeping these assets in the private sector. The agreement also is expected to minimize disruption for the loan customers involved.

Although the FDIC has approved the purchase of New First National Bank of Vermont by Merchants, the bridge bank will not be transferred until required regulatory waiting periods have expired. The FDIC anticipates that the bridge bank will be transferred to Merchants by the middle of June.

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