

FEDERAL RESERVE SYSTEM

South State Corporation

Winter Haven, Florida

Order Approving the Acquisition and Merger of Bank Holding Companies

South State Corporation (“South State”), Winter Haven, Florida, a financial 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 Bank Holding Company Act (“BHC Act”)² to acquire Atlantic Capital Bancshares, Inc. (“Atlantic Capital”), a bank holding company, and thereby indirectly acquire Atlantic Capital Bank, National Association (“Atlantic Capital Bank”), both of Atlanta, Georgia. Following the proposed acquisition, Atlantic Capital Bank would be merged with and into South State’s subsidiary national bank, South State Bank, National Association (“South State Bank”), Winter Haven, Florida.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (86 Federal Register 46849 (August 20, 2021)).⁴ The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

¹ 12 U.S.C. § 1841 et seq.

² 12 U.S.C. § 1842.

³ The merger of Atlantic Capital Bank into South State Bank was approved by the Office of the Comptroller of the Currency (“OCC”) on October 12, 2021, pursuant to section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”). 12 U.S.C. § 1828(c).

⁴ 12 CFR 262.3(b).

South State, with consolidated assets of approximately \$40.9 billion,⁵ is the 61st largest insured depository organization in the United States. South State controls approximately \$33.6 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. South State controls South State Bank, which operates branches in Alabama, Georgia, Florida, North Carolina, South Carolina, and Virginia. South State Bank is the 9th largest insured depository institution in Georgia, controlling deposits of approximately \$5.8 billion, which represent approximately 1.6 percent of the total deposits of insured depository institutions in that state.⁶

Atlantic Capital, with consolidated assets of approximately \$4.2 billion, is the 314th largest insured depository organization in the United States. Atlantic Capital controls approximately \$3.7 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Atlantic Capital Bank operates only in Georgia. Atlantic Capital Bank is the 15th largest insured depository institution in Georgia, controlling deposits of approximately \$3.3 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, South State would become the 59th largest insured depository organization in the United States, with consolidated assets of approximately \$45.0 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. South State would control total consolidated deposits of approximately \$37.3 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Georgia, the only state in which Atlantic Capital Bank currently operates branches, South State Bank would become the 8th largest insured depository institution,

⁵ National asset and deposit data are as of September 30, 2021.

⁶ State and market deposit data are as of June 30, 2021. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

controlling deposits of approximately \$9.1 billion, which would represent approximately 2.5 percent of the total deposits of insured depository institutions in that state.

Interstate Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.⁷ The Board (1) may not approve an application that would permit an out-of-state bank holding company or bank to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years;⁸ (2) must take into account the record of the applicant bank under the Community Reinvestment Act of 1977 (“CRA”)⁹ and the applicant’s record of compliance with applicable state community reinvestment laws;¹⁰ and (3) may not approve an interstate application if the bank holding company or resulting bank, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company or resulting bank, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in the target bank’s home state or in any state in which the acquirer and target have overlapping banking operations.¹¹

⁷ 12 U.S.C. § 1842(d)(1)(A). 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. See 12 U.S.C. § 1841(o)(4)(C).

⁸ 12 U.S.C. § 1842(d)(1)(B).

⁹ 12 U.S.C. § 2901 et seq.

¹⁰ 12 U.S.C. § 1842(d)(3).

¹¹ 12 U.S.C. § 1842(d)(2)(A) and (B). For purposes of section 3(d) of the BHC Act, the acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company

For purposes of the BHC Act, the home state of South State is Florida. Atlantic Capital Bank is located in Georgia. South State is well capitalized and well managed under applicable law. South State Bank has a “Satisfactory” rating under the CRA, and none of the jurisdictions in which South State operates has a state community reinvestment law that applies to this proposal. Georgia has a minimum age requirement that applies to South State’s acquisition of Atlantic Capital Bank.¹² Atlantic Capital Bank has been in existence for more than five years.

On consummation of the proposed transaction, South State would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. South State and Atlantic Capital have overlapping operations only in the state of Georgia, which imposes a 30 percent limit on the total amount of in-state deposits that a single banking organization may control.¹³ The combined organization would control approximately 2.5 percent of the total amount of in-state deposits of insured depository institutions in Georgia. Accordingly, in light of all the facts of record, the Board is not precluded from approving 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 market.¹⁴ The BHC Act also prohibits 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

controls any insured depository institution or branch. The Board considers a bank to be located in any state in which the bank is chartered, headquartered, or operates a branch. See 12 U.S.C. § 1841(o)(4)-(7).

¹² Ga. Code Ann. § 7-1-628.3(b) (3 years).

¹³ Ga. Code Ann. § 7-1-628.3(a).

¹⁴ 12 U.S.C. § 1842(c)(1)(A).

the convenience and needs of the community to be served.¹⁵

South State and Atlantic Capital compete directly in the Athens Area, Georgia, banking market (“Athens market”)¹⁶ and the Atlanta, Georgia, banking market (“Atlanta market”).¹⁷ The Board has considered the competitive effects of the proposal in these banking markets. In particular, the Board has considered the relative share of total deposits of insured depository institutions in the markets (“market deposits”) that South State would control;¹⁸ the concentration level of market deposits and the increase in that level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹⁹ the number of competitors that would remain in the markets; and other characteristics of the markets.

¹⁵ 12 U.S.C. § 1842(c)(1)(B).

¹⁶ The Athens market is defined as Barrow (less the cities of Auburn and Winder), Clarke, Jackson, Madison, Oconee, and Oglethorpe counties, Georgia.

¹⁷ The Atlanta market is defined as Bartow, Cherokee, Clayton, Cobb, Coweta, Dawson, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Hall, Henry, Jasper, Newton, Paulding, Rockdale, and Walton counties, Georgia; the towns of Auburn and Winder in Barrow County, Georgia; and Luthersville in Meriwether County, Georgia.

¹⁸ Deposit and market share data are as of June 30, 2021, and unless otherwise noted, 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 to 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 market share calculations on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

¹⁹ In applying the DOJ Bank Merger Guidelines issued in 1995 (see <https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995>), the Board looks to the DOJ’s Horizontal Merger Guidelines, issued in 1992 and amended in 1997, for the characterization of a market’s concentration. See <https://www.justice.gov/atr/horizontal-merger-guidelines-0>. Under these Horizontal Merger Guidelines, which were in effect prior to 2010, 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

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Athens and Atlanta markets. On consummation of the proposal, the Athens market would remain unconcentrated as measured by the HHI, according to the DOJ Bank Merger Guidelines,²⁰ and the Atlanta market would remain moderately concentrated.²¹

The DOJ 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. In

HHI exceeds 1800. The 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 (see <https://www.justice.gov/atr/horizontal-merger-guidelines-08192010>), the DOJ has confirmed that its Bank Merger Guidelines 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.

²⁰ South State operates the 10th largest depository institution in the Athens market, controlling approximately \$273.7 million in deposits, which represent 3.65 percent of market deposits. Atlantic Capital operates the 21st largest depository institution in the market, controlling approximately \$35.6 million in deposits, which represent 0.47 percent of market deposits. On consummation of the proposed transaction, South State would become the 9th largest depository institution in the Athens market, controlling deposits of approximately \$309.3 million, which represent approximately 4.2 percent of market deposits. The HHI for the Athens market would increase by 4 points to 910, and 21 competitors would remain in the market.

²¹ South State operates the 16th largest depository institution in the Atlanta market, controlling approximately \$2.0 billion in deposits, which represent 0.7 percent of market deposits. Atlantic Capital operates the 11th largest depository institution in the market, controlling deposits of approximately \$3.3 billion, which represent approximately 1.2 percent of market deposits. On consummation of the proposed transaction, South State would become the 9th largest depository organization in the market, controlling deposits of approximately \$5.2 billion, which represent approximately 2.0 percent of market deposits. The HHI for the Atlanta market would increase by 2 points to 1731, and 79 competitors would remain in the market.

addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all 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 Athens market, the Atlanta market, or any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.²² In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. 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 prospects of the organizations

²² 12 U.S.C. § 1842(c)(2), (5), and (6).

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

South State, Atlantic Capital, 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 merger of bank holding companies that is structured as a share exchange with an immediately subsequent merger of the subsidiary depository institutions. The capital, asset quality, earnings, and liquidity of South State, Atlantic Capital, and their subsidiary depository institutions are consistent with approval, and South State appears to have adequate resources to absorb the 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.²³ The Board has reviewed the examination records of South State, Atlantic Capital, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by South State; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comment received on the proposal.

South State, Atlantic Capital, and their subsidiary depository institutions are considered to be well managed. The directors and senior executive officers of South State have knowledge of and experience in the banking and financial services sectors, and South State's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered South State's plans for implementing the proposal. South State has conducted comprehensive due diligence and is devoting

²³ See 12 U.S.C. § 1842(c)(2).

significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, South State's management has the experience and resources to operate the combined organization in a safe and sound manner, and South State would integrate Atlantic Capital's existing management and personnel in a manner that augments South State's management.²⁴

Based on all the facts of record, including South State's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, the Board determines 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 South State and Atlantic Capital in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served.²⁵ In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of these communities. The Board also considers and places particular emphasis on the records of the relevant depository institutions under the CRA.²⁶ The CRA requires the 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

²⁴ On consummation of the proposed transaction, South State's management team would be expanded to include three of Atlantic Capital's current officers. In addition, two current Atlantic Capital directors would be added to the boards of directors of South State and South State Bank.

²⁵ 12 U.S.C. § 1842(c)(2).

²⁶ 12 U.S.C. § 2901 et seq.

operation,²⁷ and requires the appropriate federal financial supervisory agency to take into account a relevant 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.²⁸

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide 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, information provided by the applicant, and comments received on the proposal. The Board also may consider the acquiring institution's business model, its 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 the facts of record, including reports of examination of the CRA performance of South State Bank and Atlantic Capital Bank, the fair lending and compliance record of the banks, the supervisory views of the OCC and Federal Reserve Bank of Atlanta, confidential supervisory information, other information provided by South State, and the public comment received on the proposal.

Public Comment Regarding the Proposal

One commenter objected to the proposal based on South State Bank's record of home purchase lending to minority and LMI borrowers based on publicly available data reported under the Home Mortgage Disclosure Act ("HMDA")²⁹ for 2020. The commenter also alleged that South State Bank engages in disparate marketing efforts.

²⁷ 12 U.S.C. § 2901(b).

²⁸ 12 U.S.C. § 2903.

²⁹ 12 U.S.C. § 2801 et seq.

Businesses of the Involved Institutions and Response to the Public

Comment

South State Bank and Atlantic Capital Bank offer a variety of deposit, lending, and payments products and services to retail and business customers through their respective branch networks in Alabama, Georgia, Florida, North Carolina, South Carolina, and Virginia. South State asserts that South State Bank is committed to providing equal access to credit throughout its footprint and that it takes a multi-layered approach to ensure that marketing of credit products reaches all communities within its CRA Assessment Areas (“AAs”). South State notes that South State Bank conducts quarterly internal comparative file reviews of approved and declined loans to identify if there is inequitable pricing or underwriting of loans on a basis prohibited under the Equal Credit Opportunity Act and/or the Fair Housing Act. South State also notes that South State Bank engages an independent audit firm annually and asserts that reviews by these firms in 2019 and 2020, which included assessments of the bank’s marketing efforts, did not identify any fair lending concerns. According to South State, none of these evaluations and assessments found evidence of disparate treatment or impact.

Records of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution’s most recent CRA evaluation and the supervisory views of the relevant federal supervisor, which in this case is the OCC.³⁰ In addition, the Board considers information provided by the applicant and by public commenters.

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.³¹ An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site

³⁰ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48,506, 48,548 (July 25, 2016).

³¹ 12 U.S.C. § 2906.

evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as South State Bank and Atlantic Capital Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities 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 HMDA, 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 evaluated 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 AAs; (2) the geographic distribution of the institution's lending, including the 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;³² (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.³³ The Investment Test evaluates the number and

³² Examiners also consider the number and amounts of small business and small farm loans made 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).

³³ See 12 CFR 228.22(b).

amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.³⁴

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.³⁵ Consequently, the Board evaluates HMDA data disparities in the context of other information regarding the lending record of the institution.

CRA Performance of South State Bank

South State Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of May 17, 2021 ("South State Evaluation").³⁶ The bank received "High Satisfactory" ratings for the Lending, Investment, and Service Tests.

South State Bank's Lending Test rating principally was based on the bank's performance in the states of Florida and Georgia. Examiners found that a high percentage of the bank's loans were in the bank's AAs and that the bank used innovative and flexible lending programs relatively frequently. Examiners also found that the bank's community development loans had a significantly positive impact in several AAs. Examiners indicated that since its previous evaluation, the bank had grown primarily

³⁴ See 12 CFR 228.21 *et seq.*

³⁵ Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution's compliance with fair lending laws.

³⁶ The South State Evaluation was conducted using Large Institution CRA Examination Procedures. Due to merger and acquisition activities, the evaluation-period start date varied by AA.

through mergers, extending the bank's prior footprint in Florida to include the states of Georgia in 2018, Alabama in 2019, and North Carolina, South Carolina, and Virginia in 2020.

South State Bank's Investment Test rating reflected the bank's performance across all of the bank's AAs, with the states of Florida and Georgia receiving greater weight in the assessment. Examiners found that South State Bank made a good level of qualified community development investments and grants across the bank's AAs and on statewide and national levels. Examiners also noted that South State Bank implemented new processes and made contributions to qualified organizations in response to the challenges of COVID-19.

Examiners noted that South State Bank's service-delivery systems were reasonably accessible to geographies and individuals of different income levels in the bank's AAs.

CRA Performance of Atlantic Capital Bank

Atlantic Capital Bank was assigned an overall "Satisfactory" rating by the OCC at its most recent CRA performance evaluation, as of December 2, 2019 (the "Atlantic Capital Bank Evaluation").³⁷ Atlantic Capital Bank received a "Low Satisfactory" rating for the Lending Test, an "Outstanding" rating for the Investment Test, and a "High Satisfactory" rating for the Service Test.

Examiners found that an adequate percentage of Atlantic Capital Bank's loans had been made in the bank's AAs. Examiners noted that the bank's performance in home mortgage lending, small business lending, and community development lending was adequate. Examiners found the bank's community development lending in Tennessee to be adequate, while community development lending levels in Georgia were considered relatively high.

³⁷ The Atlantic Capital Bank Evaluation was conducted using Large Bank CRA Examination Procedures. The evaluation period was July 1, 2016, through December 31, 2018. Performance in the state of Georgia was most heavily weighted, as the Atlanta AA represented 70.2 percent of total deposits during the review period.

Examiners found that Atlantic Capital Bank made an excellent level of qualified investments and donations in both Tennessee and Georgia. Examiners also found that the bank's level of services in the states of Tennessee and Georgia was good.

Additional Supervisory Views

In its review of the proposal, the Board considered supervisory information from the OCC regarding the CRA, consumer compliance, and fair lending records of South State Bank and Atlantic Capital Bank. This included the results of the most recent consumer compliance examinations of each bank, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations. The Board also consulted with the OCC, which approved the proposed merger of South State Bank and Atlantic Capital Bank and, in doing so, considered the convenience and needs of the communities to be served by the combined bank, as well as the institutions' records of performance under the CRA.

The Board has taken this information, as well as the CRA performance records of South State Bank and Atlantic Capital Bank, into account in evaluating the proposal, including in considering whether South State has the experience and resources to ensure that South State Bank would help meet the credit needs of the communities within the bank's AAs following 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. South State represents that customers of both South State Bank and Atlantic Capital Bank would benefit from enhanced retail and commercial banking services and that the combined company does not intend to discontinue any of the products and services currently offered by either bank. South State represents that Atlantic Capital Bank customers would gain access to an expanded branch and ATM network and an expanded range of services, including mortgage loan programs designed for LMI borrowers. South State represents that South State Bank customers would benefit from Atlantic Capital Bank's knowledge of and experience in a range of business and not-for-profit banking services.

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 fair lending and other consumer protection laws, confidential supervisory information, information provided by South State, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that convenience and needs considerations are consistent with approval.

Financial Stability Considerations

Section 3 of the BHC Act requires the Board to consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system.”³⁸

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.³⁹ 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 opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of

³⁸ 12 U.S.C. § 1842(c)(7).

³⁹ 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.⁴⁰

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, generally are 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.⁴¹

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. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.⁴² The pro forma organization would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. 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.

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

⁴⁰ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

⁴¹ 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.

⁴² South State and Atlantic Capital offer a range of retail and commercial banking products and services. South State 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.

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.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.⁴³ 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 South State with all 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 application. 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 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is

⁴³ One commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b). See also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public meeting if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting under delegated authority.

By order of the Board of Governors,⁴⁴ effective February 11, 2022.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

⁴⁴ Voting for this action: Chair Pro Tempore Powell and Governors Bowman, Brainard, and Waller.