FRB Order No. 2019-15
October 11, 2019

FEDERAL RESERVE SYSTEM

Magnolia Banking Corporation
Farmers Bank & Trust Company
Magnolia, Arkansas

Order Approving the Merger of Bank Holding Companies, the Merger of Banks, and the Establishment of a Branch

Magnolia Banking Corporation ("Magnolia"), Magnolia, Arkansas, a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to merge with Prescott Bancshares, Inc. ("Prescott"), and thereby indirectly acquire Prescott's subsidiary bank, Bank of Prescott, both of Prescott, Arkansas. Farmers Bank & Trust Company ("Farmers Bank"), Magnolia, Arkansas, the state member bank subsidiary of Magnolia, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act ("Bank Merger Act")[3] to merge with Bank of Prescott, a state non-member bank, with Farmers Bank as the surviving entity. In addition, Farmers Bank has applied under section 9 of the Federal Reserve Act ("FRA") to establish and operate a branch at the main office of Bank of Prescott.[4]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (84 Federal Register 30715 (June 27, 2019)).[5] The time for submitting comments has expired, and no comments were received. The Board

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[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] 12 U.S.C. § 1828(c).

[4] 12 U.S.C. § 321. The branch would be located at 103 East 2nd Street South, Prescott, Arkansas.

[5] 12 U.S.C. § 1828(c)(3); 12 CFR 262.3(b).

has considered the proposal in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the FRA. As required by the Bank Merger Act, a report on the competitive effects of the proposal was requested from the United States Attorney General, and a copy of the request has been provided to the Federal Deposit Insurance Corporation ("FDIC").

Magnolia, with consolidated assets of approximately $1.6 billion, is the 508th largest insured depository organization in the United States, controlling deposits of approximately $907.2 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions[6] in the United States.[7] Magnolia controls Farmers Bank, which has offices in Arkansas and Texas. Farmers Bank is the 14th largest insured depository institution in Arkansas, with approximately $907.2 million in deposits, which represent 1.4 percent of the total amount of deposits of insured depository institutions in that state.[8]

Prescott, with consolidated assets of approximately $67.0 million, is the 4631th largest insured depository institution in the United States, controlling deposits of approximately $58.6 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Prescott controls Bank of Prescott, which has offices only in Arkansas. Prescott is the 99th largest insured depository organization in Arkansas, with approximately $58.6 million in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

On consummation of the proposal, Magnolia would remain the 508th largest insured depository organization in the United States, with consolidated assets of approximately $1.7 billion. Magnolia would control approximately $965.8 million in

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[6] In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

[7] National asset data are as of June 30, 2019. National deposit, ranking, and market-share data are as of June 30, 2018, unless otherwise noted.

[8] State deposit data are as of June 30, 2018, unless otherwise noted.

deposits, representing less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Farmers Bank would remain the 14th largest insured depository institution in Arkansas, controlling deposits of approximately $965.8 million, which represent approximately 1.5 percent of the total deposits of insured depository institutions in that state.

Competitive Considerations

Section 3 of the BHC Act and the Bank Merger Act prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.[9] Section 3 of the BHC Act and the Bank Merger Act also prohibit the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any 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 communities to be served.[10]

Farmers Bank and Bank of Prescott compete directly in the Hope, Arkansas, banking market ("Hope market").[11] The Board has considered 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 relative share of total deposits of insured depository institutions in the market ("market deposits") that Farmers Bank would control;[12] the concentration levels of market deposits and the increase in these levels, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice

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[9] 12 U.S.C. § 1842(c)(1); 12 U.S.C. § 1828(c)(5)(A).

[10] 12 U.S.C. § 1842(c)(1)(B); 12 U.S.C. § 1828(c)(5)(B).

[11] The Hope market is defined as Hempstead County (minus Mine Creek township) and Nevada County, both in Arkansas.

[12] Local deposit and market share data are as of June 30, 2018, and are based on calculations in which the deposits of commercially active thrift institutions are included at 100 percent and the deposits of other thrift institutions are included at 50 percent.

Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[13] the number of competitors that would remain in the market; and other characteristics of the market.

The competitive effects of the proposal in the Hope market would exceed the thresholds in the DOJ Bank Merger Guidelines when using initial competitive screening data. Farmers Bank is the largest competitor in the Hope market, controlling approximately $117.6 million in deposits, which represent approximately 28.9 percent of market deposits. Bank of Prescott is the third largest depository institution in the Hope market, controlling approximately $58.6 million in deposits, which represent approximately 14.2 percent of market deposits. On consummation of the proposal, Farmers Bank would remain the largest depository institution in the Hope market, controlling approximately $176.2 million in deposits, which would represent approximately 42.6 percent of market deposits. The HHI in the market would increase by 804 points, from 1839 to 2643.

The Board has considered whether factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Hope market.[14] Factors indicate that the increase in

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[13] 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 the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

[14] The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

concentration in the Hope market, as measured by the HHI and market share, overstates the potential competitive effects of the proposal in the market. In particular, one credit union exerts a competitive influence in the Hope market. The institution offers a wide range of consumer banking products, operates street-level branches, and has broad membership criteria that include almost all of the residents in the market.[15] The Board finds that these circumstances warrant including the deposits of the credit union at a 50 percent weight in its calculation to estimate market influence. This weighting takes into account the limited lending done by this credit union to small businesses relative to commercial banks' lending levels. After weighting the deposits of the credit union at 50 percent, Farmers Bank, upon consummation, would control approximately 41.1 percent of market deposits, and the market concentration level in the Hope market measured by the HHI would increase by 762 points to 2512.

Although consummation of this proposal would eliminate one existing competitor, the Hope market would continue to be served by seven depository institutions, including the credit union noted above. Excluding Farmers Bank, these competitors would include a depository institution with more than 20 percent of market deposits and two depository institutions each with more than 10 percent of market deposits. The presence of these viable competitors suggests that Farmers Bank would have limited ability to offer less attractive terms to consumers unilaterally, and these competitors would be able to exert competitive pressure on Farmers Bank in the Hope market. Furthermore, the branch locations and commuting patterns of consumers within the market suggest that Farmers Bank and Bank of Prescott do not compete as closely with each other as they do with other competitors. These circumstances suggest that the

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[15] The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., Central Bancompany, Inc., FRB Order No. 2017-03 (February 8, 2017); KeyCorp, FRB Order No. 2016-12 (July 12, 2016); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); and Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

analysis of market concentration overstates the likely effects of the proposal on competition.

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market, including the Hope market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the Hope market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing proposals under section 3 of the BHC Act and the Bank Merger Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.[16] In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved, as well as information regarding the financial condition of the organizations' significant nonbanking operations, if applicable. In this evaluation, the Board considers a variety of information regarding capital adequacy, asset quality, liquidity, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, 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 to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future

[16] 12 U.S.C. § 1842(c)(2), (5), and (6); 12 U.S.C. § 1828(c)(5).

prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

Magnolia, Prescott, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a cash exchange, with a subsequent merger of the subsidiary depository institutions.[17] The asset quality, earnings, and liquidity of Magnolia and Farmers Bank are consistent with approval, and Magnolia appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, the future prospects of the institutions under the proposal are considered consistent with approval.

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 Magnolia, Prescott, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Magnolia and Farmers Bank; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws.

Magnolia and Farmers Bank are considered to be well managed. The directors and senior executive officers of Magnolia have substantial knowledge of and

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[17] Magnolia would form a wholly owned subsidiary, PBI Acquisition, Inc. ("Merger Sub"), in order to facilitate the transaction. Merger Sub would be merged into Prescott, with Prescott as the surviving entity, after which Prescott would be merged into Magnolia, with Magnolia as the surviving entity. As part of the proposed transaction, each share of Prescott common stock would be converted into a right to receive cash. Magnolia has the financial resources to effect the transaction.

experience in the banking and financial services sectors, and Magnolia's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered Magnolia's plans for implementing the proposal. Magnolia has conducted comprehensive due diligence and is devoting financial and other resources to address all aspects of the post-acquisition integration process for this proposal. Magnolia would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Magnolia's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner. Magnolia would retain the existing management of Prescott.

Based on all of the facts of record, including the supervisory records of Magnolia and Farmers Bank, their managerial and operational resources, and their plans for operating the combined organization after consummation, the Board concludes that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of Magnolia and Prescott in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on proposals under section 3 of the BHC Act and the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[18] In its evaluation, the Board considers whether the relevant institutions are helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served, and places particular emphasis on the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[19] The CRA requires the

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[18] 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 1828(c)(5).

[19] 12 U.S.C. § 2901 et seq.

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 the institutions' safe and sound operation,[20] and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[21]

In addition, the Board considers the banks' overall compliance records, including with respect to fair lending. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, and information provided by the applicant. The Board also may consider the institution's business model and marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all of the facts of record, including reports of examination of the CRA performance of Farmers Bank and Bank of Prescott; the consumer compliance, including fair lending, records of both banks; confidential supervisory information; and information provided by Magnolia and Farmers Bank.

Records of Performance under the CRA

In evaluating the CRA performance of the institutions involved, the Board generally considers each institution's most recent CRA performance evaluation, as well as other information and supervisory views, from the relevant federal financial supervisor or supervisors, which in this case are the Federal Reserve Bank of St. Louis ("Reserve

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[20] 12 U.S.C. § 2901(b).

[21] 12 U.S.C. § 2903.

Bank") with respect to Farmers Bank and the FDIC with respect to Bank of Prescott. The Board also considers information provided by the applicant.[22]

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.[23] 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 by the institution's primary federal financial supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), and a community development test ("Community Development Test") to evaluate the performance of an intermediate small insured depository institution, such as Farmers Bank, in helping to meet the credit needs of the communities it serves. The Lending Test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act,[24] in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the

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[22] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

[23] 12 U.S.C. § 2906.

[24] 12 U.S.C. § 2801 et seq.

proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;[25] (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.[26] The Community Development Test evaluates the number and amounts of the institution's community development loans and qualified investments; the extent to which the institution provides community development services; and the institution's responsiveness to community development lending, investment, and service needs.[27] Small institutions, such as Bank of Prescott, are subject only to the Lending Test.

CRA Performance of Farmers Bank

Farmers Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Reserve Bank, as of January 23, 2017

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[25] Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of $1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

[26] See 12 CFR 228.22(b).

[27] See 12 CFR 228.26(c).

("Farmers Evaluation").[28] Farmers Bank received a "Satisfactory" rating for each of the Lending Test and the Community Development Test.[29]

Examiners found Farmers Bank's loan-to-deposit ratio was more than reasonable given the bank's size, financial condition, and the credit needs of the bank's AAs. Examiners noted that the bank extended a majority of its loans within its AAs. Examiners found that the distribution of the bank's lending reflected reasonable penetration among individuals of different income levels and businesses of different sizes. In addition, examiners found that, overall, the bank's geographic distribution of loans was reasonable throughout the bank's AAs. Examiners noted no CRA-related complaints had been filed against Farmers Bank since its previous CRA evaluation.

Examiners found that Farmers Bank's overall community development performance demonstrated adequate responsiveness to the community development needs of its AAs, considering the bank's capacity and the availability of opportunities for development in the bank's AAs.

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[28] The Farmers Evaluation was conducted using Intermediate Small Institution CRA Examination Procedures. Examiners assessed the loan-to-deposit ratio for the period December 31, 2013, through September 30, 2016, and reviewed AA concentration, loan distribution by borrower profile, and the geographic distribution of loans from January 1, 2015, through December 31, 2015. Examiners reviewed community development activities from December 3, 2013, through January 23, 2017.

[29] The Farmers Evaluation included full-scope evaluations of the Texarkana Multistate Metropolitan Statistical Area ("MSA") AA; the Columbia-Hempstead-Lafayette-Ouachita counties, Arkansas AA; the Hot Spring County, Arkansas AA; the Saline County, Arkansas AA; and the Collin County, Texas AA.

CRA Performance of Bank of Prescott

Bank of Prescott was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of April 2, 2018 ("Prescott Evaluation").[30] The bank received a "Satisfactory" rating for the Lending Test.[31]

Examiners found that Bank of Prescott exhibited a reasonable record regarding its loan-to-deposit ratio. Examiners found that the bank originated a majority of its loans within its AA and noted that the bank's overall geographic distribution of loans was reasonable. Examiners also noted that the bank's record regarding its borrower profile loan distribution was reasonable.

Additional Supervisory Views

In its review of the proposal, the Board consulted with the Reserve Bank regarding the CRA and consumer compliance, including fair lending, records of Farmers Bank and considered the FDIC's most recent CRA and consumer compliance evaluations of Bank of Prescott. The Board has taken the consultations with the Reserve Bank and the information discussed above into account in evaluating the proposal, including in considering whether Farmers Bank has the experience and resources to ensure that the combined bank would help meet the credit needs of the communities within its AAs following consummation of the proposed transaction.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Magnolia represents that it does not anticipate making significant changes in or discontinuing any existing products or services of either Farmers Bank or Bank of Prescott following consummation of the bank

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[30] The Prescott Evaluation was conducted using Small Institution CRA Examination Procedures. Examiners reviewed a random sample of small business loans for 2017 and loan-to-deposit data from June 30, 2012, to December 31, 2017.

[31] The Prescott Evaluation included a full-scope evaluation of the bank's sole AA, a Non-MSA AA, consisting of all of Clark County and contiguous census tracts in Hempstead County and Nevada County, all in Arkansas.

merger. Magnolia also represents that customers of Bank of Prescott would gain access to a larger array of products and services and an expanded branch network.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with consumer protection laws, confidential supervisory information, information provided by Magnolia and Farmers Bank, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on its review, the Board determines that the convenience and needs factor is consistent with approval.

Financial Stability

The BHC Act and the Bank Merger Act require the Board to consider the risk of the proposal "to the stability of the United States banking or financial system."[32]

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[33] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of

[32] 12 U.S.C. § 1842(c)(7); 12 U.S.C. § 1828(c)(5).

[33] Many of the metrics considered by the Board measure an institution's activities relative to the United States financial system.

resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.[34]

The Board's experience has shown that proposals involving an acquisition of less than $10 billion in total assets, or that result in a firm with less than $100 billion in total assets, are generally not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.[35]

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target that has less than $10 billion in total assets and a pro forma organization of less than $100 billion in total assets. The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress.[36] In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

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[34] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

[35] See People's United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

[36] Farmers Bank and Bank of Prescott are predominately engaged in retail and commercial banking activities. Farmers Bank has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Establishment of Branches

Farmers Bank has applied under section 9 of the FRA to establish and operate a branch at the location of the current main office Bank of Prescott.[37] The Board has assessed the factors it is required to consider when reviewing an application under that section. Specifically, the Board has considered Farmers Bank's financial condition, management, capital, actions in meeting the convenience and needs of the communities to be served, CRA performance, and investment in bank premises.[38] For the reasons discussed in this order, the Board finds those factors to be consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the applications should be, and hereby are, 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, the Bank Merger Act, the FRA, and other applicable statutes. The Board's approval is specifically conditioned on compliance by Magnolia

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[37] See 12 U.S.C. § 321. Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. A national bank may establish and operate a new branch within a state in which it is situated, if such establishment and operation is authorized under applicable state law. 12 U.S.C. § 36(c). A national bank also may retain any branch following a merger that under state law may be established as a new branch of the resulting bank or retained as an existing branch of the resulting bank. See 12 U.S.C. § 36(b)(2), (c). Upon consummation, Farmers Bank's new branch would be permissible under applicable state law. See Ark. Code Ann. § 23-48-702.

[38] 12 U.S.C. § 322; 12 CFR 208.6. Upon consummation of the proposed transaction, Farmers Bank's investment in bank premises would remain within the legal requirements of 12 CFR 208.21.

and Farmers Bank with all of the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the proposal. 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 Reserve Bank, acting under delegated authority.

By order of the Board of Governors,[39] effective October 11, 2019.

Ann Misback (signed)

Ann E. Misback
Secretary of the Board

[39] Voting for this action: Chair Powell, Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governors Brainard and Bowman.