FRB Order No. 2023-06
September 5, 2023

FEDERAL RESERVE SYSTEM

R. Dean Phillips Bank Trust Dated 11-19-2004
Las Vegas, Nevada

HNB Bancorp, Inc.
Hannibal, Missouri

Order Approving the Acquisition of a Bank Holding Company and the Merger of Bank Holding Companies

The R. Dean Phillips Bank Trust Dated 11-19-2004 ("Phillips Trust"), Las Vegas, Nevada, and its subsidiary, HNB Bancorp, Inc. ("HNB"), Hannibal, Missouri, each a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"),[1] have requested the Board's approval under section 3 of the BHC Act[2] to acquire Northeast Missouri Bancshares, Inc. ("NMBI"), Louisiana, Missouri, a bank holding company, and thereby indirectly acquire NMBI's state nonmember bank subsidiary, The Mercantile Bank of Louisiana, Missouri ("Mercantile Bank"), Louisiana, Missouri. Following the proposed transaction, Mercantile Bank would be merged with and into Phillips Trust and HNB's subsidiary national banking association, HNB Bank National Bank ("HNB Bank"), Hannibal, Missouri.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (88 Federal Register 14615, 14616 (March 9,

[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] The merger of Mercantile Bank with and into HNB Bank is subject to the approval of the Office of the Comptroller of the Currency ("OCC"), under section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c) ("Bank Merger Act"). The OCC approved the Bank Merger Act application on August 29, 2023.

2023)), in accordance with the Board's Rules of Procedure.[4] The time for submitting comments has expired, and the Board did not receive any comments. The Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

Phillips Trust, with consolidated assets of approximately $2.1 billion, is the 509th largest insured depository organization in the United States.[5] Phillips Trust controls approximately $1.8 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[6] Through HNB, Phillips Trust controls HNB Bank, which operates in Missouri.[7] HNB Bank is the 57th largest insured depository institution in Missouri, controlling deposits of approximately $605.4 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

NMBI, with consolidated assets of approximately $134.0 million, is the 3,402nd largest insured depository organization in the United States. NMBI controls approximately $119.2 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. NMBI controls Mercantile Bank, which operates in Missouri. Mercantile Bank is the 200th largest insured depository institution in Missouri, controlling deposits of approximately $105.8 million, which represent less than 1 percent of the total deposits of insured depository institutions in Missouri.

On consummation of this proposal, Phillips Trust would become the 475th largest insured depository organization in the United States, with consolidated assets of

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4 12 CFR 262.3(b).

5 Consolidated asset and national ranking data are as of March 31, 2023.

6 State deposit and ranking data as of June 30, 2022. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

7 In addition to HNB Bank, Phillips Trust also indirectly controls a state member bank, Town & Country Bank, Las Vegas, Nevada, and six state nonmember banks, F&M Bank, West Point, Nebraska; F&M Bank, Falls City, Nebraska; Kaw Valley Bank, Topeka, Kansas; Town and Country Bank Midwest, Quincy, Illinois; The Citizens Bank of Edina, Edina, Missouri; and The Hill-Dodge Banking Company, Warsaw, Illinois.

approximately \$2.2 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. Phillips Trust would control total consolidated deposits of approximately \$1.9 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Missouri, HNB Bank would become the 50th largest insured depository institution, controlling deposits of approximately \$711.2 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.[8]

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 an attempt to monopolize the business of banking in any relevant market.[9] 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 the convenience and needs of the communities to be served.[10]

Phillips Trust, through HNB, and NMBI have subsidiary banks that compete directly in the Louisiana, Missouri, banking market ("Pike County banking market").[11] The Board has considered the competitive effects of the proposal in this banking market. In particular, the Board has considered the relative share of total deposits in insured depository institutions in the market ("market deposits") that Phillips Trust would control; the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of

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[8] The proposal does not require interstate analysis under section 3(d) of the BHC Act because Missouri is the home state of Phillips Trust and HNB, and Mercantile Bank operates only within Missouri. <u>See</u> 12 U.S.C. §§ 1841(o)(4)–(7), 1842(d).

[9] 12 U.S.C. § 1842(c)(1)(A).

[10] 12 U.S.C. § 1842(c)(1)(B).

[11] The Louisiana, Missouri, banking market is defined as Pike County, Missouri. For the Phillips Trust, only HNB Bank competes in the Pike County banking market.

Justice ("DOJ") Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[12] the number of competitors that would remain in the market; and other characteristics of the market.

The structural effects that consummation of the proposal would have in the Pike County banking market warrant a detailed review, because the concentration levels on consummation would exceed the threshold in the DOJ Bank Merger Guidelines and Board precedent when using initial merger screening data.

HNB Bank is the sixth largest depository institution in the Pike County banking market, controlling approximately $28.1 million in deposits, which represent 5.8 percent of market deposits. Mercantile Bank is the second largest depository institution in the market, controlling approximately $105.8 million in deposits, which represent 21.8 percent of market deposits. On consummation of the proposal, HNB Bank would become the second largest depository institution in the Pike County banking market, controlling approximately $134.0 million in deposits, which would represent 27.6 percent

[12] In applying the DOJ Bank Merger Guidelines issued in 1995 (see https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview1995), 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 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, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), available at https://www.justice.gov/opa/pr/department-justice-and-federal-trade-commission-issuerevised-horizontal-merger-guidelines.

of market deposits. The HHI in this market would increase 252 points, from 2,622 to 2,874.

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 Pike County banking market.[13] Factors indicate that the increase in concentration in the Pike County banking market, as measured by the HHI and market share, overstates the potential competitive effects of the proposal in the market. Although consummation of this proposal would eliminate one existing competitor, the Pike County banking market would continue to be served by six depository institutions. Excluding Mercantile Bank, these competitors would include one depository institution with more than 40 percent of market deposits, another with more than 15 percent of market deposits, and a third competitor that also has two branches in the market. Further, the smallest of the five other competitors in the Pike County banking market is a new entrant to the market, having entered last year, and thus the current HHI and market share data understate its competitive influence. The presence of these viable competitors suggests that HNB Bank would have limited ability to offer less attractive terms to consumers unilaterally, as these competitors would be able to exert competitive pressure on HNB Bank in the Pike County banking market. Furthermore, branch and depositor locations, as well as the commuting patterns of Pike County residents, suggest that HNB Bank and Mercantile Bank do not compete as closely with each other as they do with other competitors. Taken together, these circumstances suggest the analysis of market concentration, as measured by HHI and deposit market share data, overstates the likely effects of the proposal on competition in the Pike County banking market.

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[13] 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 Magnolia Banking Corporation, FRB Order No. 2019-15 (October 11, 2019); see also NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that it has not concluded that the proposal would have a significantly adverse effect on competition. In 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 any 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 section 3 of 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.[14] 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 the proposed integration of the operations of the institutions effectively. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future

[14] 12 U.S.C. § 1842(c)(2), (5), and (6).

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

Phillips Trust, HNB, NMBI, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a cash stock purchase, followed by a merger of holding companies and then a merger of banks.[15] The capital, asset quality, earnings, and liquidity of Phillips Trust and HNB are consistent with approval, and Phillips Trust and HNB appear 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 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 Phillips Trust, HNB, NMBI, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Phillips Trust and HNB; 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. Phillips Trust, HNB, NMBI, HNB Bank, and Mercantile Bank are each considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and Phillips Trust and HNB's risk-management program appears consistent with approval of this expansionary proposal.

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[15] As part of the proposed transaction, each share of NMBI would be converted into a right to receive cash based on a formula based on NMBI's total equity as of the closing date. Phillips Trust and HNB have the financial resources to effect the proposed transaction.

The Board also has considered HNB's plans for implementing the proposal. HNB has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, HNB's management has the experience and resources to operate the resulting organization in a safe and sound manner.

Based on all the facts of record, including Phillips Trust, HNB and NMBI's supervisory records, managerial and operational resources, and plans for operating the combined organization 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 Phillips Trust, HNB, and NMBI 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 considers the effects of the proposal on the convenience and needs of the communities to be served.[16] In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the combined organization. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also reviews the combined institution's post-consummation plans and the expected impact of those plans on the communities served by the combined institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records

[16] 12 U.S.C. § 1842(c)(2).

of the relevant depository institutions under the CRA.[17] The Board strongly encourages 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 and their obligations under the CRA.[18]

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, gender, 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 public comments on the proposal. The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined 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 HNB Bank and Mercantile Bank; the fair lending and compliance records of these banks; the supervisory views of the OCC and FDIC; confidential supervisory information; and information provided by Phillips Trust and HNB.[19]

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 relevant federal supervisors, which in this case is the OCC with respect to HNB

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[17] 12 U.S.C. § 2901 et seq.

[18] See 12 U.S.C. § 2901(b).

[19] The Board also considered the reports of examination of the CRA performance and consumer compliance records of the state member bank and six state nonmember banks that Phillips Trust indirectly controls.

Bank and the FDIC with respect to Mercantile Bank.[20] In addition, the Board considers information provided by the applicant.

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.[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 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") and a community development test ("Community Development Test") to evaluate the performance of an intermediate small bank, such as HNB 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 assessment areas ("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

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

[21] 12 U.S.C. § 2906.

based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;[22] (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.[23] 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 through such activities to community development lending, investment, and service needs.[24]

Federal financial supervisors apply the Lending Test to evaluate the performance of a small bank, such as Mercantile Bank, in helping to meet the credit needs of the communities they serve.[25]

CRA Performance of HNB Bank

HNB Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of August 30, 2021 ("HNB Bank

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[22] 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).

[23] See 12 CFR 228.22(b).

[24] See 12 CFR 228.26(c).

[25] 12 CFR 228.26(a)-(b).

Evaluation").[26] The bank received "Satisfactory" ratings for both the Lending and Community Development Tests.[27]

Examiners found that HNB Bank demonstrated satisfactory lending performance. Examiners noted that HNB Bank's geographic distribution of loans reflected reasonable dispersion of lending throughout the bank's AAs and that HNB Bank's distribution of loans to borrowers reflected reasonable penetration among individuals of different income levels and businesses of different sizes, given the products offered by the bank. Examiners found that the bank demonstrated adequate responsiveness to community development needs in its AAs through loans, qualified investments, and services. Examiners also observed that a substantial majority of HNB Bank's loans were made in the bank's AA.

CRA Performance of Mercantile Bank

Mercantile Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of December 6, 2018 ("Mercantile

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[26] The HNB Bank Evaluation was conducted using Intermediate Small Institution CRA Examination Procedures. Examiners reviewed small business and HMDA-reportable loan data from January 1, 2018, through December 31, 2020. Examiners also reviewed community development activities from January 1, 2018, through December 31, 2020.

[27] The HNB Bank Evaluation involved a full-scope review of the bank's activities in HNB Bank's three AAs located in Missouri: the St. Joseph MO-KS Metropolitan Statistical Area ("MSA"), and the St. Louis MO-IL MSA, and a Missouri Non-MSA AA (comprised of Gentry, Marion, Monroe, Ralls, and Pike counties).

Examiners noted that the Missouri Non-MSA AA was given the most weight in the HNB Bank Evaluation, since HNB Bank's operations generally were heavily concentrated in that area. The Lending and Community Development Tests were given equal weight in the overall rating.

Bank Evaluation").[28] Mercantile Bank received a rating of "Satisfactory" for the Lending Test.[29]

Examiners noted that Mercantile Bank demonstrated satisfactory lending performance. Examiners noted that Mercantile Bank's distribution of loans to borrowers reflected reasonable penetration among individuals of different income levels and businesses of different sizes in the AA. Examiners also observed that a majority of Mercantile Bank's loans were made in the bank's AA.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the OCC, as the primary regulatory of HNB Bank, and the FDIC, as the primary federal regulator of Mercantile Bank. The Board also considered the results of the most recent consumer compliance examinations of HNB Bank and Mercantile Bank, which included reviews of the banks' compliance management programs and their compliance with consumer protection laws and regulations, including fair lending.

The Board has taken this information, as well as the CRA performance records of HNB Bank and Mercantile Bank, into account in evaluating the proposal, including considering whether Phillips Trust and HNB have the experience and resources to ensure that the pro forma organization would help meet the credit needs of the communities to be served by the combined organization 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. This includes, for example, the combined organization's business model and intended marketing and outreach and

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[28] The Mercantile Bank Evaluation was conducted using Small Institution CRA Examination Procedures. Examiners reviewed small business, small farm, and home mortgage data from January 1, 2017, through December 31, 2017.

[29] The Mercantile Bank Evaluation involved a full-scope review of the bank's activities in the bank's sole AA, consisting of Pike County, Missouri.

existing and anticipated product and service offerings in the communities to be served by the organization; any additional plans the combined organization has for meeting the needs of its communities following consummation; and any other information the Board deems relevant. Phillips Trust notes that HNB has successfully served the convenience and needs of the Missouri communities in which it does business, including in the MSA in which both Mercantile Bank and HNB Bank operate. HNB represents that it has no plans to discontinue any products or services currently offered by both banks as a result of the merger. HNB represents that it offers a broader array of products and services than Mercantile Bank, including additional loan products, investment options, and wealth management services, and that Mercantile Bank's customers would benefit from access to enhanced technological capabilities, as well as expanded products and services. Following consummation of the proposal, HNB represents that its CRA assessment area and program administration will not change because the assessment area encompasses Mercantile Bank's assessment area.

Branch Closures

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses' access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.[30] In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.[31]

HNB represents that it plans to retain Mercantile Bank's sole branch and that it has no plans to close any of its existing branches.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of HNB Bank and Mercantile Bank under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory information provided by the OCC and FDIC, information provided by Phillips Trust and HNB, 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 the convenience and needs factor is 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."[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

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[30] See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

[31] See, e.g., 12 CFR 228.24(d)(2).

[32] 12 U.S.C. § 1842(c)(7).

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 opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of 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, 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.[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 with less than \$10 billion in total assets and a pro forma organization with less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged

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

[34] For further discussion of the financial stability standard, see Bank of Montreal, FRB Order No. 2023-01 (Jan. 17, 2023); see also Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 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.

in retail and commercial banking activities.[36] 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 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 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 and other applicable statutes. The Board's approval is specifically conditioned on compliance by Phillips Trust and HNB with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval is also conditioned on receipt by Phillips Trust and HNB 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 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is

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[36] Phillips Trust, HNB, and NMBI offer a range of retail and commercial banking products and services. Phillips Trust and HNB have, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

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

By order of the Board of Governors,[37] effective September 5, 2023.

(signed) Michele Taylor Fennell
Michele Taylor Fennell
Deputy Associate Secretary of the Board

[37] Voting for this action: Chair Powell, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook and Jefferson.