

FEDERAL RESERVE SYSTEM

Trico Bancshares
Chico, California

Order Approving the Acquisition of a Bank Holding Company

TriCo Bancshares (“TriCo”), Chico, California, a bank holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to acquire Valley Republic Bancorp (“VRB”), a bank holding company, and thereby indirectly acquire its subsidiary state nonmember bank, Valley Republic Bank (“VR Bank”), both of Bakersfield, California. VR Bank would be merged into TriCo’s subsidiary state nonmember bank, Tri Counties Bank (“TriCo Bank”), Chico, California, immediately following the holding company acquisition.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (86 Federal Register 44718 (August 13, 2021)), in accordance with the Board’s Rules of Procedure.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 VR Bank into TriCo Bank was approved by the Federal Deposit Insurance Corporation (“FDIC”) on December 13, 2021, pursuant to Section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c).

⁴ 12 CFR 262.3(b).

TriCo, with consolidated assets of approximately \$8.6 billion, is the 177th largest insured depository organization in the United States.⁵ TriCo controls approximately \$7.2 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 TriCo controls TriCo Bank, which operates branches in California. TriCo Bank is the 28th largest insured depository institution in California, controlling deposits of approximately \$7.0 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.⁷

VRB, with consolidated assets of approximately \$1.4 billion, is the 751st largest insured depository organization in the United States. VRB controls approximately \$1.3 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. VRB controls VR Bank, which operates branches in California. VR Bank is the 78th largest insured depository institution in California, controlling deposits of approximately \$1.2 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, TriCo would become the 166th largest insured depository organization in the United States, with consolidated assets of approximately \$10.0 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. TriCo would control total consolidated deposits of approximately \$8.5 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In California, TriCo would become the 27th largest insured depository institution,

⁵ Consolidated asset data are as of December 31, 2021, and national deposit, ranking, and market share data are as of September 30, 2021.

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

⁷ State deposit ranking and deposit data are as of June 30, 2021.

controlling deposits of approximately \$8.2 billion, which would represent 0.39 percent of the total deposits of insured depository institutions in that state.

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.⁸ 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.⁹

TriCo and VRB have subsidiary banks that compete directly in the Bakersfield, California, banking market (“Bakersfield market”).¹⁰ 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 TriCo would control;¹¹ the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice (“DOJ”) Bank

⁸ 12 U.S.C. § 1842(c)(1)(A).

⁹ 12 U.S.C. § 1842(c)(1)(B).

¹⁰ The Bakersfield market is defined as the Bakersfield metropolitan area in Kern County.

¹¹ Local deposit and market share data are as of June 30, 2021, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors 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 the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

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.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Bakersfield market. On consummation, the Bakersfield market would remain moderately concentrated as measured by the HHI, according to the DOJ Bank Merger Guidelines, and numerous competitors would remain in the market.¹³

¹² 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 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-issue-revised-horizontal-merger-guidelines>.

¹³ TriCo is the 13th largest depository organization in the Bakersfield market, controlling approximately \$94.7 million in deposits, which represent 0.91 percent of market deposits. VRB is the 4th largest depository organization in the market, controlling deposits of approximately \$1.2 billion, which represent 11.29 percent of market deposits. On consummation of the proposed transaction, TriCo would become the 4th largest depository organization in the market, controlling deposits of approximately \$1.3 billion, which would represent 12.20 percent of market deposits. The HHI for the Bakersfield market would increase by 20 points to 1511, and 17 competitors would remain in the market.

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. 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 determines that consummation of the proposal would not have a significantly adverse effect on competition, or on the concentration of resources, in the Bakersfield market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing 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 effectively complete the proposed integration of the operations of the institutions. In assessing financial factors, the Board

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

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.

TriCo, VRB, 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 acquisition that is structured as a share exchange.¹⁵ The capital, asset quality, earnings, and liquidity of TriCo and VRB are consistent with approval, and TriCo appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, future prospects 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 TriCo, VRB, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by TriCo; 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 a public comment received on the proposal.

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

The Board also has considered TriCo's plans for implementing the proposal. TriCo has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-acquisition integration

¹⁵ TriCo has the financial resources to effect the proposed acquisition and mergers.

process for this proposal. In addition, TriCo'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 TriCo's supervisory record, 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 TriCo and VRB 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 its evaluation, 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 places particular emphasis on the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").¹⁷ 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 the institutions' safe and sound operation,¹⁸ and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.¹⁹

¹⁶ 12 U.S.C. § 1842(c)(2).

¹⁷ 12 U.S.C. § 2901 et seq.

¹⁸ 12 U.S.C. § 2901(b).

¹⁹ 12 U.S.C. § 2903.

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 public comments on the proposal. The Board also may consider the acquiring institution's business model, its marketing and outreach plans, its 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 TriCo Bank and VR Bank; the fair lending and compliance records of both banks; the supervisory views of the FDIC; confidential supervisory information; information provided by TriCo; and the public comment received on the proposal.

Public Comment on the Proposal

The Board received one comment on the proposal from two California-based community organizations, expressing opposition to the proposal. The commenters alleged that TriCo Bank lags in lending to minority individuals and communities and to LMI communities in California. The commenters suggested approval of TriCo's application should be conditioned on TriCo Bank adopting a revised CRA plan, increasing its commitments to minority communities and the Kern County assessment area ("AA"). The commenters requested that the CRA plan include commitments to make additional grants to support small businesses, track loans to very small businesses, track grants to minority-led nonprofits, increase mortgage lending to minority households and neighborhoods, increase outreach through ethnic media outlets, develop a plan for outreach to Native American tribes, offer translation services, hire a regional CRA officer, revise overdraft practices, promote financial literacy, mitigate displacement of LMI households from affordable housing units, and support broadband infrastructure

development.²⁰ The commenters commended TriCo for its past community reinvestment activities, but stated they seek stronger CRA commitments from TriCo Bank in the Kern County AA given VR Bank's inferior CRA performance in that AA. The commenters also urged TriCo to set goals for the diversity of its board of directors.

Businesses of the Involved Institutions and Response to the Public Comment

TriCo operates primarily through TriCo Bank and the bank's network of branches in California. TriCo Bank offers a broad range of consumer and commercial loan and deposit products. These products include checking, savings, and money market accounts as well as credit products, such as commercial and small business loans, credit cards, and mortgage loans. VRB operates through VR Bank, which has four branches located in Kern County, California. VR Bank offers consumer and commercial loan and deposit products. These products include checking, savings, and depository services as well as commercial, mortgage, and consumer loans.

In response to the comment, TriCo asserts that approval of the proposal is warranted based on TriCo Bank's (1) CRA performance, (2) record of compliance with statutory and regulatory requirements related to CRA and fair lending, and (3) history of engaging with members of the community on their banking needs. TriCo asserts that

²⁰ The Board consistently has found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any private party. See, e.g., First Illinois Bancorp, Inc., FRB Order No. 2020-03 at 11 n.10 (August 26, 2020); Fifth Third Bancorp, FRB Order No. 2019-05 at 12 n.29 (March 6, 2019); First Busey Corporation, FRB Order No. 2019-01 at 11 n.30 (January 10, 2019); HarborOne Mutual Bancshares, FRB Order No. 2018-18 at 10 n.26 (September 12, 2018); TriCo Bancshares, FRB Order No. 2018-13 at 9 n.20 (June 6, 2018); Howard Bancorp, Inc., FRB Order No. 2018-05 at 9 n.21 (February 12, 2018); Huntington Bancshares Inc., FRB Order No. 2016-13 at 32 n.50 (July 29, 2016); CIT Group, Inc., FRB Order No. 2015-20 at 24 n.54 (July 19, 2015); Citigroup Inc., 88 Federal Reserve Bulletin 485 (2002); Fifth Third Bancorp, 80 Federal Reserve Bulletin 838, 841 (1994). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA AAs.

TriCo Bank has consistently met the requirements of the CRA and is committed to continuing to meet its obligations under the CRA after consummation of the transaction.

TriCo acknowledged that VR Bank's CRA performance is weaker than that of TriCo Bank, as VR Bank received a "Needs to Improve" overall rating in 2020. TriCo asserts that TriCo Bank would improve upon VR Bank's CRA performance, utilizing TriCo Bank's greater resources and as evidenced by its stronger CRA record. TriCo represents that TriCo Bank would offer several loan products not currently offered by VR Bank, including government-sponsored home and small business loan products and a proprietary affordable home mortgage product. TriCo also represents that TriCo Bank recently expanded its community development investment activities in Kern County and would continue to do so following the merger. TriCo asserts that delaying or denying the application, as suggested by commenters, would only delay CRA performance improvements in VR Bank's footprint.

Regarding the commenters' assertion about TriCo Bank's lending to minority borrowers, TriCo maintains that TriCo Bank does not lag in lending to minority individuals or in majority-minority areas. Rather, TriCo asserts that the bank's lending to minority borrowers and communities of color is aligned with or exceeds the performance of other institutions across the bank's AAs. TriCo maintains that TriCo Bank has a strong commitment to serving LMI areas, as well as minority communities in those areas. TriCo also represents that TriCo Bank is committed to increasing mortgage lending throughout its AAs, including in majority-minority areas.

With respect to commenters' request for a revised CRA plan, TriCo asserts that TriCo Bank's current CRA plan is sufficient to satisfy legal requirements, improve its future CRA ratings, and meet community needs. TriCo maintains that the bank already plans to implement or has implemented several of the commenters' requests. For example, TriCo states that TriCo Bank already employs a regional CRA officer and plans to hire a CRA officer for Kern County. In addition, TriCo represents that TriCo Bank has committed to make millions of dollars in donations and CRA investments, including to organizations in Kern County. TriCo asserts that some of the commenters' proposals

would be unnecessary or inappropriate for TriCo Bank to adopt. For example, TriCo states that proposals regarding data collection and reporting are outside the scope of the CRA. TriCo also states that TriCo Bank does not have the expertise or the resources to implement some of the proposals, such as broadband infrastructure development and the provision of language services.

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 FDIC with respect to TriCo Bank and VR Bank.²¹ 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.²² 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"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as TriCo 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

²¹ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

²² 12 U.S.C. § 2906.

Home Mortgage Disclosure Act (“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;²³ (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.²⁴ The Investment Test evaluates the number and 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.²⁵

Federal financial supervisors apply a Lending Test and a community development test (“Community Development Test”) to evaluate the performance of an intermediate small bank, such as VR Bank, in helping to meet the credit needs of the

²³ 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).

²⁴ See 12 CFR 228.22(b).

²⁵ See 12 CFR 228.21 et seq.

communities it serves. 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.²⁶

CRA Performance of TriCo Bank

TriCo Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of January 19, 2021 ("TriCo Bank Evaluation").²⁷ The bank received "High Satisfactory" ratings for both the Lending Test and the Investment Test, and a "Low Satisfactory" rating for the Service Test.²⁸

Examiners noted that the bank's performance in the Kern, Tulare, and Shasta-Tehama AAs was below the bank's overall performance.

With respect to the Lending Test, examiners found that TriCo Bank's lending levels reflected good responsiveness to community credit needs. Examiners also found that the bank exhibited a good geographic distribution of loans throughout all its AAs. Examiners determined that TriCo Bank's distribution of loans to retail customers of different income levels and business customers of different revenue sizes was good, including in the Kern AA. Examiners noted that TriCo Bank participated in several

²⁶ See 12 CFR 228.26(c).

²⁷ The TriCo Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loan data from January 1, 2018, through December 31, 2019. Examiners also reviewed community development activities from February 26, 2018, through January 19, 2021.

²⁸ The TriCo Bank Evaluation involved a limited-scope review of the Kern, Tulare, and Fresno-Madera AAs. The TriCo Bank Evaluation involved full-scope review of the bank's activities in the Sacramento, Butte, Shasta-Tehama, Bay Area, Rural Northern California and North Coast, and Stanislaus-Merced AAs. Examiners noted that AAs subject to full-scope reviews were given the most weight in the TriCo Bank Evaluation, since TriCo Bank's operations generally were heavily concentrated in these areas. Although the Stanislaus-Merced AA represented a smaller share of the bank's operations, examiners noted it was randomly selected for a full-scope review.

innovative and flexible lending programs, including Small Business Administration Loans and Farmers Home Administration Loans. Examiners found that TriCo Bank made a relatively high level of community development loans throughout all of its AAs.

With respect to the Investment Test, examiners found that TriCo Bank generally had a significant level of qualified community development investments throughout its AAs but exhibited weaker performance in several AAs, including the Kern AA. With respect to the Service Test, examiners found that TriCo Bank provided an adequate level of community development services throughout its AAs but performed poorly in several AAs, including the Kern AA.

CRA Performance of VR Bank

VR Bank was assigned an overall rating of “Needs to Improve” at its most recent CRA performance evaluation by the FDIC, as of January 21, 2020 (“VR Bank Evaluation”).²⁹ The bank received a “Needs to Improve” rating for both the Lending Test and the Community Development Test.

With respect to the Lending Test, examiners found that a substantial majority of VR Bank’s loans were made in the bank’s AA. Examiners also found that the bank’s loan-to-deposit ratio was reasonable given VR Bank’s size and financial condition, as well as the credit needs of the bank’s AA. In addition, examiners found that the bank’s geographic distribution of loans reflected reasonable dispersion throughout the bank’s AA. However, examiners determined that the bank’s loan distribution by borrower profile reflected very poor penetration among businesses of different revenue sizes and individuals of different income levels.

With respect to the Community Development Test, examiners determined that VR Bank’s overall community development performance, as evidenced by community development loans, qualified investments, and community development

²⁹ The VR Bank Evaluation was conducted using Interagency Intermediate Small Institution Examination Procedures. Examiners reviewed loan data from January 1, 2017, through December 31, 2019, and loan-to-deposit ratio data from June 30, 2017, through September 30, 2019. The examination covered the bank’s sole AA, the Kern AA.

services, demonstrated poor responsiveness to the community development needs of the bank's AA.

Additional Supervisory Views

In its review of the proposal, the Board consulted with the FDIC regarding the CRA, consumer compliance, and fair lending records of TriCo Bank and VR Bank. The Board also considered the results of the most recent consumer compliance examinations of TriCo Bank and VR Bank, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations. In addition, the Board considered TriCo Bank's 2021-23 CRA plan, which TriCo has represented would be implemented at the combined institution, as well as TriCo Bank's future CRA plans specific to Kern County. When considering TriCo Bank's CRA performance in the Kern County AA, the Board weighed TriCo's small presence, with one branch in Kern County, and the strength of the bank's overall CRA program as evidenced by the bank's performance in the AAs subject to full-scope reviews. The Board also noted and considered TriCo Bank's overall CRA performance as compared to VR Bank's.

The Board has taken the foregoing consultations and examinations into account in evaluating the proposal, including in considering whether TriCo has the experience and resources to ensure that TriCo Bank and VR Bank would help meet the credit needs of the communities to be served 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. TriCo represents that the proposed transaction would enhance and expand on VR Bank's current operations while seeking to maintain VR Bank's relationship-oriented customer service approach. TriCo Bank would continue to offer VR Bank's current suite of products, and VR Bank's customers would have access to additional financial products and services. Customers of

the combined bank would have access to a more expansive ATM network and otherwise benefit from the combined bank's expanded resources.

TriCo represents that TriCo Bank would continue to operate VR Bank's four existing branches. TriCo Bank would close its existing Bakersfield, California, branch, consolidating its operations with VR Bank's main office, located in the same neighborhood.³⁰ TriCo asserts that the branch closure would not meaningfully impact customer service or affect the nature of the business, given the proximity of the two offices.

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 TriCo, 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."³¹

³⁰ Section 42 of the Federal Deposit Insurance Act (12 U.S.C. §1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34844 (June 29, 1999)), requires that a bank provide the public with at least 30 days' notice, and the appropriate federal supervisory agency with at least 90 days' notice, before the date of a proposed branch closing. 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 12 U.S.C. § 1842(c)(7).

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.³² 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.³³

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.³⁴

³² Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

³³ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

³⁴ 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 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 in retail and commercial banking activities.³⁵ 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 application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by TriCo 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 also is conditioned on receipt by TriCo of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be

³⁵ TriCo and VRB offer a range of retail and commercial banking products and services. TriCo 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.

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

By order of the Board of Governors,³⁶ effective March 1, 2022.

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

³⁶ Voting for this action: Chair Pro Tempore Powell and Governors Bowman, Brainard, and Waller.