FRB Order No. 2021-09
July 9, 2021

FEDERAL RESERVE SYSTEM

First Bank Corp.
Fort Smith, Arkansas

Order Approving the Acquisition of a Bank Holding Company

First Bank Corp. ("FBC"), Fort Smith, Arkansas, 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 Act[2] to acquire Central Bancshares of Poteau, Inc. ("CBP"), a bank holding company, and thereby indirectly acquire The Central National Bank of Poteau ("Central"), both of Poteau, Oklahoma.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (86 Federal Register 22205 (April 27, 2021)).[3] 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.

FBC, with consolidated assets of approximately $2.3 billion, is the 451st largest insured depository organization in the United States. FBC controls approximately $2.0 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[4] FBC controls First National Bank of Fort Smith ("First National"), Fort Smith, Arkansas, which operates branches in Arkansas and Oklahoma, and Citizens Bank & Trust Company

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[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] 12 CFR 262.3(b).

[4] Consolidated asset and national deposit, ranking, and market share data are as of December 31, 2020.

("Citizens"), Van Buren, Arkansas, which operates branches in Arkansas only. First National has total assets of $1.8 billion and Citizens has total assets of $492.1 million.[5] First National is the 129th largest insured depository institution in Oklahoma, controlling deposits of approximately $115.3 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.[6]

CBP, with total assets of approximately $305.7 million, is the 2471st largest insured depository organization in the United States. CBP controls approximately $280.7 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Central operates in Oklahoma only. Central is the 83rd largest insured depository institution in Oklahoma, controlling deposits of approximately $250.0 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, FBC would become the 406th largest insured depository organization in the United States, with consolidated assets of approximately $2.6 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. FBC would control total consolidated deposits of approximately $2.3 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Oklahoma, First National would become the 52nd largest insured depository institution, controlling deposits of approximately $365.3 million, which would represent less than 1 percent of the total deposits of insured depository institutions in that state.

Interstate and Deposit Cap Analyses

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the

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[5] Total assets are as of March 31, 2021.

[6] State deposit ranking and deposit data are as of June 30, 2020.

home state of the bank holding company without regard to whether the transaction is prohibited under state law.[7] The Board (1) may not approve an application that would permit an out-of-state bank holding company or bank to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years;[8] (2) must take into account the record of the applicant bank under the Community Reinvestment Act of 1977 ("CRA")[9] and the applicant's record of compliance with applicable state community reinvestment laws;[10] and (3) may not approve an interstate application if the bank holding company or resulting bank, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company or resulting bank, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in the target bank's home state or in any state in which the acquirer and target have overlapping banking operations.[11]

For purposes of the BHC Act, the home state of FBC is Arkansas. Central is located only in Oklahoma. FBC is well capitalized and well managed under applicable law. First National and Citizens each have a "Satisfactory" rating under the CRA, and neither of the jurisdictions in which FBC operates has a state community reinvestment

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[7] 12 U.S.C. § 1842(d)(1)(A). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. *See* 12 U.S.C. § 1841(o)(4)(C).

[8] 12 U.S.C. § 1842(d)(1)(B).

[9] 12 U.S.C. § 2901 *et seq*.

[10] 12 U.S.C. § 1842(d)(3).

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

law that applies to this proposal. There are no minimum age requirements under the laws of Oklahoma that apply to FBC's acquisition of Central. Central has been in existence for more than five years.

On consummation of the proposed transaction, FBC would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Oklahoma, the only state in which FBC and CBP have overlapping banking operations, imposes a 20 percent limit on the total amount of in-state deposits that a single banking organization may control.[12] The combined organization would control less than 1 percent of the total amount of in-state deposits of insured depository institutions in Oklahoma. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.[13] The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.[14]

FBC and CBP have subsidiary banks that compete directly in the Fort Smith, Arkansas, banking market ("Fort Smith market").[15] The Board has considered the

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[12] Okla. Stat. tit. 6, § 502(C).

[13] 12 U.S.C. § 1842(c)(1)(A).

[14] 12 U.S.C. § 1842(c)(1)(B).

[15] The Fort Smith market is defined, in Arkansas, as Crawford, Franklin, and Sebastian counties, as well as the city of Mansfield, and, in Oklahoma, as Le Flore and Sequoyah counties, as well as the Keota Census County Division ("CCD"), McCurtain CCD, and Stigler CCD of Haskell County.

competitive effects of the proposal in this banking market. In particular, the Board has considered the relative share of total deposits in insured depository institutions in the market ("market deposits") that FBC would control;[16] the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice ("DOJ") Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[17] the number of competitors that would remain in the market; and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Fort Smith market. On consummation, the Fort Smith market would remain moderately concentrated as

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[16] Local deposit and market share data are as of June 30, 2020, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[17] In applying the DOJ Bank Merger Guidelines issued in 1995 (see https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995), the Board looks to the DOJ's Horizontal Merger Guidelines, issued in 1992 and amended in 1997, for the characterization of a market's concentration. See https://www.justice.gov/atr/horizontal-merger-guidelines-0. Under these Horizontal Merger Guidelines, which were in effect prior to 2010, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The DOJ has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010 (see https://www.justice.gov/atr/horizontal-merger-guidelines-08192010), the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

measured by the HHI, according to the DOJ Bank Merger Guidelines, and numerous competitors would remain in the market.[18]

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

Based on all of the facts of record, the Board determines that consummation of the proposal would not have a significantly adverse effect on competition, or on the concentration of resources, in the Fort Smith market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.[19] In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board

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[18] FBC is the largest depository organization in the Fort Smith market, controlling approximately $1.6 billion in deposits, which represent 26.4 percent of market deposits. CBP is the 6th largest depository organization in the market, controlling deposits of approximately $249.9 million, which represent 4.1 percent of market deposits. On consummation of the proposed transaction, FBC would remain the largest depository organization in the market, controlling deposits of approximately $1.9 billion, which would represent 30.5 percent of market deposits. The HHI for the Fort Smith market would increase by 214 points to 1446, and 24 competitors would remain in the market.

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

considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as the impact of the proposed funding of the transaction and any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to 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.

FBC, CBP, and their respective subsidiary depository institutions are well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company acquisition that is structured as a cash purchase.[20] The capital, asset quality, earnings, and liquidity of FBC and CBP are consistent with approval, and FBC and CBP appear to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of FBC, CBP, and their respective subsidiary

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[20] FBC would effect the holding company acquisition by merging CBP with and into CNBP Acquisition, Inc., a newly formed subsidiary of FBC ("Merger Sub"), with Merger Sub surviving the merger as a subsidiary of FBC. At the time of the merger, each share of CBP common stock would be canceled and converted into a right to receive cash from FBC. Following the holding company acquisition, Merger Sub would merge with and into FBC, with FBC surviving the merger as the parent of Central. FBC would continue to operate Central as a separate standalone bank. FBC has the financial resources to effect the proposed acquisition and mergers.

depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by FBC; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comment received on the proposal.

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

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

Based on all of the facts of record, including FBC's supervisory record, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of FBC and CBP in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[21] In its evaluation, the Board considers whether the relevant institutions are

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[21] 12 U.S.C. § 1842(c)(2).

helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of these communities, and places particular emphasis on the records of the relevant depository institutions under the CRA. 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,[22] 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.[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 assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments on the proposal. The Board also may consider the institution's business model and 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 the facts of record, including reports of examination of the CRA performance of First National, Citizens, and Central; the fair lending and compliance records of these banks; the supervisory views of the Office of the Comptroller of the Currency ("OCC") and the Federal Reserve Bank of St. Louis ("Reserve Bank"); confidential supervisory information; information provided by FBC; and the public comment received on the proposal.

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[22] 12 U.S.C. § 2901(b).

[23] 12 U.S.C. § 2903.

Public Comment on the Proposal

The Board received one comment on the proposal. The commenter objected to the proposal, alleging that in 2019, as a result of the bank's disparate marketing, First National made fewer home loans in Arkansas to African American individuals as compared to white individuals. The commenter also alleged that in 2019, as a result of the bank's marketing, Central made no home loans in Oklahoma to African American individuals but made some loans to white individuals.[24] In addition, the commenter asserted that the proposal has no public benefit.

Businesses of the Involved Institutions and Response to the Public Comment

Through its branches in Arkansas and Oklahoma, First National offers consumer and commercial loan and deposit products, individual retirement accounts, and business banking products. These products and services include a wide range of checking, savings, and money market deposit accounts, as well as credit products, such as home equity, automobile, construction, and commercial loans. Through its branches in Oklahoma, Central offers a variety of commercial and consumer loan products, including commercial and home mortgage loans. Central also provides a variety of deposit services, including checking, savings, and money market deposit accounts, individual retirement accounts, and certificates of deposit, as well as business checking services. Both banks offer internet banking and mobile banking services.

In response to the comment, FBC asserts that First National and Central each have a history of supporting and servicing their entire market areas, including minority communities. FBC represents that neither First National nor Central considers racial makeup when determining the medium or location of their respective advertisements. FBC represents that the reasons for denials of loan applications submitted by African American customers were credit- or eligibility-related, were

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[24] The data cited by the commenter appears to correspond to publicly available 2019 data reported by First National and Central under the Home Mortgage Disclosure Act of 1975 ("HMDA"). 12 U.S.C. § 2801 et seq.

consistent with standard underwriting procedures, and were not the result of disparate or other marketing practices. FBC represents that each bank regularly undergoes fair lending reviews by external auditors.

According to FBC, First National demonstrates extensive involvement in lower-income geographies. FBC represents that First National promotes and contributes to a program in area schools, including low-income schools, to improve the fiscal and economic literacy of young students. FBC also represents that First National's 2020 CRA examination noted that the bank had provided numerous qualified grants and donations to community development organizations. In addition, FBC represents that Central provides leadership and monetary support for community organizations and activities and that the majority of the bank's community involvement activities benefit underprivileged citizens.

Records of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case are the OCC with respect to First National and Central and the Reserve Bank with respect to Citizens.[25] In addition, the Board considers information provided by the applicant and by public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.[26] 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.

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[25] *See* Interagency Questions and Answers Regarding Community Reinvestment, 81 *Federal Register* 48,506, 48,548 (July 25, 2016).

[26] 12 U.S.C. § 2906.

In general, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as First National, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA 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;[27] (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.[28] The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test

[27] Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of $1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.,* 12 CFR 228.22(b)(3).

[28] *See* 12 CFR 228.22(b).

evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.[29]

Federal financial supervisors apply a Lending Test and a community development test ("Community Development Test") to evaluate the performance of an intermediate small bank, such as Citizens, in helping to meet the credit needs of the communities it serves. The Community Development Test evaluates the number and amounts of the institution's community development loans and qualified investments; the extent to which the institution provides community development services; and the institution's responsiveness through such activities to community development lending, investment, and service needs.[30] Small banks, such as Central, are subject only to a Lending Test.[31]

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may not be available from public HMDA data.[32] Consequently, the Board evaluates such disparities in the context of other information regarding the lending record of an institution.

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[29] *See* 12 CFR 228.21 *et seq.*

[30] *See* 12 CFR 228.26(c).

[31] 12 CFR 228.26(a).

[32] Other information relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending examinations, examiners analyze such additional information before reaching a determination regarding an institution's compliance with fair lending laws.

CRA Performance of First National

First National was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of April 27, 2020 ("First National Evaluation").[33] The bank received "High Satisfactory" ratings for the Lending Test, the Investment Test, and the Service Test.[34]

With respect to the Lending Test, examiners found that First National's lending levels reflected good responsiveness to the Fort Smith AR-OK AA's credit needs. Examiners also found that First National exhibited a good and adequate geographic distribution of loans, respectively, in the Fort Smith AR-OK AA and more broadly in the state of Arkansas. Examiners determined that First National exhibited an adequate and poor distribution, respectively, of loan amounts among individuals of different income levels and businesses of different sizes in the Fort Smith AR-OK AA and the state of Arkansas. Examiners found that First National made a relatively high level of community development loans in the Fort Smith AR-OK AA and the state of Arkansas.

With respect to the Investment Test, examiners found that First National had a significant and adequate level, respectively, of qualified community development investments in the Fort Smith AR-OK AA and the state of Arkansas. With respect to the Service Test, examiners found that First National provided a relatively high and adequate

[33] The First National Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loan data from January 1, 2017, through December 31, 2019. Examiners also reviewed community development activities from January 1, 2017, through December 31, 2019.

[34] The First National Evaluation involved a full-scope review of the bank's activities in the Fort Smith, Arkansas-Oklahoma multi-state metropolitan statistical area ("MMSA") AA ("Fort Smith AR-OK AA"). In addition, the First National Evaluation involved a full-scope review of the bank's performance in Arkansas, which was based primarily on the bank's Fayetteville-Springdale-Rogers, Arkansas metropolitan statistical area ("MSA") AA. Examiners noted that the Fort Smith AR-OK AA rating carried greater weight because this AA represented the bank's most significant market in terms of deposit concentration, branch distribution, and reportable loans.

level, respectively, of community development services in the Fort Smith AR-OK AA and the state of Arkansas.

CRA Performance of Citizens

Citizens was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Reserve Bank, as of July 9, 2018 ("Citizens Evaluation").[35] The bank received a "Satisfactory" rating on the Lending Test and an "Outstanding" rating on the Community Development Test.[36]

With respect to the Lending Test, examiners found that a majority of Citizens' loans were made in the bank's AA. Examiners also found that the bank's LTD ratio was reasonable given Citizens' size, financial condition, and the credit needs of the bank's AA. In addition, examiners found that the bank's geographic distribution of loans reflected reasonable dispersion throughout the bank's AA and that the bank's loan distribution by borrower profile reflected excellent penetration among businesses of different revenue sizes and individuals of different income levels, including LMI individuals.

With respect to the Community Development Test, examiners determined that Citizens' overall community development performance demonstrated excellent responsiveness to the community development needs of the bank's AA, when considering the bank's capacity and the need and availability of such opportunities for community development. Examiners found that Citizens' community development activities were spread throughout the AA. Examiners noted that the bank had responded to the

[35] The Citizens Evaluation was conducted using Intermediate Small Institution CRA Examination Procedures. Examiners reviewed loan data from January 1, 2016, through December 31, 2016; loan-to-deposit ("LTD") ratio data from September 30, 2014, through March 31, 2018; and responses to written CRA complaints and community development activities from July 14, 2014, through July 8, 2018.

[36] The Citizens Evaluation involved a full-scope review of the bank's activities in its sole AA: Crawford and Sebastian counties, both in northwestern Arkansas, which comprised the Arkansas side of the Fort Smith AR-OK MMSA.

community development needs of its AA through community development loans, qualified investments, and community development services.

CRA Performance of Central

Central received an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of February 11, 2019 ("Central Evaluation").[37] The bank received a "Satisfactory" rating for the Lending Test.[38]

Examiners determined that a substantial majority of Central's residential real estate and commercial loans were made in the bank's AA. Examiners found that Central's LTD ratio was reasonable, based on the bank's performance context and lending opportunities within its designated AA. Examiners determined that Central's distribution of residential real estate and commercial loans reflected a reasonable penetration among borrowers of different income levels and businesses with different revenue levels. Examiners also determined that the geographic distribution of the bank's residential real estate and commercial loans reflected a reasonable dispersion throughout the bank's AA.

Additional Supervisory Views

In its review of the proposal, the Board consulted with the OCC regarding the CRA, consumer compliance, and fair lending records of First National and Central. The Board also considered the results of the most recent consumer compliance examinations of First National, Citizens, and Central, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations.

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[37] The Central Evaluation was conducted using Small Bank CRA Examination Procedures. Examiners reviewed all residential real estate loan originations and a random sample of commercial loan originations from January 2, 2016, through December 31, 2018.

[38] The Central Evaluation reviewed the bank's activities in the bank's sole AA: Le Flore (Fort Smith AR-OK MMSA) and Haskell (non-MSA) counties, both of Oklahoma.

The Board has taken the foregoing consultations and examinations into account in evaluating the proposal, including in considering whether FBC has the experience and resources to ensure that First National, Citizens, and Central would help meet the credit needs of the communities to be served following consummation of the proposed transaction.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. FBC represents that First National and Central would work closely with members of their respective communities to offer products and services tailored to the needs of these communities. FBC represents that consummation of the proposal would provide customers of Central with access to ATMs at all of the locations within the FBC organization. FBC also represents that, within one to two years, Central would be able to offer the same ancillary products and services as those currently offered by First National and customers would be able to utilize all of the locations of FBC. FBC represents that FBC, First National, and Central do not anticipate significant changes in their respective product offerings or branch networks following consummation of the proposal.

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 FBC, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs considerations are consistent with approval.

Financial Stability Considerations

Section 3 of the BHC Act requires the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."[39]

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.[40] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.[41]

The Board's experience has shown that proposals involving an acquisition of less than $10 billion in total assets, or that result in a firm with less than $100 billion in total assets, generally are not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction

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[39] 12 U.S.C. § 1842(c)(7).

[40] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

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

would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.[42]

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 total assets and a pro forma organization of less than $100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.[43] The pro forma organization would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

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[42] *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.

[43] FBC and CBP offer a range of retail and commercial banking products and services. FBC has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.[44] 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 FBC with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is conditioned on receipt by FBC of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is

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

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

By order of the Board of Governors,[45] effective July 9, 2021.

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

[45] Voting for this action: Chair Powell, Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governors Bowman, Brainard and Waller.