

FEDERAL RESERVE SYSTEM

Robertson Holding Company, L.P.
Harrogate, Tennessee

Unified Shares, LLC
Harrogate, Tennessee

Commercial Bancgroup, Inc.
Harrogate, Tennessee

Order Approving the Merger of Bank Holding Companies, the Merger of Banks, the Establishment of Branches, and Determination on Financial Holding Company Elections

Commercial Bancgroup, Inc., and its parent companies, Robertson Holding Company, L.P., and Unified Shares, LLC, all of Harrogate, Tennessee (collectively, “Commercial”), all bank holding companies within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),¹ have requested the Board’s approval under section 3 of the BHC Act² for Commercial Bancgroup, Inc. to merge with Citizens Bancorp, Inc. (“Citizens”), and thereby indirectly acquire Citizens’ subsidiary bank, Citizens Bank, both of New Tazewell, Tennessee.

In addition, Commercial’s subsidiary state member bank, Commercial Bank, Harrogate, Tennessee, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”) to merge with Citizens Bank, with Commercial Bank as the surviving entity.³ Commercial Bank also has applied under section 9 of the Federal Reserve Act (“FRA”) to establish and operate branches at

¹ 12 U.S.C. § 1841 et seq.

² 12 U.S.C. § 1842.

³ 12 U.S.C. § 1828(c).

the main office and branches of Citizens Bank.⁴ Robertson Holding Company, L.P., and Unified Shares, LLC, have filed with the Board elections to become financial holding companies pursuant to sections 4(k) and (l) of the BHC Act and section 225.82 of the Board's Regulation Y.⁵

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (82 Federal Register 44183 (September 21, 2017)).⁶ 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, the Bank Merger Act, and the FRA. As required by the Bank Merger Act, a report on the competitive effects of the merger was requested from the United States Attorney General, and a copy of the request has been provided to the Federal Deposit Insurance Corporation ("FDIC").

Commercial is the 784th largest insured depository organization in the United States. Commercial controls approximately \$760.3 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁷ Commercial controls Commercial Bank, which operates in Tennessee and Kentucky. Commercial is the 42nd largest insured depository organization in Tennessee, controlling approximately \$536.2 million in deposits, which represent approximately 0.4 percent of the total deposits of insured depository institutions in that state.⁸

⁴ 12 U.S.C. § 321. These branch locations are listed in the Appendix.

⁵ 12 U.S.C. §§ 1843(k) and (l); 12 CFR 225.82.

⁶ 12 CFR 262.3(b).

⁷ National deposit, market share, and ranking data are as of June 30, 2017, unless otherwise noted.

⁸ State deposit, market share, and ranking data are as of June 30, 2016, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

Citizens is the 3001st largest insured depository organization in the United States. Citizens controls approximately \$179.3 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Citizens controls Citizens Bank, which operates in Tennessee.⁹ Citizens is the 115th largest insured depository organization in Tennessee, controlling approximately \$146.9 million in deposits, which represent approximately 0.1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, Commercial would become the 635th largest insured depository organization in the United States, with consolidated assets of approximately \$1.1 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. Commercial would control consolidated deposits of approximately \$939.6 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Tennessee, Commercial would become the 31st largest insured depository organization, controlling deposits of approximately \$683.1 million, which represent approximately 0.5 percent of the total deposits of insured depository institutions in that state.

Competitive Considerations

Section 3 of the BHC Act and the Bank Merger Act prohibit 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.¹⁰ Both statutes also prohibit 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

⁹ The proposal does not raise interstate issues under section 3(d) of the BHC Act because Tennessee is the home state of both Commercial and Citizens Bank, and Citizens Bank operates only in Tennessee. See 12 U.S.C. § 1842(d).

¹⁰ 12 U.S.C. §§ 1842(c)(1) and 1828(c)(5).

probable effect of the proposal in meeting the convenience and needs of the community to be served.¹¹

Commercial and Citizens have subsidiary depository institutions that compete directly in the Middlesboro Area, KY-TN-VA banking market (“Middlesboro market”).¹² 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 shares of total deposits of insured depository institutions in the market (“market deposits”) that Commercial would control;¹³ the concentration level of market deposits and the increase in that level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹⁴ and other characteristics of the Middlesboro market.

The competitive effects of the proposal in the Middlesboro market warrant a detailed review because the proposal would result in a concentration level that would exceed the thresholds in the DOJ Bank Merger Guidelines and would result in the market deposit share of Commercial exceeding 35 percent when using initial competitive

¹¹ 12 U.S.C. §§ 1842(c)(1)(B) and 1828(c)(5)(B).

¹² The Middlesboro market is defined as Bell County, Kentucky, and Claiborne County, Tennessee; plus the towns of Rose Hill and Ewing in Lee County, Virginia.

¹³ Local deposit and market share data are as of June 30, 2017.

¹⁴ 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.

screening data. Commercial is the largest competitor in the Middlesboro market, controlling approximately \$281.6 million in deposits, which represent approximately 22.7 percent of market deposits. Citizens is the fifth largest depository organization in the Middlesboro market, controlling approximately \$110.9 million in deposits, which represent approximately 12.6 percent of market deposits. On consummation of the proposal, Commercial would remain the largest depository organization in the Middlesboro market, controlling approximately \$392.5 million in market deposits, which would represent approximately 35.3 percent of market deposits. The HHI in this market would increase by 571 points, from 1626 to 2197.

The Board has considered whether factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Middlesboro market.¹⁵ Several factors indicate that the increase in concentration in the Middlesboro market, as measured by the above HHI and market share, overstates the potential competitive effects of the proposal in the market.

The Middlesboro market is a relatively small, rural banking market and would continue to be served by nine depository institutions after consummation of the proposal. These include, apart from Commercial, one depository institution with more than a 20 percent share of market deposits, two depository institutions each with more than a 14 percent share of market deposits, and one depository institution with more than a five percent share of market deposits. In addition, the Board has considered the competitive influence of two credit unions among the nine depository institutions remaining in the Middlesboro market. These credit unions have broad membership criteria, offer a wide range of consumer banking products and operate street-level branches.¹⁶ Separated by state lines, each of these credit unions serves only a portion of

¹⁵ The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

¹⁶ The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., KeyCorp, FRB Order No. 2016-12

the Middlesboro market. For that reason, the Board does not find that circumstances support including the deposits of these credit unions in its calculations to estimate market influence. Nevertheless, the presence of these viable credit unions, along with the other depository institutions in the Middlesboro market, suggests that Commercial would have limited ability to unilaterally offer less attractive terms to consumers and that these competitors are able to exert competitive pressure on Commercial in the Middlesboro market.¹⁷ The presence of the nine depository institutions, including Commercial, together indicates that the structural effects of the transaction would not substantially lessen competition.

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

(July 12, 2016); Ohio Valley Banc Corp., FRB Order No. 2016-10 (June 28, 2016); 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 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).

¹⁷ An additional assessment of the transaction, based on competitors' shares of the total number of branches in the market, also supports the view that the structural effects of the transaction would not substantially lessen competition. Branches are one way banks attract customers and are able to provide services to customers throughout the market. See, e.g., Katherine Ho and Joy Ishi, "Location and Competition in Retail Banking," *International Journal of Industrial Organization*, vol. 29, no. 5, pp. 537-546 (2011); Astrid Dick, "Demand Estimation and Consumer Welfare in the Banking Industry," *Journal of Banking and Finance*, vol. 32, no. 8, pp. 1661-1676 (2008); and Robert M. Adams, Kenneth P. Brevoort, and Elizabeth K. Kiser, "Who Competes with Whom? The Case of Depository Institutions," *Journal of Industrial Economics*, vol. 55, no. 1, pp. 141-167 (2007). The increase in pro forma branch HHI, defined as the sum of the squared branch share for each institution in the market (where the branch share is defined as an institution's number of branches in the market divided by the total number of branches in the market), in the Middlesboro market would be 255 points to a level of 1786.

likely have a significantly adverse effect on competition in any relevant banking market, including the Middlesboro market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, in particular the structure of the relevant market, the number of remaining competitors, and other factors discussed above, 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 Middlesboro 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 and the Bank Merger Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.¹⁸ 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 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.

¹⁸ 12 U.S.C. §§ 1842(c)(2), (5), & (6), and 1828(c)(5) & (11).

Commercial and Commercial Bank are well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger with a subsequent merger of the subsidiary depository institutions.¹⁹ The asset quality, earnings, and liquidity of both Commercial Bank and Citizens Bank are consistent with approval, and Commercial appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. In addition, future prospects under the proposal 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 Commercial, Citizens, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Commercial; 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.

Commercial, Citizens, and their subsidiary depository institutions are each considered to be well managed. Commercial has a record of successfully integrating organizations into its operations and risk-management systems after acquisitions. The directors and senior executive officers of Commercial have substantial knowledge of and experience in the banking and financial services sectors, and Commercial's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered Commercial's plans for implementing the proposal. Commercial has conducted comprehensive due diligence and is devoting

¹⁹ As part of the proposed transaction, each share of Citizens' common stock would be converted into a right to receive cash based on a formula related to Citizens' total equity on the last day of the month preceding closing. Commercial has the financial resources to effect the proposed transaction.

significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. Commercial would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Commercial's management has the experience and resources to operate the combined organization in a safe and sound manner.

Based on all of the facts of record, including Commercial's supervisory record, managerial and operational resources, and plans for operating the combined institution 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 Commercial and Citizens 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 and the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.²⁰ 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 these communities, 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").²¹ The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,²² and requires the appropriate federal financial supervisory agency to assess a depository institution's

²⁰ 12 U.S.C. §§ 1842(c)(2) and 1828(c)(5).

²¹ 12 U.S.C. § 2901 *et seq.*

²² 12 U.S.C. § 2901(b).

record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.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, 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 applicants. The Board also may consider the institution’s business model, its marketing and outreach plans, the 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 of the facts of record, including reports of examination of the CRA performance of Commercial Bank and Citizens Bank; the fair lending and compliance records of both banks; the supervisory views of the Federal Reserve Bank of Atlanta (“Reserve Bank”) and the FDIC; confidential supervisory information; and information provided by Commercial.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board evaluates an institution’s performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions, as well as information and views provided by the appropriate federal supervisors.²⁴ In this case, the Board considered the supervisory views of the Reserve Bank and the FDIC.

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

²³ 12 U.S.C. § 2903.

²⁴ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

meet the credit needs of its entire community, including LMI neighborhoods.²⁵ 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 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 Home Mortgage Disclosure Act of 1975 ("HMDA"),²⁶ automated loan reports, and other reports generated by the institution 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 the institution's loan-to-deposit ratio, loan originations for sale to the secondary market, lending-related activities in its assessment areas ("AAs"), record of engaging in lending-related activities for borrowers of different income levels and businesses and farms of different sizes, geographic distribution of loans, and record of taking action in response to any written complaints about its performance.²⁷ Intermediate small banks are subject to the lending test, as well as a community development test that evaluates the number and amounts of their community development loans and qualified investments, the extent to which they provide community development services, and their responsiveness to community development lending, investment, and service needs.²⁸

²⁵ 12 U.S.C. § 2906.

²⁶ 12 U.S.C. § 2801 *et seq.*

²⁷ See 12 CFR 228.26(b).

²⁸ See 12 CFR 228.26(c).

CRA Performance of Commercial Bank

Commercial Bank was assigned an overall “Satisfactory” rating by the Reserve Bank at its most recent CRA performance evaluation, as of September 21, 2015 (“Commercial Bank Evaluation”).²⁹ The bank received “Satisfactory” ratings for each of the Lending Test and the Community Development Test.”³⁰ Greater weight was given to performance in Tennessee because of the higher percentage of bank deposits, branches, and loans in that state.

Examiners concluded that Commercial Bank was responding to the credit needs of its AAs. In particular, examiners found that the loan-to-deposit ratio was reasonable given the bank’s size, financial condition, and AA credit needs. Examiners noted that the geographic distribution of loans reflected reasonable dispersion throughout the AAs and that the distribution of loans reflected reasonable penetration among individuals of different income levels and businesses of different sizes.

Examiners noted that Commercial Bank’s community development performance, which included loans, investments, and services, demonstrated adequate responsiveness to community development needs throughout the bank’s AAs. Examiners also noted that bank representatives provided community service hours to benefit LMI families and small businesses throughout the bank’s AAs.

²⁹ The Commercial Bank Evaluation was conducted using the Intermediate Small Institution Examination Procedures. Examiners reviewed HMDA-reportable loans and a sample of commercial loans originated from January 1, 2013, through December 31, 2014. The evaluation period for community development lending, investments, and services was from April 17, 2012, to September 20, 2015.

³⁰ The Commercial Bank Evaluation included a full scope evaluation of the bank’s AA consisting of Knox and Union counties within the Knoxville, Tennessee Metropolitan Statistical Area (“MSA”), as well as its AA consisting of Bell-Harlan and Knox counties in Kentucky, which are not part of an MSA. A limited scope evaluation was performed of the bank’s AA consisting of Claiborne County, Tennessee, which is not part of any MSA, and of the bank’s AA consisting of Sullivan County within the Kingsport-Bristol-Bristol, Tennessee-Virginia MSA.

CRA Performance of Citizens Bank

Citizens Bank was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the FDIC, as of March 9, 2015 (“Citizens Bank Evaluation”).³¹ Examiners focused on the bank’s loan-to-deposit ratio and lending record within the bank’s AAs. Examiners found that Citizens Bank’s loan-to-deposit ratio reflected reasonable responsiveness to the credit needs of the AAs, given the institution’s size, financial condition and AAs. Examiners also found that the majority of the bank’s home mortgage and small business lending was originated within its AAs, and its overall lending to borrowers of different incomes was reasonable. Examiners determined that the bank’s small business lending reflected excellent performance.

Additional Supervisory Views

The Board has considered the results of the most recent consumer compliance examination of Commercial Bank conducted by Reserve Bank examiners, which included a review of the bank’s compliance risk management program and the bank’s compliance with consumer protection laws and regulations. The Board has also considered the results of the most recent consumer compliance examination of Citizens Bank conducted by the FDIC, which included a review of the bank’s consumer compliance function.

The Board has taken this information, as well as the CRA performance records of Commercial Bank and Citizens Bank, into account in evaluating the proposed transaction, including in considering whether Commercial has the experience and

³¹ The Citizens Bank Evaluation was conducted using the Small Bank Examination Procedures. Examiners reviewed a sample of small business loans originated from January 1, 2012, to December 31, 2014, and also reviewed all HMDA-reportable loans for 2013 and 2014. The Citizens Bank Evaluation included a full scope evaluation of the bank’s AA located within Claiborne County, Tennessee, which is not part of any MSA. A limited scope evaluation was performed of the portion of the bank’s AA located within the Knoxville, Tennessee MSA and of the bank’s AA consisting of Hamblen County, which is part of the Morristown, Tennessee MSA.

resources to ensure that Commercial Bank helps to meet the credit needs of the communities within its AAs.

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. Commercial represents that the combined organization, with its greater size and capabilities, would have an increased lending limit and thereby would increase the availability of credit to customers and potential customers of both banks, including small- to mid-sized businesses. In addition, Commercial represents that customers of Citizens Bank would benefit from Commercial Bank's expansive branch network, and customers of Commercial Bank would benefit from additional banking offices in Claiborne and Hamblen counties, Tennessee, as well as a loan production office in Sullivan County, Tennessee. Commercial also represents that customers in communities served by Citizens Bank will benefit from the availability of additional products and services currently offered by Commercial Bank. Finally, Commercial represents that the increased size and scale of the combined organization may permit it to develop and expand product and service offerings to its customers.

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, supervisory views of the Reserve Bank and the FDIC, confidential supervisory information, information provided by Commercial, and other 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 section 3 of the BHC Act and the Bank Merger Act to

require the Board to consider a proposal’s “risk to the stability of the United States banking or financial system.”³²

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.³³ These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the 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.³⁴

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

³² Dodd-Frank Act §§ 604(d) and (f), Pub. L. No. 111-203, 124 Stat. 1376, 1601-1602 (2010), codified at 12 U.S.C. §§ 1828(c)(5) and 1842(c)(7).

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

³⁴ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.³⁵

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target that has 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.³⁶ 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 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.

³⁵ See People's United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

³⁶ Commercial offers a variety of banking products and services, including retail and commercial banking; consumer, commercial, and mortgage lending; and consumer finance loans. Citizens also offers a variety of banking products and services, including commercial, mortgage, and consumer loans. In each of the activities in which it engages, Commercial has, and as a result of the proposal would continue to have, a small market share on a nationwide basis, and numerous competitors would remain for these services.

Establishment of Branches

Commercial Bank has applied under section 9 of the FRA to establish branches at the current locations of Citizens Bank.³⁷ The Board has assessed the factors it is required to consider when reviewing an application under that section.³⁸ Specifically, the Board has considered Commercial 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.³⁹ For the reasons discussed in this order, the Board finds those factors to be consistent with approval.

Financial Holding Company Elections

As noted, Robertson Holding Company, L.P., and Unified Shares, LLC, have elected to become financial holding companies in connection with the proposal. Robertson Holding Company, L.P., and Unified Shares, LLC, have certified that, upon consummation of the proposal, they and the depository institutions they would control would be well capitalized and well managed, and Robertson Holding Company, L.P., and Unified Shares, LLC, have provided all the information required under the Board's Regulation Y.⁴⁰ Based on all the facts of record, the Board determines that the elections by Robertson Holding Company L.P., and Unified Shares, LLC, will become effective upon consummation of the proposal if, on that date, they are well capitalized and well managed and all depository institutions they control are well capitalized, well managed, and have CRA ratings of at least "Satisfactory."

³⁷ 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 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) and (c). Upon consummation, Commercial Bank's branches would be permissible under applicable state law. See Tenn. Code Ann. § 45-2-614.

³⁸ 12 U.S.C. § 322; 12 CFR 208.6.

³⁹ Upon consummation of the proposed transaction, Commercial Bank's investments in bank premises would remain within legal requirements under 12 CFR 208.21.

⁴⁰ See Dodd-Frank Act § 606(a), 124 Stat. at 1607, amending 12 U.S.C. § 1843(l)(1).

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the applications should be, and hereby are, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, the FRA, and other applicable statutes. The Board's approval is specifically conditioned on compliance by Commercial and Commercial Bank with all of 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 applications. 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 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 by the Reserve Bank, acting under delegated authority.

By order of the Board of Governors,⁴¹ effective December 15, 2017.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

⁴¹ Voting for this action: Chair Yellen, Vice Chairman for Supervision Quarles, and Governors Powell and Brainard.

Appendix

Branches to Be Established by Commercial Bank

1. 130 South Broad Street, New Tazewell, Tennessee 37825
2. 7100 Cumberland Gap Parkway, Harrogate, Tennessee 37752
3. 155 Terrace Lane, Morristown, Tennessee 37813