

FEDERAL RESERVE SYSTEM

Hillister Enterprises, II, Inc.  
Beaumont, Texas

Umphey II Family Limited Partnership  
Beaumont, Texas

CBFH, Inc.  
Orange, Texas

Order Approving the Acquisition of a Bank Holding Company

CBFH, Inc. (“CBFH”), Orange, and its top-tier and immediate parent companies, Hillister Enterprises, II, Inc. (“Hillister”) and Umphey II Family Limited Partnership (“Umphey”), both of Beaumont, all of Texas (collectively, “Applicants”), have requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)<sup>1</sup> to acquire MC Bancshares, Inc. (“MC Bancshares”) and thereby indirectly acquire its subsidiary, Memorial City Bank, both of Houston, Texas. Under the proposal, MC Bancshares would be merged into CBFH, and Memorial City Bank would be merged into CBFH’s wholly owned subsidiary, CommunityBank of Texas, National Association (“CommunityBank”), Beaumont, Texas; CBFH and CommunityBank would be the surviving entities.<sup>2</sup>

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<sup>1</sup> 12 U.S.C. § 1842. Hillister and Umphey do not have any operations, employees, or investments other than the controlling ownership of CBFH.

<sup>2</sup> The merger of Memorial City Bank into CommunityBank is subject to the approval of the Office of the Comptroller of the Currency (“OCC”) under the Bank Merger Act. 12 U.S.C. § 1828(c). The OCC approved the bank merger on May 22, 2014 (Letter from Karen H. Bryant, Deputy Director for District Licensing, Southern District, to Patrick R. Hanchey, Bracewell and Giuliani LLP (May 22, 2014)). On May 20, 2014, a commenter protested the approval of the holding company application but not the bank merger application.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (79 Federal Register 21930 (2014)).<sup>3</sup> 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.

CBFH, with consolidated assets of approximately \$2.6 billion, is the 295th largest insured depository organization in the United States, controlling less than 1 percent of nationwide deposits. CBFH controls CommunityBank, which operates only in Texas. CommunityBank is the 28th largest insured depository institution in Texas, controlling approximately \$2.2 billion in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state.<sup>4</sup>

MC Bancshares, with consolidated assets of approximately \$289 million, controls less than 1 percent of nationwide deposits. MC Bancshares controls Memorial City Bank, which operates only in Texas. Memorial City Bank is the 206th largest insured depository institution in Texas, controlling approximately \$259 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, CBFH would become the 278th largest depository organization in the United States, with consolidated assets of approximately \$2.8 billion, which represent less than 1 percent of the total amount of assets of insured depository institutions in the United States. In Texas, CBFH would become the 26th largest depository organization, with total deposits of approximately \$2.5 billion.

#### 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

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<sup>3</sup> 12 CFR 262.3(b).

<sup>4</sup> State deposit data are as of June 30, 2014, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, cooperative banks, industrial banks, and savings banks.

the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>5</sup>

CommunityBank and Memorial City Bank compete directly in the Houston, Texas banking market (the “Houston banking market”).<sup>6</sup> 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 number of competitors that would remain in the banking market; the relative shares of total deposits in insured depository institutions in the market (“market deposits”) controlled by Applicants and MC Bancshares;<sup>7</sup> the concentration levels of market deposits and the increase in those levels, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>8</sup> and other characteristics of the market.

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<sup>5</sup> 12 U.S.C. § 1842(c)(1).

<sup>6</sup> The Houston banking market includes Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller counties.

<sup>7</sup> Deposit, market share, and ranking data are as of June 30, 2014, 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 of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989), and National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

<sup>8</sup> 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

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines for this market. On consummation of the proposal, the banking market would remain moderately concentrated, as measured by the HHI, and numerous competitors would remain.<sup>9</sup>

The DOJ 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 addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal, and, as noted above, the OCC has approved the proposed merger of CommunityBank and Memorial City Bank.

Based on all of 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 banking market in which CommunityBank and Memorial City Bank compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

#### Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both parent-only and consolidated bases, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking

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confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), [www.justice.gov/opa/pr/2010/August/10-at-938.html](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>9</sup> CommunityBank is the 20th largest depository institution in the Houston banking market with approximately \$1 billion in deposits, which represent 0.43 percent of market deposits. Memorial City Bank is the 47th largest depository institution in the same market, controlling deposits of approximately \$259 million, which represent 0.11 percent of market deposits. On consummation of the proposed transaction, CommunityBank and Memorial City Bank would, on a combined basis, become the 16th largest insured depository institution in the market, controlling deposits of approximately \$1.3 billion, which represent 0.53 percent of market deposits. The pro forma weighted HHI would be 2358, with a change of less than 1.

operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the combined organization to absorb the costs of the proposal and 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 involved in the proposal in light of their financial and managerial resources and the proposed business plan.

In this case, CBFH and CommunityBank are both well capitalized and would remain so on consummation of the proposed acquisition. The proposed transaction involves the acquisition and merger of a bank holding company and its subsidiary bank and is structured as a cash transaction. The asset quality, earnings, and liquidity of CommunityBank and Memorial City Bank are consistent with approval, and CBFH appears to have adequate resources to absorb the costs of the proposal and to complete the integration of the institutions' operations. Based on its review of the record, the Board finds that the CBFH organization has sufficient financial resources to effect the proposal.<sup>10</sup>

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 CBFH, MC Bancshares, and their insured depository institution subsidiaries, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant bank supervisory agencies with the

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<sup>10</sup> The aggregate cash consideration to be paid in connection with the proposal is approximately \$56.4 million, and CBFH has sufficient resources to fund the proposed transaction.

organizations and their records of compliance with applicable banking and anti-money-laundering laws.

CBFH, MC Bancshares, and their insured depository institution subsidiaries are each considered to be well managed. CBFH's existing risk-management program and its directorate and senior management are considered to be satisfactory. The senior executive officers of CBFH and MC Bancshares have substantial knowledge of and experience in the banking sector.

The Board also has considered CBFH's plans for implementing the proposal. CBFH has a demonstrated record of successfully integrating organizations into its operations and risk-management systems following acquisitions. CBFH would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, CBFH's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and CBFH is proposing to integrate the MC Bancshares organization's existing management and personnel in a manner that augments CommunityBank's management.<sup>11</sup>

CBFH's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation provide a reasonable basis to conclude that managerial factors are consistent with approval.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of CBFH and MC Bancshares 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

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<sup>11</sup> On consummation, five individuals currently serving as management officials of the MC Bancshares organization will be added to CommunityBank's management team.

be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).<sup>12</sup> 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 operation,<sup>13</sup> and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.<sup>14</sup>

The Board has considered all the facts of record, including reports of examination of the CRA performance of CommunityBank and Memorial City Bank, other information provided by Applicants, confidential supervisory information, and the public comment received on the proposal. The Board received one comment that objected to the proposal, alleging both that the proposed acquisition does not have clearly demonstrated public benefits and that CommunityBank is not meeting the needs of LMI and minority communities in the Beaumont-Port Arthur Metropolitan Statistical Area (“Beaumont-Port Arthur MSA”) as reflected in 2012 HMDA data.

A. Records of Performance Under the CRA

As provided in the CRA, the Board evaluates an institution’s performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.<sup>15</sup> The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution’s record of meeting the credit needs of its entire community, including LMI neighborhoods.<sup>16</sup> An institution’s most recent CRA performance evaluation is a

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<sup>12</sup> 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 *et seq.*

<sup>13</sup> 12 U.S.C. § 2901(b).

<sup>14</sup> 12 U.S.C. § 2903.

<sup>15</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

<sup>16</sup> 12 U.S.C. § 2906.

particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

*CRA Performance of CommunityBank*

CommunityBank was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the OCC in January 2013 ("CommunityBank Evaluation"). CommunityBank received a "high satisfactory" rating for the Lending Test and "low satisfactory" ratings for both the Investment Test and the Service Test.<sup>17</sup>

With respect to the Lending Test, examiners observed that CommunityBank's primary lending focus was on commercial and small business loans<sup>18</sup> and found that the bank's small business lending activity in both the Beaumont and Houston assessment areas was good. The bank had good performance in funding small loans (less than or equal to \$1 million) to businesses in moderate-income census tracts for the Beaumont assessment area and excellent performance in the Houston assessment area.

Examiners noted that CommunityBank's overall distribution of home purchase loans by census-tract income level was adequate. In the Houston assessment area, CommunityBank had adequate to good performance in LMI census tracts with respect to originations of home purchase, improvement, and refinance loans. In the

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<sup>17</sup> The evaluation was prepared using the interagency evaluation procedures for large institutions. The evaluation period for the Lending Test was from January 1, 2009, through December 31, 2011, except for community development loans. The Investment Test, the Service Test, and the review of community development loans covered the period from July 13, 2009, through January 28, 2013. The evaluation included a full-scope review of both the Beaumont and Houston assessment areas and a limited-scope review of the Beaumont Non-Metropolitan Statistical Area.

<sup>18</sup> At the time of the evaluation, commercial real estate loans and commercial loans represented approximately 70 percent of CommunityBank's loan portfolio. One- to four-family and multifamily lending represented 12 percent of the portfolio, and construction and land development loans represented 11 percent. Consumer lending represents 4.7 percent. All other loan originations accounted for less than 1 percent of the bank's loan portfolio.

Beaumont assessment area, examiners noted areas for improvement in originations for home purchase and home improvement loans to borrowers located in LMI census tracts.

Examiners did not identify any unexplained or conspicuous gaps in geographic distribution of CommunityBank's home mortgage and small business loan products. Further, examiners noted that the bank's community development lending, which included affordable housing loans that benefited low- and moderate-income families in both assessment areas, was a positive contributing factor to examiners' overall assessment of the Lending Test.

With respect to the Investment Test, OCC examiners found that CommunityBank's level of qualified community development investments was adequate in both the Beaumont and Houston assessment areas. Examiners noted that qualifying investments helped fund several programs, including affordable housing, social and health services, and economic development. Examiners noted room for improvement by the bank in making more complex and innovative investments and in making investments in the Houston assessment area.

With respect to the Service Test, OCC examiners concluded that CommunityBank demonstrated low satisfactory performance in providing community development services in the Beaumont and Houston assessment areas. Nevertheless, examiners deemed the bank's delivery systems to be reasonably accessible to businesses and individuals of different income levels and different geographies in the assessment areas. In addition, examiners noted that CommunityBank's efforts demonstrated a commitment to community development through its provision of technical assistance on financial and banking-related matters to community groups in the Beaumont assessment area.

#### *CRA Performance of Memorial City Bank*

Memorial City Bank was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the Federal Deposit Insurance Corporation

(“FDIC”) in February 2013 (“Memorial City Bank Evaluation”).<sup>19</sup> The evaluation assessed the following performance factors: loan-to-deposit ratio, lending concentration inside the assessment area, borrower profile loan distribution, geographic loan distribution, and response to consumer complaints. FDIC examiners concluded that Memorial City Bank demonstrated a reasonable record regarding its average net loan-to-deposit ratio; an adequate record of concentrating its loans inside its assessment area, which was supported by an adequate record of small business loans; a reasonable record regarding its borrower profile loan distribution, based on its reasonable record regarding small business loans; and could improve its record of geographically distributing its loans, particularly with respect to the dispersion of small business loans throughout the assessment area. FDIC examiners also noted that the bank did not receive any CRA-related complaints since the previous evaluation.

B. Fair Lending Record and Public Comment on the Proposal

The Board has considered the record of CommunityBank in complying with fair lending and other consumer protection laws. As part of this evaluation, the Board reviewed the CommunityBank and the Memorial City Bank Evaluations and considered the comment on the application, the Applicants’ response, and the OCC’s view on CommunityBank’s record of performance under the fair lending laws. The Board considered CommunityBank’s fair lending policies and procedures and confidential supervisory information, and conferred with the OCC concerning the comment received on the proposal.

The commenter expressed concerns, based on 2012 HMDA data, that CommunityBank was not meeting the credit needs of LMI and minority communities in the Beaumont-Port Arthur MSA. In particular, the commenter alleged that, compared to the aggregate of all lenders in the Beaumont-Port Arthur MSA, CommunityBank made a

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<sup>19</sup> The Memorial City Bank Evaluation was conducted using Small Bank CRA evaluation procedures in Memorial City Bank’s single assessment area, which comprises the majority of the western portion of Harris County in the Houston-Sugar Land-Baytown MSA in Texas. The evaluation covered the period from January 19, 2010, through February 4, 2013.

lesser proportion of prime home mortgage loans to African American, Hispanic, and LMI borrowers and borrowers in LMI census tracts.<sup>20</sup>

Applicants contend that HMDA lending data do not fairly represent CommunityBank's CRA performance because home mortgage loans make up only approximately 14 percent of the bank's lending activities, while 70 percent of its lending is to small and medium-sized businesses. Applicants also represent that CommunityBank has not received any consumer complaints, comments, or other allegations from local community-based organizations regarding the bank's CRA performance or non-compliance with fair lending laws or regulations.

Applicants also note that CommunityBank engaged in marketing campaigns in 2013 and 2014 to reach historically underserved demographics for business and mortgage lending in the Houston and Southeast Texas markets served by the bank.<sup>21</sup> The bank added several loan products to assist in serving LMI and rural markets in the first half of 2014. In addition, CommunityBank has purchased newly originated LMI whole-loan mortgages.

The Board notes that the CRA does not require insured depository institutions to engage in any particular type of credit activity, and instead encourages institutions to serve the credit needs of the entire community. The Board has recognized

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<sup>20</sup> The commenter also asserted that CommunityBank's lending activities did not reflect an appropriate balance between prime and high-priced loans. In response, Applicants explained that CommunityBank had formed a mortgage department to serve commercial lending clients that requested residential mortgages, rather than referring such clients to competitors, and that high-priced mortgage loans had resulted from the fact that the bank previously had offered only one mortgage loan product that it retained in its loan portfolio ("portfolio product"), which CommunityBank stopped offering in August 2013. Currently, CommunityBank offers two mortgage portfolio products that are designed not to generate high-priced loans. Applicants also indicated that they do not intend to allow these products to become Higher Priced Covered Transactions (i.e., high-priced loans) under the Consumer Financial Protection Bureau's Ability-to-Repay and Qualified Mortgage regulations.

<sup>21</sup> The campaigns included direct mail and print ads in publications that specifically targeted Hispanic and African-American communities.

that institutions may meet these responsibilities by providing credit to small businesses throughout the relevant community.

Nevertheless, the Board is concerned when HMDA data for an institution may indicate lending disparities and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that are consistent with safe and sound lending but also provide equal access to credit by creditworthy applicants, regardless of their race or ethnicity. Although the HMDA data may reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, HMDA data alone do not provide a sufficient basis on which to conclude whether CommunityBank excluded or denied credit to any group on a prohibited basis.<sup>22</sup>

Because of the limitations of HMDA data, the Board also has considered other information, including examination reports that provide on-site evaluations of compliance by CommunityBank with fair lending laws and regulations. The Board has considered that CommunityBank's HMDA data were reviewed and considered by examiners in the OCC's January 2013 CRA performance evaluation. This evaluation by examiners found no evidence of discriminatory lending practices.

The Board also has consulted with the OCC with respect to CommunityBank's record of fair lending performance since the CommunityBank Evaluation. In this regard, since its January 2013 CRA examination, CommunityBank has undertaken a number of measures to increase its home mortgage lending to LMI and minority individuals and communities, including direct-mail marketing campaigns to these communities promoting the bank's home mortgage products, print advertisements

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<sup>22</sup> The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than do other institutions, and do not provide a basis for an independent assessment of an applicant's creditworthiness. In addition, data on credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (the reasons most frequently cited for a credit denial or higher credit cost) are not always available from HMDA data.

in publications targeting Hispanic and African American communities, and the development of a new “Community Development Home Improvement Loan” product designed to meet the needs of LMI homeowners. In addition, as noted above, the bank replaced a portfolio product that generated higher-priced mortgage loans with portfolio home mortgage products that are designed not to generate higher-priced loans. The bank also has augmented its consumer compliance, including its fair lending, infrastructure. For example, the bank recently hired a chief compliance officer with extensive large bank experience. In addition, the bank has approved or hired additional experienced compliance officers.

*CommunityBank’s Fair Lending Program*

Applicants indicate that CommunityBank has instituted a consumer compliance and fair lending program, with policies, procedures, and practices to ensure compliance with fair lending laws and that credit standards and policies are fair and responsive to all applicants. This includes a second-level review process for all approvals, declines, and counteroffers related to all consumer loans and all declined mortgage loans. In addition, the bank’s policies require all consumer loans to have standardized terms, underwriting criteria, and pricing, with no discretion by loan officers to vary the terms. Applicants indicated that any exceptions must be justified, documented, and approved by the bank’s fair lending officer, and the exceptions are monitored and reported to the board of directors on a quarterly basis.<sup>23</sup>

CommunityBank’s risk-management systems and its policies and procedures for assuring compliance with fair lending laws would be implemented at the combined organization.

C. Additional Information on Convenience and Needs of Communities to Be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal

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<sup>23</sup> Mortgage loan exceptions, in particular, are monitored and reported to the Directors Loan Committee quarterly.

would result in public benefits. The commenter alleged that the proposed acquisition does not have clearly demonstrated public benefits.

Applicants represent that the combined organization would have the ability to deliver a more in-depth menu of products and services to customers currently served by Memorial City Bank, thus providing customers greater convenience through access to a broader range of financial products and services. Memorial City Bank's customers also would have access to CommunityBank's call center and mobile applications, which would increase access to banking services; significantly larger branch and ATM networks; and a larger legal lending limit. Moreover, Applicants state that the proposal would provide opportunities to achieve cost savings for the combined organization by consolidating redundant functions, including retail credit underwriting and data processing. Applicants also note that the combined organization would be able to provide customers with banking benefits through more efficient and cost-effective provisions of banking services and would be able to dedicate additional resources to meeting the banking needs of Memorial City Bank customers.

#### D. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, information provided by Applicants, confidential supervisory information, and the public comment on the proposal. Based on the Board's review of examination reports and the CRA records of the insured depository institutions involved in this transaction, and on its consultations with the OCC, the Board concludes that the convenience and needs factor, including the CRA records of the institutions involved, is consistent with approval of the application. The Board encourages CommunityBank to continue to seek opportunities to assist in meeting the credit needs of the communities it serves.

#### Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in

greater or more concentrated risk to the stability of the United States banking or financial system.”<sup>24</sup>

To assess the likely effect of a proposed transaction on the stability of the U.S. 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.<sup>25</sup> 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 resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.<sup>26</sup>

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation of the proposed transaction, CBFH would have approximately \$2.8 billion in consolidated assets, and by any of a number of alternative measures of firm size, CBFH would not be likely to pose systemic risks. The Board generally presumes that a merger resulting in a firm with less than \$25 billion in total consolidated assets would not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a

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<sup>24</sup> Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1842(c)(7).

<sup>25</sup> Many of the metrics considered by the Board measure an institution’s activities relative to the U.S. financial system.

<sup>26</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction.

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 U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

### Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.<sup>27</sup> 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 the Applicants 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

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<sup>27</sup> The commenter requested that the Board hold public hearings on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing 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 a written comment 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 that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does 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 a public hearing on the proposal is denied.

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 extended for good cause by the Board or the Federal Reserve Bank of Dallas acting pursuant to delegated authority.

By order of the Board of Governors,<sup>28</sup> effective January 15, 2015.

*Margaret McCloskey Shanks (signed)*

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Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>28</sup> Voting for this action: Chair Yellen and Vice Chairman Fischer, Governors Tarullo, Powell, and Brainard.