

Pajaro, Monterey banks will merge

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WATSONVILLE — Pajaro Valley Bank, the only locally owned bank in Watsonville, will be absorbed into Pacific Capital Bancorp of Monterey, according to a tentative agreement announced this week.

Pacific Capital is the holding company for First National Bank of Monterey County. Pajaro Valley Bank, with branches in Watsonville and Prundale, would become a wholly owned subsidiary of Pacific Capital, for "an undertermined period of time," according to a statement. The merger will be an exchange of common stock.

Clayton Larson, president of Pacific Capital, was with Valley National Bank in Watsonville for several years before it was acquired by Household Bank in 1981. Clayton said he and Vern Horton, president of First National Bank, "feel very familiar with the market."

The proposed merger is part of a trend of consolidations in the banking industry, said Jerry Findley, editor of Findley Reports, a Southern California banking newsletter.

"There's quite a trend going on in California," he said. "Small banks are the principal players."

Both banks are relatively new. Pajaro Valley Bank was formed in 1983 and currently has assets of \$78 million, said Steve Hertel, president and chief executive officer. For the first nine months of 1989, the bank earned about \$437,000, Hertel said. Last year, it earned \$619,000.

First National Bank, founded in 1984, is more than twice Pajaro Valley's size, with assets of about \$180 million, and \$2.3 million in earnings for the first nine months of the year. Last year it earned \$2.4 million, Clayton said.

He said the initial talks regarding a merger began about 3½ months ago. Clayton knows many of Pajaro Valley Banks directors from his time in Watsonville where he began his banking career in 1971.

If shareholders of the two bank holding companies approve the proposed merger, Pacific Capital would issue .45 shares for each Pajaro Valley share.

Findley said the proposed merger is understandable. "They're both good banks," he said. The combined bank will be more competitive, he said.

Hertel called the merger "a nice fit. There are a lot of benefits," he said.

Bank officials estimate the merger if approved will be final next summer.