

FEDERAL RESERVE SYSTEM

Security Trust & Savings Bank
Storm Lake, Iowa

Order Approving the Acquisition of Assets and Assumption of Liabilities and the
Establishment of a Branch

Security Trust & Savings Bank (“Security Bank”), a state member bank subsidiary of Storm Lake Security Bancorporation (“Security Bancorp”), both of Storm Lake, Iowa, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”)¹ to purchase substantially all of the assets and assume substantially all of the liabilities of First National Bank of Rembrandt (“FNB Bank”), Rembrandt, Iowa. Security Bank also has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”)² to establish a branch office at the location of FNB Bank’s main office.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board’s Rules of Procedure.⁴ The time for submitting comments has expired, and no comments were received. The Board has considered the proposal in light of the factors set forth in the Bank Merger Act and the FRA. As required by the Bank Merger Act, a report on the competitive effects of Security Bank’s acquisition of the assets and assumption of the liabilities of FNB Bank was requested from the United States Attorney General, and a copy of the request has been provided to the Office of the Comptroller of the Currency (“OCC”).

¹ 12 U.S.C. § 1828(c).

² 12 U.S.C. § 321.

³ The branch would be located at 101 East Main Street, Rembrandt, Iowa.

⁴ 12 U.S.C. § 1828(c)(3); 12 CFR 262.3(b).

Security Bancorp, with consolidated assets of approximately \$201.6 million, is the 2,978th largest insured depository organization in the United States. Security Bancorp controls approximately \$181.3 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁵ Security Bancorp controls Security Bank, which operates only in Iowa. Security Bancorp is the 102nd largest insured depository organization in Iowa, controlling deposits of approximately \$181.0 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

FNB Bank, with assets of approximately \$54.5 million, is the 5,038th largest insured depository organization in the United States. FNB Bank controls approximately \$43.4 million in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. FNB Bank operates only in Iowa. FNB Bank is the 242nd largest insured depository organization in Iowa, controlling deposits of approximately \$43.7 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.⁶

On consummation of the proposal, Security Bancorp would become the 2,540th largest insured depository organization in the United States, with consolidated assets of approximately \$256.1 million, which represent less than 1 percent of the total assets of insured depository organizations in the United States. Security Bancorp would control total deposits of approximately \$224.7 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Iowa, Security Bancorp would become the 73rd largest insured depository

⁵ Nationwide asset and deposit data are as of March 31, 2018, unless otherwise noted.

⁶ State deposit, market share, and ranking data are as of June 30, 2017, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

organization, controlling deposits of approximately \$224.8 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

Competitive Considerations

The Bank Merger 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.⁷ The Bank Merger 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.⁸

Security Bank and FNB Bank compete directly in the Buena Vista, Iowa banking market (“Buena Vista market”).⁹ The Board has considered the competitive effects of the proposal in this banking market. In particular, the Board has considered the number of competitors that would remain in the market; the relative share of total deposits in insured depository institutions in the market (“market deposits”) that Security Bank would control;¹⁰ the concentration levels of market deposits and the increase in these levels, as measured by the Herfindahl-Hirschman Index (“HHI”) under the U.S.

⁷ 12 U.S.C. § 1828(c)(5).

⁸ 12 U.S.C. § 1828(c)(5)(B).

⁹ The Buena Vista market is defined as Buena Vista County, plus Eureka, Eden, Delaware, Douglas, and Cook townships in Sac County, all in Iowa.

¹⁰ Local deposit and market share data are as of June 30, 2017, and, unless otherwise indicated, 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).

Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹¹ and other characteristics of the market.

The structural effects that consummation of the proposal would have in the Buena Vista market warrant a detailed review because the concentration levels on consummation would exceed the thresholds in the DOJ Bank Merger Guidelines when using initial competitive screening data.

Using initial screening data, Security Bank is the largest depository organization in the Buena Vista market, controlling approximately \$181 million in deposits, which represent approximately 22.5 percent of market deposits. FNB Bank is the seventh largest depository organization in the Buena Vista market, controlling approximately \$43.7 million in deposits, which represent approximately 5.44 percent of market deposits. On consummation, Security Bank would remain the largest depository organization in the Buena Vista market, controlling approximately \$224.8 million in market deposits, which would represent approximately 28 percent of market deposits. The HHI in this market would increase by 261 points, from 1604 to 1865.

The Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Buena Vista market.¹² Several factors

¹¹ Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has 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 www.justice.gov/opa/pr/2010/August/10-at-938.html.

¹² The number and strength of the factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See Nationsbank Corp., 84 Federal Reserve Bulletin 129 (1998).

indicate that the increase in concentration in the Buena Vista market, as measured by the above HHI, overstates the potential competitive effects of the proposal in the market.

One thrift institution in the market has a commercial and industrial loan portfolio similar to those of commercial banks in the Buena Vista market,¹³ as measured in terms of the ratios of those types of loans to total loans and assets.¹⁴ The Board has concluded that deposits controlled by this institution should be weighted at 100 percent in the market-share calculations. In addition, the Board has considered the competitive influence of one credit union in the Buena Vista market that offers a wide range of consumer banking products, operates street-level branches, and has broad membership criteria that include almost all of the residents in the market.¹⁵ The Board finds that these

¹³ The standard treatment of thrifts in the competitive analysis is to give their deposits 50-percent weighting to reflect their limited lending to small businesses relative to banks' lending levels. However, the Board previously has indicated that it may consider the competitiveness of a thrift institution at a level greater than 50 percent of its deposits when appropriate if competition from the institution closely approximates competition from a commercial bank. See, e.g., Banknorth Group, Inc., 75 Federal Reserve Bulletin 703 (1989). Where, as here, the facts and circumstances of a banking market indicate that a particular thrift serves as a significant source of commercial loans and provides a broad range of consumer, mortgage, and other banking products, the Board has concluded that competition from such a thrift closely approximates competition from a commercial bank and that deposits controlled by the institution should be weighted at 100 percent in market-share calculations. See, e.g., KeyCorp, FRB Order No. 2016-12 (July 12, 2016); River Valley Bancorp, FRB Order No. 2012-10 (October 17, 2012); Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); and Banknorth Group, Inc., *supra*.

¹⁴ This thrift institution has a ratio of commercial and industrial loans to assets of 6.5 percent. This is comparable to the ratio of some thrift institutions that the Board has previously found to be full competitors of commercial banks. Id.

¹⁵ The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., Central Bancompany, Inc., FRB Order No. 2017-03 (February 8, 2017); KeyCorp, FRB Order No. 2016-12 (July 12, 2016); Ohio Valley Banc Corp., FRB Order No. 2016-10 (June 28, 2016); Chemical Financial Corporation, FRB Order No. 2015-13 (April 20, 2015); Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Old National Bancorp, FRB Order No. 2012-9 (August 30, 2012); United Bankshares, Inc. (order dated June 20, 2011), 97 Federal Reserve Bulletin 19 (2nd Quar. 2011); The PNC Financial

circumstances warrant including the deposits of this credit union at a 50 percent weight in its calculations to estimate market influence. This weighting takes into account the limited lending done by the credit union to small businesses relative to commercial banks' lending levels.

Adjusting to reflect competition from the thrift and the credit union, Security Bank's market share would increase to 27.6 percent, and the market concentration level as measured by the HHI would increase by 240 points, from a level of 1498 to 1738 as a result of the transaction. The market concentration, as well as the resulting market share, would be within the DOJ Bank Merger Guidelines. Including the thrift and the credit union, nine other depository organizations would continue to serve the Buena Vista market, including two with market shares greater than 15 percent each.

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 the Buena Vista market or in any other 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 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 Buena Vista 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 the Bank Merger Act, the Board considers the financial and managerial resources and the future prospects of the institutions

Services Group, Inc., 94 Federal Reserve Bulletin C38 (2008); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); and Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

involved.¹⁶ In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved, as well as information regarding the financial condition of 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. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan. The Board also consults with other relevant bank supervisory agencies.

Security Bank and FNB Bank are both well capitalized, and the resulting bank would remain so on consummation of the proposal. The proposed transaction is structured as a purchase of assets and assumption of liabilities.¹⁷ The asset quality, earnings, and liquidity of both Security Bank and FNB Bank are consistent with approval, and Security Bank appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, the future prospects of the institutions under the proposal are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of Security Bank after consummation of the proposal. The Board has considered Security Bank's plans for implementing the proposal and has reviewed the examination records of Security Bank and FNB Bank, including

¹⁶ 12 U.S.C. § 1828(c)(5) & (11).

¹⁷ The proposed transaction would be funded with cash on hand.

assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Security Bank, the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations, and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws.

Security Bancorp, Security Bank, and FNB Bank are each considered to be well managed. Security Bank's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors.

The Board also has considered Security Bank's plans for implementing the proposal. Security Bank 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. Security Bank would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Security Bank's management has the experience and resources to operate the combined organization in a safe and sound manner, and Security Bank plans to integrate FNB Bank's existing management and personnel in a manner that augments Security Bank's management.¹⁸

Based on all of the facts of record, including Security Bank's supervisory record, managerial and operational resources, and plans for operating the resulting bank after consummation, the Board concludes 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 Security Bank and FNB Bank in combatting money-laundering activities, are consistent with approval.

¹⁸ Following consummation of the proposed transaction, most FNB Bank employees would become employees of Security Bank.

Convenience and Needs Considerations

In acting on a proposal under the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.¹⁹ In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).²⁰ 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,²¹ 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.²²

In addition, the Board considers the banks’ overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers the assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, and information provided by the applicant. The Board also may consider the institution’s business model and marketing and outreach plans, the organization’s plans following consummation, and any other information the Board deems relevant.

¹⁹ 12 U.S.C. § 1828(c)(5).

²⁰ 12 U.S.C. § 2901 et seq.

²¹ 12 U.S.C. § 2901(b).

²² 12 U.S.C. § 2903.

In assessing the convenience and needs factor in this case, the Board has considered all of the facts of record, including reports of examination of the CRA performance of Security Bank and FNB Bank; the fair lending and compliance records of both banks; the supervisory views of the Federal Reserve Bank of Chicago (“Reserve Bank”) and other federal regulatory agencies; confidential supervisory information; and information provided by Security Bank.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board considers examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions, as well as information and views provided by those supervisors.²³ In this case, the Board considered the supervisory views of the Reserve Bank with respect to Security Bank and the OCC with respect to FNB Bank.

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.²⁴ 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 to evaluate the performance of a small insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution’s home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and

²³ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

²⁴ 12 U.S.C. § 2906.

geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act,²⁵ 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 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 assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;²⁶ (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.

²⁵ 12 U.S.C. § 2801 et seq.

²⁶ Examiners also consider the number and amounts of small business and small farm loans 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).

CRA Performance of Security Bank

Security Bank was assigned an overall “Satisfactory” rating by the Reserve Bank at its most recent CRA performance evaluation, as of June 9, 2014 (“Security Bank Evaluation”).²⁷ The bank received a “Satisfactory” rating for the Lending Test.²⁸

Examiners found that Security Bank originated a majority of its loans inside its AA. Examiners also noted that the bank’s geographic distribution of loans reflected a reasonable dispersion throughout its AA. In addition, examiners found the bank’s loan distribution reflected reasonable penetration among borrowers of different income levels and farms of different revenue sizes. Examiners noted that the bank’s loan-to-deposit ratio was less than reasonable considering the characteristics of the bank, performance of competitors, and economic and demographic conditions. Examiners also noted that neither Security Bank nor the Reserve Bank received any CRA-related complaints since Security Bank’s previous CRA evaluation.

CRA Performance of FNB Bank

FNB Bank was assigned an overall CRA rating of “Outstanding” at its most recent CRA performance evaluation by the OCC, as of March 3, 2015 (“FNB Bank Evaluation”).²⁹ The bank received an “Outstanding” rating for the Lending Test.³⁰

Examiners found that FNB Bank originated a substantial majority of its loans within its AA. Examiners further found that the borrower distribution of loans represented an excellent penetration among farms of different sizes and consumers of different income levels. Examiners noted that the bank had a reasonable quarterly

²⁷ The Security Bank Evaluation was conducted using Small Institution CRA Examination Procedures. Examiners reviewed home mortgage and small farm loans originated from January 1, 2013, through December 31, 2013.

²⁸ The Security Bank Evaluation included a full-scope evaluation of four census tracts in southern Buena Vista County, Iowa.

²⁹ The FNB Bank Evaluation was conducted using Small Institution CRA Evaluation Procedures. Examiners reviewed agricultural loans and consumer loans originated from January 1, 2012, through December 31, 2014.

³⁰ The FNB Bank Evaluation included a full-scope evaluation of Buena Vista County and Clay County, both in Iowa.

average loan-to-deposit ratio. Examiners also noted that no complaints were received by FNB Bank or the OCC during the evaluation period.

Additional Supervisory Views

In its review of the proposal, the Board considered the most recent consumer compliance examination and fair lending review of Security Bank by the Reserve Bank. The Board also considered the most recent consumer compliance examination of FNB Bank conducted by the OCC.

The Board has taken this information, as well as the CRA performance records of Security Bank and FNB Bank, into account in evaluating the proposed transaction, including in considering whether Security Bank has the experience and resources to effectively implement policies and programs that would assist the combined organization in helping to meet the credit needs of all of the communities within the firm's AA.

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. Security Bank states that it does not anticipate discontinuing any products or services of FNB Bank. Security Bank represents that it offers a broader range of services than FNB Bank, including trust services, and that Security Bank's robust online presence would allow current FNB Bank customers to access services that are not currently offered by FNB Bank, including online banking and bill pay that can be accessed outside normal banking hours. Security Bank represents that its larger branch network would allow current FNB customers access to three banking locations within Buena Vista County, rather than the single location currently operated by FNB Bank.

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 Security Bank, and the potential effects

of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) amended the Bank Merger Act to require the Board to consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater risk to the stability of the United States banking or financial system.”³¹

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 opaqueness and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.³³

³¹ Dodd-Frank Act § 604(d) and (f), Pub. L. No. 111-203, 124 Stat. 1376, 1601-02 (2010), codified at 12 U.S.C. § 1828(c)(5).

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 (February 14, 2012).

The Board's experience has shown that proposals involving an acquisition of less than \$10 billion in assets, or that result in a firm with less than \$100 billion in total assets, are generally 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

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target that is less than \$10 billion in assets and a pro forma organization of less than \$100 billion in assets. Both the acquirer and the target are predominately engaged in retail and commercial banking activities.³⁵ The pro forma organization would have minimal cross-border activities and 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 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

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.

³⁵ Security Bank and FNB Bank offer a broad range of retail and commercial banking products and services. Security Bank has, and as a result of the proposed transaction would continue to have, a small market share in these products and services on a nationwide basis, and numerous competitors would remain for these products and services.

Board determines that considerations relating to financial stability are consistent with approval.

Establishment of a Branch

Security Bank has applied under section 9 of the FRA to establish and operate a branch at the current main office of FNB Bank.³⁶ The Board has assessed the factors it is required to consider when reviewing an application under that section.³⁷ Specifically, the Board has considered Security Bank's financial condition, management, capital, actions in meeting the convenience and needs of the communities to be served, CRA performance, and investment in bank premises.³⁸ For the reasons discussed in this order, the Board finds those factors to be 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. 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 Bank Merger Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Security Bank with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the proposal. The conditions and commitments are deemed to be conditions imposed in writing by the Board in connection

³⁶ See 12 U.S.C. § 321. Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. A national bank may establish and operate a new branch within a state in which it is situated, if such establishment and operation is authorized under applicable state law. 12 U.S.C. § 36(c). A national bank also may retain any branch following a merger that under state law may be established as a new branch of the resulting bank or retained as an existing branch of the resulting bank. See 12 U.S.C. §§ 36(b)(2), (c). Upon consummation, Security Bank's branch would be permissible under applicable state law. See Iowa Code § 524.1201.

³⁷ 12 U.S.C § 322; 12 CFR 208.6.

³⁸ Upon consummation of the proposal, Security Bank's investment in bank premises would remain within the legal requirements of 12 CFR 208.21.

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 fifteenth 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,³⁹ effective October 12, 2018.

Margaret McCloskey Shanks (Signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

³⁹ Voting for this action: Chairman Powell, Vice Chairman Clarida, Vice Chairman for Supervision Quarles and Governor Brainard.