FRB Order No. 2023-007
November 15, 2023

FEDERAL RESERVE SYSTEM

LINKBANCORP, Inc.
Camp Hill, Pennsylvania

Order Approving the Merger of Bank Holding Companies

LINKBANCORP, Inc. ("LINK"), Camp Hill, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to acquire Partners Bancorp ("Partners"), Salisbury, Maryland, and thereby indirectly acquire its state member bank subsidiaries, The Bank of Delmarva, Seaford, Delaware, and Virginia Partners Bank, Fredericksburg, Virginia. LINK also has filed a notice under sections 4(c)(8) and (j) of the BHC Act[3] to indirectly acquire Virginia Partners Bank's ownership interest in a nonbanking company engaged in mortgage banking services. Following the proposed acquisition, Partners would be merged with and into LINK, and the Bank of Delmarva and Virginia Partners Bank would be merged with and into LINK's state nonmember bank, LINKBANK ("Bank"), Camp Hill, Pennsylvania.[4]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (88 Federal Register 27,512 (May 2, 2023)), in accordance with the Board's Rules of Procedure.[5] The time for submitting comments has

---

1 12 U.S.C. § 1841 et seq.

2 12 U.S.C. § 1842.

3 12 U.S.C. §§ 1843(c)(8) and (j).

4 The merger of the Bank of Delmarva and Virginia Partners Bank with and into Bank was approved by the Federal Deposit Insurance Corporation ("FDIC") on September 28, 2023, pursuant to section 18(c) of the Federal Deposit Insurance Act ("Bank Merger Act"). 12 U.S.C. § 1828(c).

5 12 CFR 262.3(b).

expired, and the Board received one adverse comment on the proposal. The Board has considered the proposal and the comment received in light of the factors set forth in sections 3 and 4 of the BHC Act.

LINK, with consolidated assets of approximately $1.3 billion, is the 764th largest insured depository organization in the United States.[6] LINK controls approximately $1.0 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[7] LINK controls Bank, which operates only in Pennsylvania.

Partners, with consolidated assets of approximately $1.6 billion, is the 668th largest insured depository organization in the United States. Partners 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. Partners controls the Bank of Delmarva, which operates in Delaware, Maryland, and New Jersey. Partners also controls Virginia Partners Bank, which operates in Virginia and Maryland.

On consummation of this proposal, LINK would become the 393rd largest insured depository organization in the United States, with consolidated assets of approximately $2.9 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. LINK would control total consolidated deposits of approximately $2.4 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.

Interstate Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well

---

[6] Consolidated asset and national ranking data are as of June 30, 2023.

[7] Consolidated national deposit and market share data are as of June 30, 2023. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction would be prohibited under state law.[8] The Board may not approve under this provision an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years.[9] When determining whether to approve an application under this provision, the Board must take into account the record of the applicant's depository institution under the Community Reinvestment Act of 1977 ("CRA") and the applicant's record of compliance with applicable state community reinvestment laws.[10] In addition, the Board may not approve an interstate application under this provision if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.[11]

For purposes of the BHC Act, the home state of LINK is Pennsylvania.[12] The Bank of Delmarva is located in Delaware, Maryland, and New Jersey. Virginia

---

[8] 12 U.S.C. § 1842(d)(1)(A).

[9] 12 U.S.C. § 1842(d)(1)(B).

[10] 12 U.S.C. § 1842(d)(3).

[11] 12 U.S.C. § 1842(d)(2)(A) and (B). For purposes of section 3(d) of the BHC Act, the acquiring and target organizations have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. The Board considers a bank to be located in the states in which the bank is chartered, is headquartered, or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

[12] 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

Partners Bank is located in Virginia and Maryland. LINK is well capitalized and well managed under applicable law. Bank has a "Satisfactory" rating under the CRA, and Pennsylvania does not have a state community reinvestment law. The Bank of Delmarva and Virginia Partners Bank both have been in existence for more than five years.

On consummation of the proposed transaction, LINK would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. LINK and Partners do not have overlapping banking operations for purposes of section 3(d). Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.[13] 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.[14] In addition, under section 4 of the BHC Act, the Board must consider the competitive effects of a proposal to acquire a nonbanking company under the balancing test of section 4(j) of the BHC Act.[15]

LINK and Partners have subsidiary banks that compete directly in the Philadelphia, Pennsylvania–New Jersey banking market ("Philadelphia market"). 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

---

[13] 12 U.S.C. § 1842(c)(1)(A).

[14] 12 U.S.C. § 1842(c)(1)(B).

[15] 12 U.S.C. § 1843(j)(2)(A).

depository institutions in the market ("market deposits") that LINK would control;[16] 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 Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[17] 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 Philadelphia market. On consummation, the Philadelphia market would remain moderately concentrated, there would be no change in the HHI, and 80 competitors would remain in the market.[18]

---

[16] Local deposit and market share data are as of June 30, 2022, 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).

[17] 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 (Aug. 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

[18] LINK is the 62nd largest depository organization in the Philadelphia market, controlling approximately $134.2 million in deposits, which represent 0.06 percent of

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that it did not conclude 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 the Philadelphia market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing proposals under sections 3 and 4 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.[19] 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

---

market deposits. Partners is the 54th largest depository organization in the market, controlling deposits of approximately $158.6 million, which represent 0.07 percent of market deposits. On consummation of the proposed transaction, LINK would become the 46th largest depository organization in the market, controlling deposits of approximately $292.8 million, which would represent 0.13 percent of market deposits. The HHI for the Philadelphia market would not change and would remain 1027.

[19] 12 U.S.C. § 1842(c)(2), (5), and (6).

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

LINK, Partners, 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, with a subsequent merger of the bank holding companies and merger of the subsidiary depository institutions into Bank.[20] The capital, asset quality, earnings, and liquidity of LINK, Partners, and their subsidiary depository institutions are consistent with approval, and LINK appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations effectively. 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 LINK, Partners, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by LINK; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comment on the proposal.

[20] To effect the transaction, each share of Partners common stock would be converted into a right to receive shares of LINK common stock, based on an exchange ratio, plus cash in lieu of any fractional shares. LINK has the financial resources to effect the proposed transaction.

LINK, Partners, and their subsidiary depository institutions 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 LINK's risk-management program appears consistent with approval of this expansionary proposal.

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

Based on all the facts of record, including LINK's and Partners' 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 LINK, Partners, and their subsidiary depository institutions 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.[21] 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

---

[21] 12 U.S.C. § 1842(c)(2).

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 of the relevant depository institutions under the CRA.[22] 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.[23]

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 Bank, the Bank of Delmarva and Virginia Partners Bank; the fair lending and compliance records of these banks; the supervisory views of the FDIC and the Federal Reserve Bank of Richmond ("Richmond Reserve Bank"); confidential

---

[22] 12 U.S.C. § 2901 et seq.

[23] See 12 U.S.C. § 2901(b).

supervisory information; information provided by LINK; and the public comment received on the proposal.

Public Comment on the Proposal

The Board received one adverse comment on the proposal. The commenter objected to the proposal, alleging that, in 2021, Bank and Virginia Partners Bank made fewer home loans to African American individuals as compared to white individuals.[24]

Businesses of the Involved Institutions and Response to the Public Comment

Through Bank, LINK offers products related to consumer lending, small business lending, mortgage loans, payment services, and charitable foundation banking. These products include checking accounts, working capital lines, commercial and residential mortgages, home equity lines, auto loans, and agricultural loans. Bank also offers specific accounts designed for charitable organizations. Through the Bank of Delmarva, Virginia Partners Bank, and their subsidiaries, Partners offers consumer and commercial banking services.

In response to the comment, LINK notes both Bank's and Virginia Partners Bank's satisfactory records of serving their respective communities and meeting their obligations under the CRA and other consumer statutes and regulations. LINK notes that both Bank and Virginia Partners Bank each received a composite rating of "Satisfactory" at their most recent CRA evaluations and that no discrimination or other illegal credit practices were identified. LINK represents that Bank offers programs, products, and activities designed to meet the needs of LMI communities, such as hiring an experienced Spanish–English bilingual Community Lending Officer specializing in serving underserved communities and first-time home buyers. Additionally, LINK represents that Virginia Partners Bank has engaged in specific outreach efforts to meet the needs of

---

[24] The commenter cited publicly available data from 2021 reported by Bank and Virginia Partners Bank under the Home Mortgage Disclosure Act of 1975 ("HMDA"), 12 U.S.C. § 2801 et seq.

African American borrowers, including by partnering with community organizations and hosting seminars for first time home buyers.

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 Richmond Reserve Bank with respect to Virginia Partners Bank and the Bank of Delmarva and the FDIC with respect to the Bank of Delmarva (prior to December 2020)[25] and Bank.[26] In addition, the Board considers information provided by the applicant and 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.[27] 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 Bank, the Bank of Delmarva, and Virginia Partners Bank, in helping to meet the credit needs of the communities it serves. 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

---

[25] The Bank of Delmarva was subject to the FDIC's jurisdiction until December 2020, when it became a state member bank.

[26] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48,506, 48,548 (July 25, 2016). The Bank of Delmarva was supervised by the FDIC until December 2020, when it became a state member bank.

[27] 12 U.S.C. § 2906.

analyze an institution's data reported under the HMDA, automated loan reports, and other reports generated by the institution in order to assess the institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on the institution's (1) loan-to-deposit ratio and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments; (2) percentage of loans and, as appropriate, other lending-related activities located in the bank's assessment areas ("AAs"); (3) record of lending to, and, as appropriate, engaging in other lending-related activities for, borrowers of different income levels and businesses and farms of different sizes; (4) geographic distribution of loans; and (5) record of taking action, if warranted, in response to written complaints about the institution's performance in helping to meet credit needs in the bank's AAs.[28] 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.[29]

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may not be available from public HMDA data.[30] Consequently, the Board requests additional information not available to the public that may be needed from the institution and

[28] See 12 CFR 228.26(b).

[29] See 12 CFR 228.26(c).

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

evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

CRA Performance of Bank

Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of March 22, 2021 ("Bank Evaluation").[31] The bank received "Satisfactory" ratings for the Lending Test and the Community Development Test.[32]

Examiners found that the bank's loan-to-deposit ratio was reasonable given the institution's size, financial condition, and AA credit needs and that the bank made a majority of its small business and home mortgage loans in its AAs. Examiners also found that the distribution of borrowers reflected reasonable penetration among businesses of different sizes and individuals of different income levels, although they found that the bank's geographic distribution of loans reflected poor dispersion.

Examiners found that Bank's performance under the Community Development Test demonstrated adequate responsiveness to the community development needs of the bank's AAs, considering the needs and opportunities in the AAs and the bank's performance context and capacity. Examiners noted that Bank had responded to the community development needs of its AAs through community development loans, qualified investments, and community development services.

---

[31] The Bank Evaluation was conducted using the Interagency Intermediate Small Institution Examination Procedures. The evaluation period was January 16, 2018, through March 22, 2021. Examiners conducted a review of the bank's two AAs: (1) Harrisburg-Carlisle, PA Metropolitan Statistical Area ("MSA") and (2) an AA in the non-metropolitan areas of Pennsylvania that is not within any designated MSA ("Non-MSA area"). In September 2021, LINKBANK merged with and into The Gratz Bank. Following the merger, the Gratz Bank changed its name to LINKBANK. The Bank Evaluation reflects an evaluation of The Gratz Bank prior to the 2021 merger.

[32] The Bank Evaluation involved a full-scope review of the bank's activities in Harrisburg-Carlisle, Lancaster, and the Non-MSA area, all of Pennsylvania.

Bank's Efforts since the Bank Evaluation

LINK represents that, since the Bank Evaluation, Bank has offered a new product for first-time home buyers to enhance outreach to underserved communities. Specifically, LINK notes that this product includes features such as lender-paid PMI, no origination fee, up to a 97 percent loan-to-value, and access to experienced mortgage professionals who have experience with local closing costs assistance programs.[33] Further, LINK represents that Bank has sought out community development lending opportunities through participation with community organizations and has encouraged employees to volunteer with community development organizations. Additionally, LINK represents that Bank has monitored growth in CRA-qualifying loans and has provided educational opportunities to bank personnel on CRA lending generally. In an effort to improve its geographical distribution of loans, LINK represents that Bank has expanded its AA to full counties as opposed to individual tracts; hired an experienced regional president with significant connection to the region; hired a Chief Consumer Banking officer to oversee the branch network and to unify its consumer banking approach; and continued to build a dedicated mortgage lending team. Finally, LINK notes that Bank's finance department works with the Chief Compliance Officer to identify potential investment partners and opportunities to invest in organizations that benefit LMI individuals.

CRA Performance of the Bank of Delmarva

The Bank of Delmarva was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of June 17, 2019 (the "Bank

[33] LINK represents that, as of August 2023, Bank had originated eight mortgage loans using this product, with an additional four under consideration.

of Delmarva Evaluation”).[34] The bank received “Satisfactory” ratings for both the Lending Test and the Community Development Test.[35]

Examiners determined that the Bank of Delmarva’s loan-to-deposit ratio was more than reasonable given the bank’s size, its financial performance, and the credit needs of the bank’s AAs. Examiners also found that a substantial majority of the Bank of Delmarva’s lending activity was originated within the bank’s AAs and that the distribution of loans originated by the Bank of Delmarva during the evaluation period reflected a reasonable penetration among borrowers of different income levels and businesses of different sizes. In addition, examiners found that the Bank of Delmarva’s geographic distribution of home mortgage and business loans to LMI census tracts reflected a reasonable dispersion within the bank’s AAs.

Examiners found that the Bank of Delmarva’s performance under the Community Development Test demonstrated adequate responsiveness to the community development needs of the bank’s AAs, considering the needs and opportunities in the AAs and the bank’s performance context and capacity. Examiners noted that the Bank of Delmarva had responded to the community development needs of its AAs through community development loans, qualified investments, and community development services. Examiners also noted that the Bank of Delmarva’s responsiveness to the community development needs of its AAs was adequate.

[34] The Bank of Delmarva Evaluation was conducted using Interagency Intermediate Small Institution Examination Procedures. Examiners evaluated HMDA-reportable loans from 2017 to 2018, and small business and small farm loans reported by the bank from 2017 through 2018. Examiners also reviewed community development loans, qualified investments, and community development services from June 20, 2016, through June 17, 2019.

[35] The Bank of Delmarva Evaluation included a full-scope review of the following areas designated by the Bank of Delmarva as its AAs: the Salisbury, MD-DE (“Salisbury”) MSA and Camden, NJ Metropolitan Division (“Camden”).

The Bank of Delmarva's Efforts since The Bank of Delmarva Evaluation

LINK represents that, since the Bank of Delmarva Evaluation, the Bank of Delmarva has retained a third-party consultant to assist the bank with various CRA-related compliance objectives. Further, LINK represents that the Bank of Delmarva has redirected marketing resources to LMI areas, conducted lending training for branch managers in Camden, and participated in community service and engagement opportunities within Camden. Additionally, LINK represents that the Bank of Delmarva has increased engagement with community development organizations by purchasing shares in community development organizations, encouraging employees to volunteer with community development organizations, and making donations to community development organizations.

CRA Performance of Virginia Partners Bank

Virginia Partners Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Richmond Reserve Bank, as of October 2, 2017 ("Virginia Partners Bank Evaluation").[36] The bank received "Satisfactory" ratings for both the Lending Test and the Community Development Test.[37]

Examiners determined that Virginia Partners Bank's loan-to-deposit ratio was reasonable given the bank's size, its financial performance, and the credit needs of the bank's AA. Examiners also found that a majority of Virginia Partners Bank's lending activity was originated within the bank's AA and that the distribution of loans originated by Virginia Partners Bank during the evaluation period reflected a reasonable distribution among borrowers of different income levels and businesses of different sizes. In

[36] The Virginia Partners Bank Evaluation was conducted using Interagency Intermediate Small Institution Examination Procedures. Examiners evaluated HMDA-reportable loans from 2015 to 2016, and small business and small farm loans reported by the bank from 2015 through 2016. Examiners also reviewed community development loans, qualified investments, and community development services from September 23, 2013, through October 2, 2017.

[37] The Virginia Partners Bank Evaluation included a review of the Washington-Arlington-Alexandria VA-MD AA.

addition, examiners found that Virginia Partners Bank's geographic distribution of home mortgage and business loans to LMI census tracts reflected an excellent and reasonable dispersion within the bank's AA, respectively.

In the Washington-Arlington-Alexandria VA-MD AA, examiners found that, while Virginia Partners Bank's level of lending to low-income borrowers was less than the percentage of low-income families within the AA, it was greater than aggregate lending levels to such borrowers and was considered excellent. Further, examiners found that Virginia Partners Bank's lending to moderate-income borrowers was considered reasonable. Examiners determined that Virginia Partners Bank's geographic distribution performance was excellent for HMDA lending and reasonable for small-business lending within the AA.

Examiners found that Virginia Partners Bank's performance under the Community Development Test demonstrated adequate responsiveness to the community development needs of the bank's AA, considering the needs and opportunities in the AA and the bank's performance context and capacity. Examiners noted that Virginia Partners Bank had responded to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners also noted that the responsiveness of Virginia Partners Bank to the community development needs of its AA was adequate.

Virginia Partners Bank's Efforts since the Virginia Partners Bank Evaluation

LINK represents that, since the Virginia Partners Bank Evaluation, Virginia Partners Bank opened a branch located in Reston, Virginia, thereby expanding its AA. Additionally, LINK represents that Virginia Partners Bank has continued to originate community development loans through community development organizations and has encouraged Virginia Partners Bank employees to volunteer with local community development organizations. Further, LINK represents that Virginia Partners Bank now offers lending products to LMI individuals that include flexible underwriting guidelines and discounted rates on LMI loans. Finally, LINK represents that Virginia Partners Bank offers a wide range of redevelopment and housing loan programs designed to assist LMI borrowers with down payments and closing costs and provide borrowers with rate discounts.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the FDIC as the primary federal supervisor of Bank and the Richmond Reserve Bank as the primary federal supervisor of Virginia Partners Bank and the Bank of Delmarva. The Board also considered the results of the most recent consumer compliance examinations of Bank, the Bank of Delmarva, and Virginia Partners 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 Bank, the Bank of Delmarva, and Virginia Partners Bank, into account in evaluating the proposal, including considering whether LINK has the experience and resources to ensure that the pro forma organization would help meet the credit needs of the communities to be served by its subsidiary bank 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 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. LINK represents that, following consummation of the proposal, all products and services currently offered by each of Bank, the Bank of Delmarva, and Virginia Partners Bank will continue to be offered through the banks' combined branch network. Following consummation of the transaction, LINK notes that it intends to designate a member of LINK's senior management that will be responsible for building and maintaining relationships with community organizations across the combined institution's resulting AAs to further strengthen the combined institution's community presence, including, and particularly within, underserved and minority communities. Further, LINK represents that it intends to hire a community lending officer specializing in underserved communities to operate in the legacy Virginia Partners Bank geographic region. LINK also represents that Bank, the Bank of Delmarva, and Virginia Partners Bank will continue to participate in programs that provide affordable housing loans to LMI individuals and first-time home buyers and will continue to evaluate whether the products and services offered by the resultant institution meet the needs of LMI individuals in its AAs.

LINK further represents that, as a result of the transaction, the greater size of the combined institution will allow for economies of scale in such areas as operations and technology, which will result in greater efficiencies and superior services. LINK also notes that customers will benefit from an expanded, more convenient branch footprint and higher lending limits. LINK represents that Bank, the Bank of Delmarva, and Virginia Partners Bank have a number of programs, products, and activities designed to meet the needs of their respective communities.

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.[38] 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.[39]

LINK represents that it does not anticipate that any branches of Bank, the Bank of Delmarva, or Virginia Partners Bank would be closed, consolidated, or relocated in connection with the proposed transaction.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of Bank, the Bank of Delmarva, and Virginia Partners Bank under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory information, information provided by LINK, 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 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."[40] In addition, section 4 of the BHC Act requires the Board to balance the expected public

---

[38] 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.

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

[40] 12 U.S.C. § 1842(c)(7).

benefits of the proposal with the "risk to the stability of the United States banking or financial system."[41]

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.[42] 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.[43]

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

---

[41] 12 U.S.C. § 1843(j)(2)(A).

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

[43] For further discussion of the financial stability standard, see Bank of Montreal and BMO Financial Corp., FRB Order No. 2023-01 at 43 (January 17, 2023) and Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.[44]

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.[45] 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.

Acquisition of Nonbanking Companies

LINK also has filed a notice under sections 4(c)(8) and 4(j) of the BHC Act to acquire voting shares in a nonbanking company held by Virginia Partners Bank and

---

[44] See Bank of Montreal and BMO Financial Corp., FRB Order No. 2023-01 at 43 (January 17, 2023), 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.

[45] LINK and Partners offer a range of retail and commercial banking products and services. LINK 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.

thereby engage in mortgage banking.[46] The Board previously has determined by regulation that the proposed activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[47] LINK has stated that it would conduct these activities in accordance with the Board's regulations governing these activities for bank holding companies.

Section 4(j)(2)(A) of the BHC Act requires the Board to "consider whether performance of the activity by a bank holding company or a subsidiary of such company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or risk to the stability of the United States banking or financial system."[48]

Under the proposal, LINK would acquire a controlling interest in JMC and thereby engage in the mortgage banking business. There are public benefits to be derived from permitting bank holding companies to make potentially profitable investments in financial companies and to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.[49]

---

[46] The nonbanking company is Johnson Mortgage Company, LLC ("JMC"). LINK represents that, with respect to all subsidiaries other than JMC, their activities are permissible without the Board's prior approval, pursuant to the servicing exemption of section 4(c)(1)(C) of the BHC Act and section 225.22(b)(2) of Regulation Y promulgated thereunder. See 12 U.S.C. § 1843(c)(1)(C) and 12 CFR 225.22(b)(2).

[47] See 12 CFR 225.28(b)(1).

[48] 12 U.S.C. § 1843(j)(2)(A).

[49] See, e.g., The Toronto-Dominion Bank, FRB Order No. 2020-04 (September 30, 2020); Morgan Stanley, 94 Federal Reserve Bulletin C103 (2008); Arvest Bank Group, 89 Federal Reserve Bulletin 439 (2003); The Charles Schwab Corporation, 86 Federal Reserve Bulletin 494 (2008).

The Board concludes that the performance of the proposed nonbanking activities, as assessed under Regulation Y, Board precedent, and this order, is not likely to result in significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or risk to the stability of the U.S. banking or financial system. Based on the entire record, and for the reasons discussed above, the Board concludes that the balance of benefits and potential adverse effects related to competition, financial and managerial resources, convenience to the public, financial stability, and other factors weigh in favor of approval of the proposal. Accordingly, the Board determines that the balance of the public benefits under the standard of section 4(j)(2) of the BHC Act is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved.[50] In reaching its conclusion, the

---

[50] The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b); see also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public 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 would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

The commenter also requested an extension of the comment period for the application. The commenter's request for additional time to comment did not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board has determined not to extend the comment period.

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

By order of the Board of Governors,[51] effective November 15, 2023.

Ann E. Misback (signed)

Secretary of the Board

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