

FEDERAL RESERVE SYSTEM

Independent Bank Group, Inc.
McKinney, Texas

Order Approving the Merger of Bank Holding Companies

Independent Bank Group, Inc. (“IBG”), McKinney, Texas, a bank holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to merge with Integrity Bancshares, Inc. (“Integrity”), and thereby indirectly acquire Integrity Bank SSB (“Integrity Bank”), both of Houston, Texas. Following the proposed acquisition, Integrity Bank would be merged into IBG’s subsidiary bank, Independent Bank, McKinney, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (83 Federal Register 2988 (January 22, 2018)).⁴ The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

¹ 12 U.S.C. § 1841 et seq.

² 12 U.S.C. § 1842.

³ The merger of Integrity Bank into Independent Bank, which is expected to occur immediately after IBG’s acquisition of Integrity, is subject to approval of the Federal Deposit Insurance Corporation (“FDIC”), pursuant to section 18(c) of the Federal Deposit Insurance Act. See 12 U.S.C. § 1828(c).

⁴ 12 CFR 262.3(b).

IBG, with consolidated assets of approximately \$8.7 billion, is the 147th largest insured depository organization in the United States.⁵ IBG controls approximately \$6.6 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. IBG controls Independent Bank, which has operations in Texas and Colorado. IBG is the 17th largest insured depository organization in Texas, controlling deposits of approximately \$6.2 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.⁶

Integrity, with consolidated assets of approximately \$759.3 million, is the 978th largest insured depository organization in the United States. Integrity controls approximately \$639.7 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Integrity controls Integrity Bank, which operates only in Texas. Integrity is the 95th largest insured depository organization in Texas, controlling deposits of approximately \$648.4 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, IBG would become the 138th largest insured depository organization in the United States, with consolidated assets of approximately \$9.5 billion, which represent less than 1 percent of the total assets of insured depository organizations in the United States. IBG would control consolidated deposits of approximately \$7.3 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. IBG would become the 15th largest insured depository organization in Texas, controlling deposits of

⁵ National deposit, market share, asset, and ranking data are as of December 31, 2017, unless otherwise noted.

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

approximately \$6.9 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.⁷ 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 community to be served.⁸

IBG and Integrity have subsidiary depository institutions that compete directly in the Houston, Texas banking market (“Houston 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 shares of total deposits of insured depository institutions in the market (“market deposits”) that IBG would control;¹⁰ the concentration level of market deposits and the increase in that level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the

⁷ 12 U.S.C. § 1842(c)(1).

⁸ 12 U.S.C. § 1842(c)(1)(B).

⁹ The Houston market is defined as the Houston-Sugarland-Baytown Metropolitan Statistical Area (“MSA”), which includes Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller Counties, all in Texas.

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).

U.S. Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹¹ 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 for the Houston market. On consummation of the proposal, the Houston market would remain highly concentrated, as measured by the HHI. The change in the HHI in this market would be small, consistent with Board precedent, and within the thresholds in the DOJ Bank Merger Guidelines. In addition, numerous competitors would remain in the market.¹²

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market, including the Houston market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

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 IBG operates the 24th largest depository institution in the Houston market, controlling approximately \$1.0 billion in deposits, which represent less than 1 percent of market deposits. Integrity operates the 29th largest depository institution in the same market, controlling approximately \$648.4 million in deposits, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, IBG would become the 16th largest depository organization in the market, controlling deposits of approximately \$1.7 billion, which represent less than 1 percent of market deposits. There would be no increase in the HHI, and 94 competitors would remain in the market.

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 Houston market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.¹³ 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 as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to 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.

IBG and Independent Bank are both well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is funded primarily through an

¹³ 12 U.S.C. §§ 1842(c)(2), (5), & (6).

exchange of shares, with a subsequent merger of the subsidiary depository institutions.¹⁴ The asset quality, earnings, and liquidity of both Independent Bank and Integrity Bank are consistent with approval, and IBG appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, future prospects 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 the proposed combined organization. The Board has reviewed the examination records of IBG, Integrity, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by IBG; 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.

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

The Board also has considered IBG's plans for implementing the proposal. IBG 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. IBG would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory

¹⁴ At the time of the merger, each share of Integrity common stock would be converted into a right to receive IBG common stock and cash, based on an exchange ratio. IBG would fund the cash portion of the exchange through available cash. IBG has the financial resources to effect the proposed transaction.

perspective. In addition, IBG'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 IBG'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 IBG and Integrity 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.¹⁵ In its evaluation of the effects of the proposal on the convenience and needs of the communities they serve, 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").¹⁶ 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,¹⁷ 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.¹⁸

¹⁵ 12 U.S.C. § 1842(c)(2).

¹⁶ 12 U.S.C. § 2901 *et seq.*

¹⁷ 12 U.S.C. § 2901(b).

¹⁸ 12 U.S.C. § 2903.

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers the assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. 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 Independent Bank and Integrity Bank; the fair lending and compliance records of both banks; the supervisory views of the FDIC; confidential supervisory information; information provided by IBG; and the public comment received on the proposal.

Public Comment on the Proposal

In this case, a commenter objected to the proposal, alleging that Independent Bank has engaged in redlining in Dallas and Houston, Texas.¹⁹ Specifically, the commenter alleged that Independent Bank disfavors certain African American neighborhoods in Dallas and Houston and has limited its lending, marketing activities, community development activities, and branching in those areas.

Business of the Involved Institutions and Response to the Public Comment

IBG and Independent Bank offer a range of financial products and services to individual customers and businesses. Through its network of 70 branches,

¹⁹ Redlining is the practice of providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which a credit seeker resides or will reside or in which a property to be mortgaged is located. See Interagency Fair Lending Examination Procedures (August 2009), available at <https://www.ffiec.gov/pdf/fairlend.pdf>.

Independent Bank offers various deposit products and lending services to consumers and businesses, including certificates of deposits, money market accounts, commercial checking accounts, commercial and consumer loans, residential mortgages, home equity loans, and commercial real estate lending. Integrity Bank provides a range of banking services through its four branches, with a focus on commercial banking. Integrity Bank offers its customers deposit products and lending services and also conducts residential mortgage operations.

In response to the comment, IBG and Independent Bank deny the commenter's allegations. They represent that Independent Bank's branch network was not structured to avoid serving any potential geographic areas, but instead is largely based upon the locations of the banks that IBG has acquired. They note that all of the banks IBG has acquired over the past five years have had a "Satisfactory" CRA rating, indicating that the banks had a proven record of serving the credit needs of their communities. In addition, IBG represents that it is preparing a strategic branching policy to help monitor Independent Bank's branch network and ensure that Independent Bank has locations that serve all of the communities within its assessment areas ("AAs"). IBG and Independent Bank further represent that they have implemented delivery systems that allow Independent Bank to make its products and services available regardless of the geographic location of its branches. These systems include electronic banking products, such as online banking, telephonic and text messaging, debit cards and automated teller machines ("ATMs"), and mobile banking applications. In addition, Independent Bank represents that it has marketed its banking services through established relationships with community leaders and groups, including participating in a program advanced by a consumer advocacy group to establish a low-cost checking account that would alleviate check cashing and money order fees and be marketed toward LMI individuals.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the response to comments by the applicant. In particular, 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.²⁰ In this case, the Board considered the supervisory views of the FDIC with respect to both institutions.

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.²¹ 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 large insured depository institution in helping to meet the credit needs of the communities it serves. This 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 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 ("HMDA"),²² 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 AAs; (2) the geographic distribution of the institution's

²⁰ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

²¹ 12 U.S.C. § 2906.

²² 12 U.S.C. § 2801 et seq.

lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;²³ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies. Large institutions also are subject to an investment test that evaluates the number and amounts of qualified investments that benefit their AAs and a service test that evaluates the availability and effectiveness of their systems for delivering retail banking services and the extent and innovativeness of their community development services.²⁴ Intermediate small banks, such as Integrity Bank, 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.²⁵

CRA Performance of Independent Bank

Independent Bank was assigned an overall "Satisfactory" rating by the FDIC at its most recent CRA performance evaluation, as of August 21, 2017 ("Independent Bank Evaluation").²⁶ The bank received a "High Satisfactory" rating for

²³ 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).

²⁴ See 12 CFR 228.21 et seq.

²⁵ See 12 CFR 228.26(c).

²⁶ The Independent Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed HMDA-reportable and small business

the Investment Test and “Low Satisfactory” ratings for the Lending Test and the Service Test.²⁷ Independent Bank’s performance in the Dallas and Houston AAs was weighted most heavily by examiners due to the bank’s volume of lending and deposit activity in these areas.

Examiners found that Independent Bank demonstrated good performance regarding its lending activities for home mortgage and small business loans, originated a high percentage of its loans inside its AAs, and demonstrated an overall adequate record regarding its distribution of loans based on geography and the borrower’s income level or revenue size. Further, examiners found that Independent Bank was a leader in granting community development loans and demonstrated excellent responsiveness to community needs.

In the Dallas AA, an area of concern to the commenter, examiners found that the bank’s geographic distribution of small business loans in low-income census tracts was adequate. With respect to home purchase and home improvement loans, examiners provided limited weight to lending in low-income census tracts given the limited lending opportunities within LMI geographies in the AA. Examiners found, with respect to loan distribution based on business revenue size, that the bank’s distribution of small business loans in the Dallas AA reflected good performance. Examiners found that the bank’s distribution of loans based on borrower income level was adequate for home

loans originated from January 1, 2015, through June 30, 2017. The evaluation period for community development investments was from the date each investment was purchased to August 21, 2017, and the evaluation period for community development loans and services was from September 8, 2014, through August 21, 2017. Independent Bank acquired Carlile Bancshares, Inc., and its subsidiary, Northstar Bank, both of Denton, Texas, on April 1, 2017. Examiners did not consider the newly acquired locations and loans associated with this acquisition as part of their review.

²⁷ The Independent Bank Evaluation included full-scope evaluations of the Dallas-Plano-Irving, Texas Metropolitan Division AA (“Dallas AA”) and the Houston-Baytown-Sugarland, Texas MSA AA (“Houston AA”). Limited-scope evaluations were performed of the Austin-Round Rock-San Marcos, Texas MSA AA, the Sherman-Denison, Texas MSA AA, and the Waco, Texas MSA AA.

purchase mortgages and excellent for home improvement loans. Examiners noted the limited lending opportunities to low-income borrowers relating to the bank's distribution of home purchase loans in the Dallas AA, but examiners found that the bank's distribution of home improvement loans to low-income borrowers reflected excellent performance.

In the Houston AA, the other area of concern to the commenter, examiners found that the geographic distribution of the bank's small business and home mortgage loans reflected adequate performance. Independent Bank's distribution of small business loans based on business revenue size in the AA reflected good performance. Further, while performance relating to home mortgage lending to LMI borrowers in the Houston AA did not reflect adequate performance, examiners noted that the bank did show improvement with respect to its home purchase loans in 2016.

Examiners found that Independent Bank was a leader in granting community development loans and demonstrated excellent responsiveness to community development needs. In particular, examiners noted that bank management made extensive efforts to identify and locate these types of loans. The bank's community loans primarily addressed revitalization and stabilization and benefitted businesses that supported permanent job creation or retention in LMI geographies. Finally, examiners found that the bank made occasional use of innovative or flexible lending practices, such as through Small Business Administration lending as well as Federal Housing Administration and Veterans Affairs residential mortgage lending, to reach LMI borrowers and neighborhoods.

Examiners found that Independent Bank's investments demonstrated a significant level of qualified investment activity, and these investments were responsive to needs of LMI individuals. In addition, examiners found that the bank's delivery systems were reasonably accessible and that the bank maintained some branches in LMI census tracts. Examiners further noted that the bank's delivery systems, such as services through the internet, by phone, via text messaging, through debit cards, and at ATMs, increased the accessibility of banking services.

CRA Performance of Integrity Bank

Integrity Bank was assigned an overall “Satisfactory” rating by the FDIC at its most recent CRA performance evaluation, as of September 8, 2015 (“Integrity Bank Evaluation”).²⁸ The bank received a “Satisfactory” rating for the Lending Test and an “Outstanding” rating for the Community Development Test.”²⁹

Examiners concluded that Integrity Bank had a satisfactory record of helping to meet the credit needs of its AA. In particular, examiners found that the bank had a more than reasonable record regarding its loan-to-deposit ratio. In addition, examiners found that the bank originated a majority of its loans, including small business and home mortgage loans, inside its AA. Examiners noted that Integrity Bank had a reasonable record regarding its distribution of loans based on geography and the borrower’s income level or revenue size. Finally, examiners noted that the bank had not received any CRA-related complaints since the previous evaluation.

Examiners noted that Integrity Bank’s community development performance demonstrated excellent responsiveness to the community development needs of its AA through community development loans, investments, and services.

Additional Supervisory Views

The Board has considered the results of the most recent consumer compliance examination of Independent Bank conducted by FDIC 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 also has considered the results of the most recent consumer compliance examination of Integrity

²⁸ The Integrity Bank Evaluation was conducted using the Intermediate Small Institution Examination Procedures. Examiners reviewed HMDA-reportable loans and commercial loans originated from January 1, 2013, through June 30, 2015. The evaluation period for community development lending, investments, and services was from December 3, 2012, to September 8, 2015.

²⁹ The Integrity Bank evaluation included a full-scope evaluation of the Houston-The Woodlands-Sugarland, Texas MSA AA.

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 Independent Bank and Integrity Bank, into account in evaluating the proposed transaction, including in considering whether IBG has the experience and resources to ensure that Independent 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. IBG represents that existing customers of Integrity Bank would benefit from access to larger branch and ATM networks. In particular, banking offices in the Houston AA available to Integrity Bank customers would expand from four to 14 locations. Finally, the combined organization would have additional capital to support a larger legal lending limit and, because the transaction should provide opportunities for IBG to achieve cost savings, IBG represents that it would be able to provide its customers with more efficient and cost-effective bank services.

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 FDIC, confidential supervisory information, information provided by IBG, 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 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 to require the Board to consider a proposal’s “risk to the stability of the United States banking or financial system.”³⁰

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.³¹ 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.³²

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

³⁰ Dodd-Frank Act § 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601-1602 (2010), codified at 12 U.S.C. § 1842(c)(7).

³¹ Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

³² 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.³³

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.³⁴ 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.

³³ 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.

³⁴ As noted, IBG and Integrity offer a range of retail and commercial banking products and services. IBG has and, as a result of the 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.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved.³⁵ In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by IBG 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 application. 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

³⁵ The Board construes the comment received on the proposal to include a request that the Board hold public hearings on the proposal. Section 3(b) of the BHC Act does not require that the Board hold a public hearing on any application unless the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the application. 12 U.S.C. § 1842(b); 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also, 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 of the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearing on the proposal is denied.

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

By order of the Board of Governors,³⁶ effective May 2, 2018.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

³⁶ Voting for this action: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.