



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

Licensing Operations
Southwestern District Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3342

**Corporate Decision #2003-4
April 2003**

**DECISION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION BY
SOUTH TEXAS NATIONAL BANK, LAREDO, TEXAS TO PURCHASE THE ASSETS AND
ASSUME THE LIABILITIES OF THE EAGLE PASS, TEXAS BRANCH OF STERLING BANK,
HOUSTON, TEXAS; APPLICATION CONTROL NUMBER 2002-SW-02-0032**

Introduction

On December 6, 2002, application was made to the Office of the Comptroller of the Currency (hereafter "OCC") for approval of the purchase of certain assets and assumption of certain liabilities of the Eagle Pass, Texas branch of Sterling Bank, Houston, Texas (hereafter "Sterling") by South Texas National Bank, Laredo, Texas (hereafter "South Texas"). The application was based on a purchase and assumption agreement entered into between the proponents on October 29, 2002.

Participating Financial Institutions

As of September 30, 2002, the Eagle Pass branch of Sterling had deposits of \$100 million. On the same date, South Texas had total deposits of \$436 million and operated 8 offices. South Texas is owned by a multi-bank holding company.

Competitive Analysis

The relevant geographic market for this proposal is Maverick County, Texas. This is the area where competition between South Texas and Sterling's Eagle Pass branch is direct and immediate.

As of September 30, 2002 there were three institutions operating in the relevant market. South Texas ranked third in the relevant geographic market with \$82 million in deposits, or 22 percent of the market share of total deposits. The Eagle Pass branch of Sterling ranked second with \$94 million in deposits, or 25 percent of the market share of total deposits. After the transaction, South Texas will have a 47 percent market share of total deposits and will be ranked second in the market. Following the elimination of Sterling from the market, South Texas will compete with one other banking alternative. The banking alternative is International Bank of Commerce, a \$5 billion bank headquartered in Laredo, Texas with 53 percent of the market share.

The OCC also carefully considered the report of the Department of Justice, which similarly found the proposed transaction, would not have a significant adverse effect on competition subject to its letter of

agreement with South Texas.¹ In light of the bank's agreement with the Department of Justice, consummation of this proposal will not have a significantly adverse effect on competition in the relevant geographic market.

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 South Texas and Sterling do not raise concerns that would cause the application to be disapproved. No location will be closed as a result of this transaction. South Texas offers a full line of banking services and there will be no changes in its products or services as a result of this 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 USC 1828(c)) and/or 12 CFR 5.33, and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or an officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

Karen H. Bryant

Karen H. Bryant
Licensing Manager

Date: March 4, 2003

¹ In reaching this conclusion, the Department of Justice relied on commitments made by South Texas in a letter of agreement dated February 28, 2003. South Texas agreed to follow certain requirements in selecting a buyer or lessor for a closed branch as a result of the merger and agreed to suspend or not enter into any non-compete agreements with any current loan officer or branch manager in the Maverick banking market for a specified period.