

FEDERAL RESERVE SYSTEM

Atlantic Union Bankshares Corporation
Richmond, Virginia

Atlantic Union Bank,
Richmond, Virginia

Order Approving the Merger of Bank Holding Companies, the Merger of Banks, and the
Establishment of Branches

Atlantic Union Bankshares Corporation (“AUB”), Richmond, Virginia, a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to acquire American National Bankshares Inc. (“American National”) and thereby indirectly acquire its national bank subsidiary, American National Bank and Trust Company (“American National Bank”), both of Danville, Virginia. In addition, AUB’s subsidiary state member bank, Atlantic Union Bank, Richmond, Virginia, has requested the Board’s approval to merge with American National Bank pursuant to section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”),³ with Atlantic Union Bank as the surviving entity. Atlantic Union Bank also has applied under section 9 of the Federal Reserve Act (“FRA”)⁴ to establish and operate branches at the locations of the main office and branches of American National Bank.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (88 Federal Register 64,432 (September 19,

¹ 12 U.S.C. § 1841 et seq.

² 12 U.S.C. § 1842.

³ 12 U.S.C. § 1828(c).

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

2023)), in accordance with the Board’s Rules of Procedure.⁵ The time for submitting comments has expired, and the Board received two adverse comments on the proposal. The Board has considered the proposal and the 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”).

AUB, with consolidated assets of approximately \$20.7 billion, is the 93rd largest insured depository organization in the United States.⁶ AUB controls approximately \$16.8 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁷ AUB controls Atlantic Union Bank, which operates in Virginia, North Carolina, and Maryland. Atlantic Union Bank is the 5th largest insured depository institution in Virginia, controlling deposits of approximately \$16 billion, which represent approximately 5.3 percent of the total amount of deposits of insured depository institutions in that state. Atlantic Union Bank is the 44th largest insured depository institution in North Carolina, controlling deposits of approximately \$324 million, which represent approximately less than 1 percent of the total amount of deposits of insured depository institutions in that state.

American National, with consolidated assets of approximately \$3.1 billion, is the 364th largest insured depository organization in the United States. American National controls approximately \$2.6 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the

⁵ 12 CFR 262.3(b).

⁶ Consolidated asset and national ranking data are as of September 30, 2023.

⁷ Consolidated national deposit and market share data are as of September 30, 2023. State deposit data are as of June 30, 2023, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

United States. American National controls American National Bank, which operates in Virginia and North Carolina.⁸ American National Bank is the 20th largest insured depository institution in Virginia, controlling deposits of approximately \$1.9 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state. American National Bank is the 31st largest insured depository institution in North Carolina, controlling deposits of approximately \$748 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

On consummation of this proposal, AUB would become the 86th largest insured depository organization in the United States, with consolidated assets of approximately \$23.9 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. AUB would control total consolidated deposits of approximately \$19.3 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.

Interstate Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction would be prohibited under state law.⁹ The Board may not approve under this provision an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years.¹⁰ When determining whether to approve an

⁸ The proposal does not raise interstate issues under section 44 of the Federal Deposit Insurance Act because Virginia is the home state of Atlantic Union Bank and American National Bank. See 12 U.S.C. §§ 1831u(a)(1) and (g)(4).

⁹ 12 U.S.C. § 1842(d)(1)(A).

¹⁰ 12 U.S.C. § 1842(d)(1)(B).

application under this provision, the Board must take into account the record of the applicant's depository institution under the Community Reinvestment Act of 1977 ("CRA")¹¹ and the applicant's record of compliance with applicable state community reinvestment laws.¹² In addition, the Board may not approve an interstate application under this provision if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.¹³

For purposes of the BHC Act, the home state of AUB is Virginia.¹⁴ American National Bank is located in Virginia and North Carolina. AUB is well capitalized and well managed under applicable law. Atlantic Union Bank has a "Satisfactory" rating under the CRA, and Virginia does not have a state community reinvestment law. American National Bank has been in existence for more than five years.

On consummation of the proposed transaction, AUB would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Of the states in which Atlantic Union Bank and

¹¹ 12 U.S.C. § 2901 et seq.

¹² 12 U.S.C. § 1842(d)(3).

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

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

American National Bank have overlapping banking operations, Virginia and North Carolina do not impose a limit. The combined organization would control approximately 5.9 percent of the total amount of deposits of insured depository institutions in Virginia and less than 1 percent in North Carolina. 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 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.¹⁵ The BHC Act and the Bank Merger Act 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 probable effect of the proposal in meeting the convenience and needs of the communities to be served.¹⁶

AUB and American National have subsidiary banks that compete directly in three markets located in Virginia. The Board has considered the competitive effects of the proposal in these banking markets. In particular, the Board has considered the relative share of total deposits in insured depository institutions in the markets (“market deposits”) that AUB would control;¹⁷ the concentration levels of market deposits and the

¹⁵ 12 U.S.C. § 1842(c)(1)(A); 12 U.S.C. § 1828(c)(5)(A).

¹⁶ 12 U.S.C. § 1842(c)(1)(B); 12 U.S.C. § 1828(c)(5)(B).

¹⁷ Local deposit and market share data are as of June 30, 2023, 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 market share calculations on a 50 percent weighted basis. See, e.g., Huntington Bancshares Incorporated, FRB Order No. 2021-07, at 5–6 (May 25, 2021); Hancock Whitney Corporation, FRB Order No. 2019-12 at 6 (September 5, 2019).

increase in these levels, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice (“DOJ”) Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹⁸ the number of competitors that would remain in each 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 each of the three banking markets in which AUB’s and American National’s subsidiary banks compete. On consummation, the three markets would remain moderately concentrated, as measured by the HHI, according to the DOJ Bank Merger Guidelines, and the change in the HHI in each market would be small. Numerous competitors would remain in the markets.¹⁹

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that it did not conclude that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking

¹⁸ In applying the DOJ Bank Merger Guidelines issued in 1995 ([see https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995](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](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](https://www.justice.gov/atr/horizontal-merger-guidelines-08192010)), the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. [See Press Release, Department of Justice \(Aug. 19, 2010\), available at https://www.justice.gov/opa/pr/2010/August/10-at-938.html](https://www.justice.gov/opa/pr/2010/August/10-at-938.html).

¹⁹ These banking markets and the competitive effects of the proposal in these markets are described in Appendix II.

agencies have been afforded an opportunity to comment and have not objected to the proposal.

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

Financial, Managerial, and Other Supervisory Considerations

In reviewing proposals 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, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.²⁰ In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete the proposed integration of the operations of the institutions effectively. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

AUB, American National, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of

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

the proposal. The proposed transaction is a bank holding company merger that is structured as a share exchange, with an immediately subsequent merger of American National's subsidiary depository institution into Atlantic Union Bank.²¹ The capital, asset quality, earnings, and liquidity of AUB, American National, and their subsidiary depository institutions are consistent with approval, and AUB appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations effectively. In addition, the future prospects of the institutions are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of AUB, American National, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by AUB; 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 comments on the proposal.

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

The Board also has considered AUB's plans for implementing the proposal. AUB has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for

²¹ To effect the transaction, each share of American National common stock, excluding certain shares owned by AUB or American National, would be converted into a right to receive shares of AUB common stock, based on an exchange ratio, plus cash in lieu of any fractional shares. AUB has the financial resources to effect the proposed transaction.

this proposal. In addition, AUB's management has the experience and resources to operate the resulting organization in a safe and sound manner, and AUB plans to integrate American National's existing management and personnel in a manner that augments AUB's management.

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

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act and the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.²² In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the combined organization. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also reviews the combined institution's post-consummation plans and the expected impact of those plans on the communities served by the combined institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In

²² 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 1828(c)(5). Where applicable, the Board also considers any timely substantive comments on the proposal and, in its discretion, may consider any untimely substantive comments on the proposal.

addition, the Board reviews the records of the relevant depository institutions under the CRA. The Board strongly encourages insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation and their obligations under the CRA.²³

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, gender, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments on the proposal.²⁴ The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Atlantic Union Bank and American National Bank; the fair lending and compliance records of both banks; the supervisory views of the Office of the Comptroller of the Currency ("OCC"), the Consumer Financial Protection Bureau ("CFPB"), and the Federal Reserve Bank of Richmond ("Richmond Reserve Bank"); confidential supervisory information; information provided by AUB; and the public comments received on the proposal.

Public Comments on the Proposal

The Board received two adverse comments on the proposal, both from the same commenter, and one comment in support of the proposal. The adverse commenter objected to the proposal, alleging in its first letter that, in 2022, Atlantic Union Bank

²³ See 12 U.S.C. § 2901(b).

²⁴ As noted above, where applicable, the Board, in its discretion, may consider any untimely substantive comments on the proposal.

made fewer home loans to African American individuals as compared to white individuals and noting an overdraft class-action lawsuit that Atlantic Union Bank settled in 2021, the underlying issues of which the commenter said Atlantic Union Bank did not fully resolve in the settlement. The second comment letter from the adverse commenter referred to the December 7, 2023, consent order issued by the CFPB to Atlantic Union Bank in regards to Atlantic Union Bank's overdraft fee practices. The comment in support of the proposal praised Atlantic Union's investments in the commenter's community development loan fund and support for the commenter's community development financial institution bank.

*Businesses of the Involved Institutions and Response to the Public
Comments*

Through Atlantic Union Bank, AUB offers products related to community banking. These products include checking accounts, savings accounts, certificates of deposit, and depository services; loans for commercial, industrial, residential mortgage, and consumer purposes; and wealth management services. Through Atlantic Union Bank's wholly owned subsidiaries, AUB offers equipment-financing services, wealth management, and investment services through a relationship with a registered broker-dealer. Additionally, Atlantic Union Bank offers credit cards and ATM services through arrangements with partners.

In response to the comments, AUB states Atlantic Union Bank's denial rates for black applicants compared to white applicants are comparable to those of its peer institutions. Atlantic Union Bank denies applications across both racial groups for the same reasons and conducts independent second-level reviews of substantially all denied applications. Atlantic Union Bank is also engaged in continuing efforts to deepen its presence in majority-minority communities. With respect to the settled class-action lawsuit, AUB states Atlantic Union Bank settled it with no admission of wrongdoing, altered the challenged disclosure practices, and voluntarily took steps to reduce the incidence of overdraft fees that were the subject of the challenged disclosure practices.

AUB asserts that Atlantic Union Bank's record of CRA performance and compliance with fair lending laws and other regulations are consistent with approval of the proposal.

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 Richmond Reserve Bank with respect to Atlantic Union Bank and the OCC with respect to American National Bank.²⁵ In addition, the Board considers information provided by the applicant and public commenters.

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

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 Atlantic Union Bank and American National Bank, 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 Home Mortgage Disclosure Act of 1975

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.

(“HMDA”),²⁷ 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;²⁸ (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.²⁹ The Investment Test evaluates the number and amounts of qualified investments that benefit the institution’s AAs. The Service Test 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.³⁰

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

²⁷ 12 U.S.C. § 2801 et seq.

²⁸ 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).

²⁹ See 12 CFR 228.22(b).

³⁰ See 12 CFR 228.23 and 228.24.

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.³¹ Consequently, the Board considers additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

CRA Performance of Atlantic Union Bank

Atlantic Union Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Richmond Reserve Bank, as of May 17, 2021 ("Atlantic Union Bank Evaluation").³² The bank received "High Satisfactory" ratings for the Lending and Investment Tests, and a "Low Satisfactory" rating for the Service Test.³³

With respect to the Lending Test, examiners found that Atlantic Union Bank's lending activity reflects an excellent responsiveness to local credit needs consistent with the bank's capacity and economic conditions. Examiners also found that a substantial majority of the institution's HMDA and small business and small farm loans were originated within the bank's AAs and that the overall geographic distribution performance is considered excellent, while the borrower distribution performance is

³¹ Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution's compliance with fair lending laws.

³² The Atlantic Union Bank Evaluation was conducted using Interagency Large Institution CRA Examination Procedures. Examiners reviewed HMDA and CRA loan originations and purchases from January 1, 2018, through December 31, 2019. Examiners also reviewed community development activities since the previous evaluation dated June 11, 2018.

³³ The Atlantic Union Bank Evaluation involved a full-scope review of the bank's activities in its Virginia Beach-Norfolk, VA-NC; Washington-Baltimore-Alexandria, VA; Richmond, VA; Raleigh-Cary, NC; and Salisbury, MD, AAs.

considered adequate overall. Examiners noted that Atlantic Union Bank exhibits a good record of serving the credit needs of low-income individuals and geographies as well as very small businesses and farms. Examiners found that overall, Atlantic Union Bank originated an adequate level of community development loans during the evaluation period and made limited use of flexible lending practices in serving AA credit needs.

With respect to the Investment Test, examiners found that Atlantic Union Bank has a significant level of qualified community development investments that demonstrate good responsiveness to local credit and community development needs and that it makes occasional use of innovative and/or complex investments to support community development initiatives.

With respect to the Service Test, examiners determined that Atlantic Union Bank's delivery systems and branch locations are accessible to geographies and individuals of different income levels within the institution's AAs. Examiners found that Atlantic Union Bank's banking services do not vary in a way that inconveniences the bank's AAs, particularly to low- and moderate-income areas and/or people. Examiners noted that Atlantic Union Bank's opening of branch locations generally did not adversely affect the accessibility of its delivery systems, particularly to low- and moderate-income people and areas. Examiners also noted that, during the evaluation period, Atlantic Union Bank provided an adequate level of qualified community development services given its capacity and the available opportunities within its AAs.

Atlantic Union Bank's Efforts since the Atlantic Union Bank Evaluation

AUB represents that, since the Atlantic Union Bank Evaluation, Atlantic Union Bank has located its CRA program and CRA Officer under a Community Impact Team that develops and manages Atlantic Union Bank's CRA strategy and framework, as well as their implementation, including documentation, monitoring, and reporting. The Community Impact Team also stewards Atlantic Union Bank's Corporate Community Funding Strategy (including grants, donations, and participation in and funding of local events) and drives an institutional focus on creating a positive impact in LMI communities served by Atlantic Union Bank. Further, AUB represents that the

Community Impact Team promotes and makes available volunteer opportunities for Atlantic Union Bank’s employees, including through a new Volunteer Ambassador Program, and that in 2022, employees of Atlantic Union Bank donated 6,767 volunteer hours to their communities, spread across 370 organizations. AUB also represents that Atlantic Union Bank works to bring financial education and wellness resources to the communities it serves, including through a partnership with Banzai—an online financial literacy resource—to bring financial education into classrooms, and by offering financial wellness tools and calculators to its customers, including through a partnership with SavvyMoney.

CRA Performance of American National Bank

American National Bank was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the OCC, as of February 21, 2021 (“American National Bank Evaluation”).³⁴ The bank received “Low Satisfactory” ratings for the Lending, Investment, and Service Tests.³⁵

With respect to the Lending Test, in Virginia, examiners found that American National Bank’s lending levels reflect good responsiveness to credit needs, considering the number and amount of home mortgage and small business loans in the AAs. Examiners also found that, in Virginia, the bank exhibited a good geographic distribution of home mortgage loans and small business loans in the AAs. Examiners

³⁴ The American National Bank Evaluation was conducted using Interagency Large Institution CRA Examination Procedures. Examiners reviewed small business and HMDA-reportable loan data from January 1, 2020, through December 31, 2021. Examiners also reviewed community development activities from March 19, 2020, through November 7, 2022.

³⁵ The American National Bank Evaluation involved full-scope reviews of the bank’s activities in its Southside Metropolitan Statistical Area (“MSA”), Roanoke MSA, and Lynchburg MSA AAs, all of Virginia, and its Burlington MSA and Greensboro MSA AAs, both of North Carolina. The American National Bank Evaluation also involved limited-scope reviews of its Christiansburg MSA and Lovingson MSA AAs, both of Virginia, and its Winston-Salem MSA and Yanceyville Non-MSA AAs, both of North Carolina.

noted that, in Virginia, American National Bank exhibited generally good distribution in AAs of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the institution. Examiners also noted that, in Virginia, American National Bank made a relatively high level of community development (“CD”) loans. In North Carolina, examiners found that lending levels reflected adequate responsiveness to credit needs, considering the number and amount of home mortgage and small business loans in the AAs. The examiners also found that, in North Carolina, American National Bank exhibited an adequate geographic distribution of home mortgage loans and small business loans in the AAs and exhibited an adequate distribution of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the institution. Examiners also noted that American National Bank made an adequate level of CD loans in North Carolina.

With respect to the Investment Test, examiners found that, in Virginia, American National Bank has an adequate level of qualified CD investments and grants, particularly those that are not routinely provided by private investors, although rarely in a leadership position. In North Carolina, examiners found that American National Bank has a low level of qualified CD investments and grants, particularly those that are not routinely provided by private investors, although rarely in a leadership position.

With respect to the Service Test, examiners determined that, in Virginia, American National Bank’s branches and alternative delivery systems are accessible to geographies and individuals of different income levels in its AAs. Examiners also found that, in Virginia, American National Bank provided a relatively high level of CD services, predominately in the Southside AA. In North Carolina, examiners found that American National Bank’s branches and alternative delivery systems are reasonably accessible to geographies and individuals of different income levels in its AAs. Examiners also noted that American National Bank provided an adequate level of CD services in North Carolina.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the Richmond Reserve Bank as the primary federal supervisor of Atlantic Union Bank and the OCC as the primary federal supervisor of American National Bank. The Board also considered the results of the most recent consumer compliance examinations of Atlantic Union Bank and American National Bank, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations, including fair lending. Lastly, the Board also considered the results of the most recent consumer compliance examination of Atlantic Union Bank by the CFPB.

The Board has taken this information, as well as the CRA performance records of Atlantic Union Bank and American National Bank, into account in evaluating the proposal, including considering whether AUB has the experience and resources to ensure that the combined organization 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. This includes, for example, the combined organization's business model and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by the organization; any additional plans the combined organization has for meeting the needs of its communities following consummation; and any other information the Board deems relevant. AUB represents that, following consummation of the proposal, it intends to continue offering all products and services currently offered by each of Atlantic Union Bank and American National Bank through the banks' combined branch network.

AUB further represents that, as a result of the transaction, the greater size of the combined institution will allow for economies of scale in such areas as operations, which will result in greater efficiencies and superior services. AUB also notes that customers will benefit from an expanded, more convenient branch footprint and higher

lending limits, as well as an expanded set of product offerings for current customers of American National Bank. AUB represents that Atlantic Union Bank and American National Bank have a number of programs, products, and activities designed to meet the needs of their respective communities.

Branch Closures

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses' access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.³⁶ In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.³⁷

AUB represents that branch closings and consolidations may occur in connection with the proposed transaction. AUB asserts that any closures and consolidations would be due to geographic overlap between branches. AUB maintains that any consolidations should not have a significant effect on the services that customers

³⁶ See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

³⁷ See, e.g., 12 CFR 228.24(d)(2).

of the consolidating branches currently receive. AUB asserts that customers of the affected branches would receive closure notices consistent with the requirements of applicable law.

The Board has considered all the facts of record relating to branch closures, consolidations, and relocations, including the records of the relevant depository institutions under the CRA and fair lending laws in relation to branch closures; the institutions' policies and procedures on and records of compliance with federal banking law regarding branch closures; the views of the OCC and the Richmond Reserve Bank; confidential supervisory information; and information provided by AUB. Based on that review, the Board concludes that Atlantic Union Bank has established policies, programs, and procedures designed to ensure the bank's branching network is consistent with the bank's CRA and fair lending obligations and to mitigate the impact of any branch closures on communities to be served by the combined bank.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory information, information provided by AUB, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Establishment of Branches

Atlantic Union Bank has applied under section 9 of the FRA to establish branches at the current locations of American National Bank.³⁸ The Board has assessed

³⁸ 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 state member bank may retain any branch following a merger that might be established as a new branch of the resulting bank under state law, as well as any branch that was in operation on February 25, 1927, as a branch of any bank. See 12 U.S.C. §§ 36(b)(2) and (c). Upon consummation, Atlantic

the factors it is required to consider when reviewing an application under that section, including Atlantic Union 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 determines that those factors 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.”⁴⁰

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.⁴¹ 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

Union Bank’s branches would be permissible under applicable state law. See Va. Code Ann. § 6.2-831; N.C.G.S. § 52-224.13.

³⁹ 12 CFR 208.6. Upon consummation of the proposed transaction, Atlantic Union Bank’s investments in bank premises would remain within the legal requirements of section 208.21(a) of the Board’s Regulation H, 12 CFR 208.21(a).

⁴⁰ 12 U.S.C. § 1842(c)(7).

⁴¹ Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

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.⁴²

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 would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.⁴³

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target with less than \$10 billion in total assets and a pro forma organization with less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.⁴⁴ 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

⁴² For further discussion of the financial stability standard, see Bank of Montreal and BMO Financial Corp., FRB Order No. 2023-01 at 43 (January 17, 2023), and Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

⁴³ See Bank of Montreal and BMO Financial Corp., FRB Order No. 2023-01 at 43 (January 17, 2023), People's United Financial, Inc., FRB Order No. 2017-08 at 25–26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

⁴⁴ AUB and American National offer a range of retail and commercial banking products and services. AUB 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.

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.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved.⁴⁵ 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

⁴⁵ The adverse commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal.

12 U.S.C. § 1842(b); see also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the adverse commenter's request in light of all the facts of record. In the Board's view, the adverse commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The adverse commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

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

specifically conditioned on compliance by AUB 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 AUB of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Richmond Reserve Bank, acting under delegated authority.

By order of the Board of Governors,⁴⁶ effective February 23, 2024.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

⁴⁶ Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.

Appendix I

Branches to Be Established

1. 1008 Mebane Oaks Road, Mebane, North Carolina
2. 109 N Main Street, Gretna, Pittsylvania County, Virginia
3. 12930 Booker T Washington Highway, Hardy, Franklin County, Virginia
4. 13880 US Highway 29, Chatham, Pittsylvania County, Virginia
5. 1407 S Boston Road, City of Danville, Virginia
6. 1646 Graves Mill Road, City of Lynchburg, Virginia
7. 173 Main Street, Yanceyville, North Carolina
8. 202 S Jefferson Street, City of Roanoke, Virginia
9. 22 Miller Street, Suite 520, Winston-Salem, North Carolina
10. 239 Nor-Dan Drive, City of Danville, Virginia
11. 2950 Market Street, Christiansburg, Montgomery County, Virginia
12. 3101 S Church Street, Burlington, North Carolina
13. 3521 Franklin Road SW, City of Roanoke, Virginia
14. 3609 Old Halifax Road, South Boston, Halifax County, Virginia
15. 3810 Greensboro Road, Ridgeway, Henry County, Virginia
16. 400 Old Franklin Turnpike, Suite 100, Rocky Mount, Franklin County, Virginia
17. 4225 Colonial Avenue, Roanoke County, Virginia
18. 445 Mount Cross Road, City of Danville, Virginia
19. 5509 W Friendly Avenue, Suite 102, Greensboro, North Carolina
20. 628 Main Street, City of Danville, Virginia
21. 703 Green Valley Road, Suite 101, Greensboro, North Carolina
22. 842 S Main Street, Graham, North Carolina
23. 852 W Main Street, City of Salem, Virginia
24. 900 Liberty Street, City of Martinsville, Virginia
25. 20479 Timberlake Road, Campbell County, Virginia
26. 3700 Glenwood Avenue, Raleigh, North Carolina

Appendix II

AUB/American National Banking Markets Consistent with Board Precedent and DOJ Bank Merger Guidelines						
Data are as of June 30, 2023. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent. The remaining number of competitors noted in each market includes thrift institutions.						
Lynchburg, Virginia — The independent city of Lynchburg, Virginia; the counties of Amherst, Appomattox, and Campbell, Virginia; and the portion of Bedford County east of Route 43 (excluding the independent city of Bedford, Virginia).						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
AUB Pre-Consummation	12	\$85.0M	1.5	1451	4	15
American National	11	\$89.7M	1.6			
AUB Post-Consummation	9	\$174.8M	3.1			
Blacksburg, Virginia — The independent city of Radford, Virginia, and the counties of Floyd, Giles, Montgomery, and Pulaski, all in Virginia.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
AUB Pre-Consummation	2	\$931.0M	21.51	1687	79	12
American National	10	\$79.5M	1.84			
AUB Post-Consummation	2	\$1.0B	23.35			
Roanoke, Virginia — The independent cities of Bedford, Roanoke, and Salem, Virginia; the counties of Botetourt, Craig, Franklin, and Roanoke, Virginia; and the portion of Bedford County west of Route 43.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
AUB Pre-Consummation	4	\$709.6M	7.4	1648	94	15
American National	6	\$616.1M	6.4			
AUB Post-Consummation	3	\$1.3B	13.7			