FRB Order No. 2012-3
(March 21, 2012)

FEDERAL RESERVE SYSTEM

Adam Bank Group, Inc.
Tampa, Florida

Order Approving the Acquisition of a Bank

Adam Bank Group, Inc. ("ABG"), Tampa, Florida, has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act")[1] to acquire Brazos Valley Bank, National Association ("Bank"), College Station, Texas.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (76 Federal Register 60837 (2011)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

ABG, with total consolidated assets of approximately $935 million, is the 729th largest insured depository organization in the United States, controlling approximately $728 million in deposits.[2] ABG's only subsidiary insured depository institution, American Momentum Bank ("AMB"), Tampa, operates in Florida and Texas.[3] AMB is the 85th largest depository organization in Florida, controlling deposits of approximately $380 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state. AMB is the 305th largest depository organization in Texas, controlling deposits of approximately $118 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.[4]

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[1] 12 U.S.C. § 1842.

[2] National deposit, asset, and ranking data are as of December 31, 2011, and are updated to reflect mergers through that date. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

[3] ABG owns 91.6 percent of the voting shares of AMB.

[4] State deposit, asset, and ranking data are as of June 30, 2011. The state deposit, asset, and ranking data do not include two acquisitions after June 30 that are reflected in the national deposit, asset and ranking data noted above. See note 2. Those acquisitions

Bank, with total assets of approximately $113 million, is the 344th largest insured depository institution in Texas, controlling deposits of approximately $106 million. On consummation of this proposal, ABG would become the 201st largest depository organization in Texas, controlling deposits of approximately $224 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.

Interstate Analysis

Section 3(d) of the BHC Act imposes certain requirements on interstate transactions. Section 3(d) generally provides that the Board may approve an application by a bank holding company ("BHC") that is well capitalized and well managed to acquire control of a bank in a state other than the BHC's home state without regard to whether the transaction is prohibited under state law.[5] However, this section further provides that the Board may not approve an application that would permit an out-of-state BHC to acquire a host state's bank that has not been in existence for the lesser of the state statutory minimum period of time or five years.[6] In addition, the Board may not approve an application by a BHC to acquire an insured depository institution if the home state of such insured depository institution is a state other than the home state of the BHC and the applicant controls or would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States.[7]

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did not affect competition in Texas and in particular, the Bryan-College Station, Texas banking market.

[5] The standard was changed from adequately capitalized and adequately managed to well capitalized and well managed by section 607(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C § 1842(d)(1)(A).

[6] 12 U.S.C. § 1842(d)(1)(B).

[7] 12 U.S.C. § 1842(d)(2)(A).

For purposes of the BHC Act, the home state of ABG is Florida,[8] and Bank is located in Texas.[9] AMG is well capitalized and well managed under applicable law. Texas law imposes a five-year age requirement,[10] and Bank has been in existence for more than five years.

Based on the latest available data reported by all insured depository institutions in the United States, the total amount of deposits of insured depository institutions is $9.6 trillion. On consummation of the proposed transaction, AMG would control less than 1 percent of the total amount of deposits in insured depository institutions in the United States. Accordingly, and in light of all the facts of record, the Board is not required to deny the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[11]

AMB and Bank compete directly in the Bryan-College Station, Texas banking market.[12] AMB operates a branch in College Station, which is in Brazos

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8 See 12 U.S.C. § 1842(d). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

9 For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and 1842(d)(2)(B).

10 Tex Fi. Code Ann. § 202.003.

11 12 U.S.C. § 1842(c)(1).

12 The Bryan-College Station, Texas banking market is defined as Brazos County, Texas.

County. Bank's head office is also in College Station. The Board has reviewed the competitive effects of the proposal in this banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking market; the relative shares of total deposits in insured depository institutions in the market ("market deposits") controlled by AMB and Bank;[13] the concentration level of market deposits and the increase in those levels, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Competitive Review Guidelines ("DOJ Bank Merger Guidelines");[14] and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Bryan-College Station banking market. On consummation, the HHI measure of concentration would

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[13] Deposit and market share data are as of June 30, 2011, adjusted to reflect mergers and acquisitions through June 30 and 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. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[14] Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice ("DOJ") has informed the Board that a bank merger or acquisition generally would 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 more than 200 points. Although DOJ and the Federal Trade Commission recently issued revised Horizontal Merger Guidelines, DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. Press Release, Department of Justice (August 19, 2010), www.justice.gov/opa/pr/2010/August/10-at-938.html.

increase by 26 points to 1041. The appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.[15]

Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the banking market where the subsidiary depository institutions of AMB and Bank compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

Other Section 3(c) Considerations

Section 3(c) of the BHC Act requires the Board to take into consideration the following factors in acting on bank acquisition applications: the financial and managerial resources (including consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders) and future prospects of the company and banks concerned; the effectiveness of the company in combatting money laundering; the convenience and needs of the community to be served; and the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. The Board has considered all of these factors and, as described below, has determined that they are consistent with approval of the application. The review was conducted in light of all the facts of record, including supervisory and examination information from various U.S. banking supervisors of the institutions involved, publicly reported and other financial information, and information provided by ABG.

A. Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved on

[15] In the Bryan-College Station banking market, AMB controls $118 million in deposits, representing 4.2 percent of total deposits in the market, and Bank controls $105.6 million in deposits, representing 3.7 percent of total deposits in the market. On consummation, ABG would control $223.6 million in deposits, representing 7.9 percent of total market deposits.

both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important.

ABG and AMB are well capitalized and will remain so on consummation of the proposed acquisition. ABG is a shell entity, and AMB comprises 99.8 percent of its consolidated assets. The proposed transaction is a bank merger, structured as a cash purchase of shares. AMB will fund the purchase from existing liquidity. AMB has been in operation since October 2006, and achieved profitable operations for fiscal years ending 2010 and 2011. AMB successfully integrated two failed bank acquisitions during July 2011, acquiring assets and deposit liabilities of approximately $297 million. On a pro forma basis, the acquisition of Bank would not have a significant impact on AMB's operations. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of ABG, AMB, and Bank, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money-laundering laws. The Board also has considered ABG's plans for implementing the proposal.

ABG and AMB are considered to be well managed. The boards and senior management of ABG and AMB[16] have significant community banking experience. In addition, the chairman of AMB has a successful record of acquiring and integrating the operations of troubled depository institutions into a larger profitable institution in a safe and sound matter. As noted above, AMB purchased two failed banks in July 2011 that are now part of the ABG organization.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors.

B. Convenience and Needs Considerations

Under section 3, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[17] The CRA requires federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,[18] and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[19]

The Board has considered all the facts of record, including evaluations of the CRA performance of AMB and Bank, data reported by AMB under the Home

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[16] The pro forma management of the organization will be the same as the current management of ABG and AMB.

[17] 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

[18] 12 U.S.C. § 2901(b).

[19] 12 U.S.C. § 2903.

Mortgage Disclosure Act ("HMDA"),[20] other information provided by ABG, confidential supervisory information, and public comment received on the proposal. A commenter criticized the performance of AMB in meeting the credit needs of LMI and minority borrowers and of residents in predominately minority areas. The commenter asserted that from 2007 to 2009, no mortgage loans were made to low-income borrowers and that only one was made to a moderate-income borrower. The commenter further stated that AMB did not receive any mortgage applications from minority borrowers and originated only one mortgage loan in a predominately minority census tract for that period. The commenter also criticized the bank's branch distribution in low-income and minority areas.

In evaluating this proposal, the Board also consulted with the Federal Deposit Insurance Corporation ("FDIC") on its supervisory experience with AMB, including AMB's lending performance, and the FDIC's review of a substantially similar comment that it received in connection with a merger application from AMB. In addition, the Board has considered the convenience and needs factor as provided in the CRA in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.[21] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor. AMB received a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of October 24, 2008, and Bank received a "satisfactory" rating at its most recent CRA performance evaluation by the Office of the Comptroller of the Currency, as of January 22, 2007.

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[20] 12 U.S.C. § 2801 et seq.

[21] See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (2010).

In addition, the Board has considered the HMDA data for 2009 and 2010 reported by AMB in Brazos County, Texas,[22] and has considered the fair lending record of AMB. The Board also has reviewed supervisory information and consulted with the FDIC. The HMDA data show that AMB's mortgage lending is limited.[23] According to the data, AMB made no loans to minorities during this period. ABG stated that during the severe economic downturn in Florida, AMB sought other financing opportunities, such as community development loans to meet the lending needs of the market. ABG stated that AMB has taken a cautious approach to expanding its branch network to maintain a strong focus on safety and soundness. ABG also noted that the bank's most recently established branch is in a moderate-income tract in Clearwater.

Because of the limitations of HMDA data, the Board has considered other kinds of lending efforts by AMB.[24] For example, AMB has provided more than $58 million in financing to developers who build and operate affordable housing.

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[22] The Board considered the HMDA data reported by AMB for Brazos County because all the bank's HMDA originations during this period were in Texas and that is the location of its Texas branch.

[23] AMB indicated that, in addition to AMB's HMDA-reportable lending, the bank received 23 requests for mortgage loans that were referred to and closed by its correspondent lenders. ABG reported that approximately $508,000 of these loans were for properties in moderate-income areas.

[24] Although the HMDA data may reflect disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, they provide an insufficient basis by themselves on which to conclude whether or not AMB is excluding any group on a prohibited basis. The Board recognizes that HMDA data alone, even with the recent addition of pricing information, provide only limited information about the covered loans. HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or ethnicity. Moreover, the Board believes that all bank holding companies and their affiliates must conduct their mortgage lending operations without any abusive lending practices and in compliance with all consumer protection laws.

The bank supported one project that included 53 affordable 1-4 family homes in a low-to-moderate income, predominantly minority neighborhood. AMB has sought out additional community development lending opportunities and has provided financing for the acquisition/development/rehabilitation of multifamily affordable housing projects totaling $160.8 million, including $66.1 million in loans for properties in low-to-moderate income areas. AMB has provided $68.3 million in loans in the communities of Bryan and College Station for the construction of single family homes. Of this total, $4.8 million was in low-to-moderate income census tracts and 59 percent were affordable homes qualifying for low down payments or the First Time Homebuyer's Program.

Although AMB is currently not a significant HMDA lender, it is beginning efforts to increase its home mortgage lending in Florida and Texas. ABG recently hired a senior mortgage production expert who has begun development of a comprehensive real estate lending initiative for Florida and Texas.

AMB has in place a formal fair lending program that includes its home mortgage and small business lending operations. AMB also provides internal compliance training, and the bank's staffs in bank management, line-of-business, and compliance attend outside conferences and seminars and other fair lending and consumer protection training sessions.

The Board also considered the location of AMB's branches. Two of the bank's twenty-one branches are in moderate-income tracts, and one of these is in a minority tract. ABG asserts that the bank placed its branches in downtown areas with large workforce populations, in shopping areas that attract people from throughout the market, and on major thoroughfares.

The credit needs of Bank's communities will benefit from AMB's financial strength, and the proposed acquisition will provide Bank's customers with a more viable source of banking services. ABG plans to continue to offer Bank's products and to replace any discontinued products and services with similar offerings by AMB.

The Board has considered all the facts of record, including reports of examination of the CRA records of AMB and Bank, information provided by ABG, public comments received on the proposal, and confidential supervisory information, including current records of compliance with consumer laws and regulations.

Based on a review of the entire record, and for the reasons discussed above, the Board has concluded that considerations relating to the convenience and needs factor and the CRA performance records of the relevant insured depository institutions are consistent with approval.

C. Financial Stability

The Board has also considered information relevant to risks to the stability of the United States banking or financial system. The proposed investment represents a *de minimis* transaction for financial stability purposes, and the proposed transaction would not materially increase the interconnectedness or complexity of ABG. The Board, therefore, concludes that financial stability considerations in this proposal are consistent with approval.

Based on all the facts of record, including those described above, the Board has determined that all of the factors it must consider under section 3(c) of the BHC Act are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by ABG with all the conditions imposed in this order and the commitments made to the Board in connection with the application, including receipt of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this Order, or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors,[25] effective March 21, 2012.

(signed)

Jennifer J. Johnson
Secretary of the Board

[25] Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Duke, Tarullo, and Raskin.