FEDERAL RESERVE press release

For immediate release March 18, 1992

The Federal Reserve Board today announced its approval of the applications of Mercantile Bancorporation, St. Louis, Missouri, and Mercantile Acquisition Corporation I, St. Louis, Missouri, to acquire Ameribanc, Inc., St. Joseph, Missouri, and its subsidiary banks; the application of Mercantile Acquisition Corporation I to become a bank holding company through a merger with Ameribanc, Inc.; and the application by Mercantile Bancorporation, St. Louis, Missouri, to acquire Ameribanc Life Insurance Company, St. Joseph, Missouri, and thereby engage in the reinsurance of credit life, accident and health insurance sold in connection with extensions of credit.

Attached is the Board's Order relating to this action.

Attachment

FEDERAL RESERVE SYSTEM

Mercantile Bancorporation, Inc.
St. Louis, Missouri

Order Approving Acquisition of a Bank Holding Company

Mercantile Bancorporation, Inc., St. Louis, Missouri ("Mercantile"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Ameribanc, Inc., St. Joseph, Missouri ("Ameribanc"), and thereby acquire Ameribanc's eleven bank subsidiaries.[1/] Mercantile also has applied under section 4(c)(8) of the BHC Act to acquire Ameribanc Life Insurance Company, St. Joseph, Missouri ("Ameribanc Life"), and thereby engage in the reinsurance of credit life, accident, and health insurance sold in connection with extensions of credit made by Ameribanc's subsidiary banks. Mercantile proposes to conduct this activity in accordance with the Board's Regulation Y (12 C.F.R. § 225.25(b)(8)(i)).[2/]

1/ Ameribanc's subsidiary banks, all in Missouri, are: American National Bank of St. Joseph, St. Joseph; American Bank, Kansas City; American Bank of Boone County, Centralia; American Bank of Franklin County, Union; American Bank of Morgan County, Versailles; American Bank of North Central Missouri, Trenton; American Bank of Northwest Missouri, Maryville; American Bank of Platte County, Kansas City; American Bank of St. Louis, St. Louis; American Bank of Plattsburg/Edgerton, Plattsburg; and American Bank of Rolla, Rolla. Mercantile proposes to accomplish this acquisition by forming a wholly owned subsidiary, Mercantile Acquisition Corporation I, St. Louis, Missouri ("MAC"), which will merge with Ameribanc. In connection with this application, MAC has applied under section 3(a)(1) of the BHC to become a bank holding company.

2/ In connection with this transaction, Ameribanc has granted Mercantile an option to purchase up to 19.9 percent of the outstanding common stock of Ameribanc, and Mercantile has (continued...)

Notice of the applications, affording interested persons an opportunity to submit comments, has been duly published (56 Federal Register 67,322 (1991)). The time for filing comments has expired, and the Board has considered the applications and all the comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act.

Mercantile, with total deposits of $5.6 billion, controls banking subsidiaries in Missouri and Illinois.[3/] Mercantile is the third largest commercial banking organization in Missouri, with 25 subsidiary banks controlling $5.2 billion in deposits, representing 9.9 percent of total deposits in commercial banking organizations in the state. Ameribanc is the ninth largest commercial banking organization in Missouri, controlling 11 subsidiary banks with $1 billion in deposits, representing approximately 1.9 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal and all proposed divestitures, Mercantile would become the second largest commercial banking organization in Missouri, controlling deposits of $6.2 billion, representing 11.8 percent of total deposits in commercial banking organizations in the state.

2/ (...continued) applied to exercise the option if any of several preconditions occurs. This option will become moot upon consummation of the Mercantile applications to acquire Ameribanc.

3/ State deposit data are as of June 30, 1991. Market deposit data are as of June 30, 1990.

Mercantile and Ameribanc compete directly in four banking markets in Missouri. After considering the competition offered by other depository institutions in the market,[4/] the number of competitors remaining in the market, the increase in concentration, and the other facts of record, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition in the St. Louis, Kansas City, or Washington banking markets.[5/]

Mercantile has proposed a divestiture to mitigate the anticompetitive effects of the proposed acquisition in the Grundy County, Missouri, banking market. In the Grundy County banking market, Mercantile is the largest of four depository

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4/ In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. WM Bancorp, 76 Federal Reserve Bulletin 788 (1990); First Union Corporation, 76 Federal Reserve Bulletin 83 (1990); Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989).

5/ Under the revised Department of Justice Merger Guidelines, 69 Federal Register 26,823 (1984), a market in which the post-merger Herfindahl-Hirschman Index ("HHI") is above 1800 is considered highly concentrated. In such markets, the Department of Justice is likely to challenge a merger that increases the HHI by more than 50 points. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition will not be challenged, in the absence of other factors indicating anticompetitive effects, unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

institutions, controlling $63.2 million in deposits, representing 39.5 percent of the total deposits in depository institutions in the market.[6] Ameribanc's subsidiary bank, American Bank of North Central Missouri, Trenton, Missouri, is the smallest depository institution in the Grundy County banking market, controlling $23.8 million in deposits, representing 14.9 percent of total deposits in depository institutions in the market. Mercantile has committed to divest this bank to a banking organization not currently operating in the market.[7] As a result of this divestiture, the number of depository institutions in the Grundy County market will not change following consummation of the proposal, and the HHI in the market would remain unchanged.[8]

Based on all the facts of record, and subject to the divestiture proposal made by Mercantile, the Board has determined

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[6] The Grundy County, Missouri banking market is approximated by all of Grundy County, Missouri.

[7] Ameribanc has entered into an agreement to divest American Bank of North Central Missouri to a bank that does not operate in the market. If Mercantile is unsuccessful in divesting this bank within 180 days of consummation, Mercantile has committed to transfer the shares of this bank to an independent trustee who would be instructed to sell the bank promptly. <u>See</u> <u>e.g.</u> <u>United New Mexico Financial Corporation</u>, 77 Federal Reserve Bulletin 484,485 (1991); <u>First Union Corporation</u>, 76 Federal Reserve Bulletin 83 (1990).

[8] In evaluating this proposal, the Board carefully considered comments filed by an individual who urged the Board to condition approval of the applications on the sale of American Bank of North Central Missouri to independent third parties to preserve competition in the Grundy County banking market. The divestiture commitment made by Mercantile fully addresses these comments.

that consummation of this proposal would not have a significantly adverse effect on competition in the Grundy County banking market.

The financial and managerial resources, future prospects of Mercantile, Ameribanc, and their respective subsidiaries are consistent with approval of this proposal. Considerations relating to the convenience and needs of the communities to be served and the other factors the Board must consider under section 3 of the BHC Act also are consistent with approval.

Mercantile also has applied under section 4(c)(8) of the BHC Act to acquire Ameribanc Life and thereby engage in the reinsurance of credit life, accident, and health insurance sold in connection with extensions of credit made by Ameribanc's subsidiary banks. As noted above, this activity is permissible for bank holding companies under the Board's Regulation Y, and Mercantile will conduct this activity in accordance with the Board's regulation and decisions regarding this activity.

Consummation of this proposal would not have any significantly adverse effect on competition in the provision of this service in any relevant market. Furthermore, there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by the public benefits in this case. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application by Mercantile to acquire Ameribanc Life.

Based on the foregoing and other facts of record, and subject to the commitments made by Mercantile in this case, the Board has determined that the applications should be, and hereby are, approved. This approval is specifically conditioned upon compliance by Mercantile and its subsidiaries with all of the commitments made in connection with these applications and with the conditions referenced in this order. The determinations as to the nonbanking subsidiary to be acquired also are subject to all of the conditions contained in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

The acquisition of Ameribanc's banks shall not be consummated before the thirtieth calendar day following the effective date of this Order, and the acquisition of Ameribanc and Ameribanc Life shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors,[9/] effective March 18, 1992.

Jennifer J. Johnson
Jennifer J. Johnson
Associate Secretary of the Board

[9/] Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.