



**Comptroller of the Currency
Administrator of National Banks**

Southwestern District Office
Analysis Division
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

**Corporate Decision #97-12
March 1997**

DECISION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION FOR THE COMMERCIAL NATIONAL BANK OF BEEVILLE, BEEVILLE, TEXAS TO PURCHASE CERTAIN ASSETS AND ASSUME CERTAIN LIABILITIES OF TWO BRANCHES OF PACIFIC SOUTHWEST BANK, FSB, CORPUS CHRISTI, TEXAS, UNDER THE TITLE AND CHARTER OF THE COMMERCIAL NATIONAL BANK OF BEEVILLE.

Introduction

On December 26, 1996, application was made to the Office of the Comptroller of the Currency (hereafter "OCC") for prior authorization for The Commercial National Bank of Beeville, Beeville, Texas (hereafter "Commercial") to purchase certain assets and assume certain liabilities of the Beeville, Texas and Goliad, Texas Branches of Pacific Southwest Bank, FSB, Corpus Christi, Texas (hereafter "Pacific") under the charter and title of The Commercial National Bank of Beeville. This application was based on an agreement entered into between the proponents on November 22, 1996.

Participating Financial Institutions

As of September 30, 1996, the two branches of Pacific subject to the purchase and assumption agreement had total deposits of \$51 million. On the same date, Commercial had total deposits of \$84 million and operated two offices. Commercial is 100% owned and controlled by South Texas Bancshares, Inc., a one bank holding company.

Competitive Analysis

The relevant geographic market for this proposal is Bee County, Texas. This is the area where the Beeville branch of Pacific derives the bulk of its deposits and where it competes directly and immediately with Commercial. Within this market, three commercial banks and one thrift compete for approximately \$175 million in deposits. Commercial is the largest depository institution with approximately thirty-four percent of the market's total deposits. The Beeville branch of Pacific ranks third with approximately twenty percent of the market's deposits. Upon consummation of this transaction, Commercial would remain the largest depository institution

with approximately fifty-

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four percent of the market's deposits. While the proposed transaction would eliminate some direct competition in the relevant geographic market, any adverse competitive factors would be mitigated by the presence of other banking alternative, both in the relevant and adjacent markets.

Banking Factors

The Bank Merger Act requires the OCC to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of Commercial do not raise concerns that would cause the application to be disapproved. Both branches will remain open and the customers will have access to each of Commercial's locations. Commercial currently offers a full line of banking services and there will be no changes in its products or services as a result of the transaction. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

Community Reinvestment Act

A review of the record of this application and other information available to the OCC as a result of its regulatory responsibilities has revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, is less than satisfactory.

Conclusion

We have analyzed this proposal pursuant to the Bank Merger Act (12 U.S.C. 1828(c)) and find that it will not lessen significantly competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

_____/s/
Michael K. Hughes
Licensing Manager

Dated: February 13, 1997
Application Control Number: 96-SW-02-0078