

FEDERAL RESERVE SYSTEM

A.N.B. Holding Company, Ltd.
Terrell, Texas

Order Approving an Increase in Ownership of a Bank Holding Company

A.N.B. Holding Company, Ltd., Terrell, Texas (“ANB Holding”), a bank holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to increase its ownership interest up to 37.0 percent of the voting shares of The ANB Corporation, also of Terrell, Texas (“ANB Corporation”). ANB Corporation controls The American National Bank of Texas (“AN Bank”), Terrell, Texas, a national bank.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (89 Federal Register 19312 (March 18, 2024)), in accordance with the Board’s Rules of Procedure.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.

ANB Holding, with consolidated assets of approximately \$5.7 billion, is the 239th largest insured depository organization in the United States.⁴ ANB Holding controls approximately \$4.4 billion in consolidated deposits, which represent less than one percent of the total amount of deposits of insured depository institutions in the United

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 March 31, 2024.

States.⁵ ANB Holding and ANB Corporation control AN Bank, which operates solely in Texas. AN Bank is the 31st largest insured depository institution in Texas, controlling deposits of approximately \$4.4 billion, which represent less than one percent of the total deposits of insured depository institutions in that state.⁶

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.⁷ The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.⁸

ANB Holding is a Texas limited partnership whose sole activity is the ownership of shares in ANB Corporation. As a result of the proposal, ANB Holding would modestly increase its already controlling interest in ANB Corporation, a bank holding company that controls a single bank, AN Bank. As such, the proposed transaction would not affect the relative share of total deposits in insured depository institutions that ANB Holding would control in any banking market; the concentration level of market deposits, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice (“DOJ”) Bank Merger Competitive Review guidelines;⁹ or the number of competitors that would remain in any banking market.

⁵ In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁶ State deposit ranking and deposit data are as of June 30, 2023.

⁷ 12 U.S.C. § 1842(c)(1)(A).

⁸ 12 U.S.C. § 1842(c)(1)(B).

⁹ Department of Justice, Bank Merger Competitive Review – Introduction and Overview (1995), <https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995>.

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that it has not concluded that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking 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 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.¹⁰ 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 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. 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.

¹⁰ 12 U.S.C. § 1842(c)(2), (5), and (6).

ANB Holding, ANB Corporation, and AN Bank are well capitalized and would remain so upon consummation of the proposal. ANB Holding would increase its ownership interest in ANB Corporation through ANB Corporation's planned corporate transactions. The transactions would be funded from cash on hand at ANB Corporation and would not require any funds from ANB Holding.¹¹ The capital, asset quality, earnings, and liquidity of ANB Holding are consistent with approval, and ANB Holding has adequate resources to absorb the related costs of the proposal. In addition, the future prospects of the institution are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved. The Board has reviewed the examination records of ANB Holding, ANB Corporation, and AN Bank, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by ANB Holding; 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.

ANB Holding, ANB Corporation, and AN Bank are each considered to be well managed. ANB Holding's senior executive officers and principals have knowledge of and experience in the banking and financial services sectors, and ANB Holding's risk-management program appears consistent with approval of this proposal.

Based on all the facts of record, including ANB Holding's supervisory record, managerial and operational resources, and plans for operating the 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 record of effectiveness of ANB Holding in combatting money-laundering activities, are consistent with approval.

¹¹ ANB Corporation has the financial resources to fund the transactions.

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.¹² 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 organizations. 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 institution's post-consummation plans and the expected impact of those plans on the communities served by the 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 addition, the Board reviews the records of the relevant depository institutions under the Community Reinvestment Act of 1977 ("CRA").¹³ 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.¹⁴

In addition, the Board considers the bank's 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. The Board

¹² 12 U.S.C. § 1842(c)(2).

¹³ 12 U.S.C. § 2901 et seq.

¹⁴ See 12 U.S.C. § 2901(b).

also may consider the acquiring institution’s business model and intended marketing and outreach, 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 AN Bank, the fair lending and compliance records of the bank, the supervisory views of the Office of the Comptroller of the Currency (“OCC”), confidential supervisory information, information provided by ANB Holding, and the public comments received on the proposal.

Public Comments on the Proposal

One commenter submitted two comments objecting to the proposal and alleged that (1) AN Bank has failed to meet the needs of LMI communities in Southern Dallas, and (2) AN Bank has engaged in redlining by acting to meet the credit needs of majority-white neighborhoods while failing to meet the credit needs of majority-minority neighborhoods in the Dallas–Fort Worth metropolitan statistical area (“MSA”).¹⁵ More specifically, the commenter asserted that AN Bank has failed to provide small business and consumer lending services to African American and Hispanic communities in the Dallas–Fort Worth MSA. The commenter also asserted that AN Bank has discriminated against African Americans and other minority consumers with respect to the location of its branches and marketing efforts. Citing the latest CRA performance evaluation of AN Bank and data reported from 2017 to 2022 under the Home Mortgage Disclosure Act of 1975 (“HMDA”),¹⁶ the commenter alleged that AN Bank’s lending to low-income

¹⁵ Redlining is the practice of providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which a credit seeker resides or will reside or in which a property to be mortgaged is located. See Interagency Fair Lending Examination Procedures (August 2009), available at <https://www.ffiec.gov/pdf/fairlend.pdf>.

¹⁶ 12 U.S.C. § 2801 *et seq.*

borrowers in Dallas, including for home purchase and home refinance loans, as well as lending to small businesses, was insufficient.

Business of AN Bank and Response to the Public Comments

AN Bank offers a wide range of loan and deposit products. Lending products include commercial real estate loans, commercial and industrial loans, loans to municipalities, single-family residential mortgages, and consumer loans. Deposit services include personal savings, personal checking, business savings, business checking, and money market accounts; certificates of deposit; and debit card products.

In response to the commenter, ANB Holding represents that, other than the commenter's allegations, AN Bank has not received any consumer complaints over the last decade regarding its compliance with the CRA. ANB Holding notes that AN Bank received an overall "Satisfactory" CRA performance rating at its most recent evaluation, including a "High Satisfactory" rating for the Lending Test. ANB Holding asserts that AN Bank's CRA ratings demonstrate that the bank has a long history of meeting the credit needs of the communities that it serves.

Record of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers an institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the OCC with respect to AN Bank.¹⁷ 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.¹⁸ An institution's most recent CRA performance evaluation is a particularly important

¹⁷ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

¹⁸ 12 U.S.C. § 2906.

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 AN 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 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;¹⁹ (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

¹⁹ 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) (2023).

LMI individuals and geographies.²⁰ 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.²¹

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.²² 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 AN Bank

AN Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of May 15, 2023 ("AN Bank Evaluation").²³ The bank received an "Outstanding" rating for the Investment Test, a

²⁰ See 12 CFR 228.22(b) (2023).

²¹ See 12 CFR 228.21 *et seq.* (2023).

²² 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.

²³ The AN Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed small business and HMDA-reportable loan data from January 1, 2019, through December 31, 2021. Examiners also reviewed loan data and community development activities from January 1, 2019, through December 31, 2021.

“High Satisfactory” rating for the Lending Test, and a “Low Satisfactory” rating for the Service Test.²⁴

With respect to the Lending Test, examiners found that lending levels reflected good responsiveness to the credit needs in the bank’s AAs. Examiners determined that AN Bank exhibited adequate geographic and borrower distribution of loans. Examiners concluded that the distribution of loans among individuals of different income levels and businesses of different sizes was adequate considering the product lines offered by the institution. Examiners found that AN Bank was a leader in originating community development loans and made limited use of flexible and innovative lending products.

With respect to the Investment Test, examiners determined that AN Bank had an excellent level of qualified community development investments and grants, particularly those that are not routinely provided by private investors. Examiners found that AN Bank exhibited excellent responsiveness to credit and community economic development needs but rarely used innovative and/or complex investments to support community development initiatives.

With respect to the Service Test, examiners determined that AN Bank’s delivery systems were reasonably accessible to geographies and individuals of different income levels in the bank’s AAs. Examiners noted that AN Bank provided a number of alternative delivery systems, which were accessible to geographies and individuals of different income levels throughout the bank’s AAs. Examiners found that, to the extent changes had been made, the bank’s opening and closing of branches had not adversely affected the accessibility of its delivery systems, particularly within LMI geographies and

²⁴ The AN Bank Evaluation involved a full-scope review of the bank’s activities in the bank’s AA within the Dallas Metropolitan Division, consisting of Kaufman, Hunt, Rockwall, and Collin counties and the North and East portions of Dallas County, Texas; and the bank’s AA within the Fort Worth Metropolitan Division, consisting of parts of Tarrant and Johnson counties, both of Texas. The AN Bank Evaluation also included a limited-scope review of the bank’s activities in Van Zandt County, Texas.

to LMI individuals. Examiners found that the bank provided an adequate level of community development services.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the OCC as the primary federal supervisor of AN Bank. The Board also considered the results of the most recent consumer compliance examination of AN Bank, which included review of the bank's compliance management programs and compliance with consumer protection laws and regulations, including fair lending.

The Board has taken the foregoing consultation and examination, as well as the CRA performance record of AN Bank, into account in evaluating the proposal, including in considering whether ANB Holding has the experience and resources to ensure that AN Bank 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 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 organization has for meeting the needs of its community following consummation; and any other information the Board deems relevant. ANB Holding represents that it does not anticipate that the proposed transaction would result in any changes to AN Bank's operations, including its products, services, and facilities.

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 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.²⁵ 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.²⁶

ANB Holding represents that it does not anticipate that any existing branches of AN Bank would be closed, consolidated, or relocated in connection with the proposal.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the record of AN Bank under the CRA, the institution's record of compliance with fair lending and other consumer protection laws, supervisory information, information provided by ANB Holding, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. The Board has considered relevant facts of the record pertaining to the issues the commenter raised, including the view of the OCC, and AN Bank's representations regarding efforts the organization will make to satisfy the convenience and needs of its community, including LMI and majority-minority communities. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

²⁵ 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.

²⁶ See, e.g., 12 CFR 228.24(d)(2) (2023).

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.”²⁷

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 firm and the incremental effect of the transaction on the systemic footprint of the firm. These metrics include measures of the size of the firm, the availability of substitute providers for any critical products and services offered by the firm, the interconnectedness of the firm with the banking or financial system, the extent to which the firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the firm.²⁸ 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 firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.²⁹

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

²⁷ 12 U.S.C. § 1842(c)(7).

²⁸ Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

²⁹ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.³⁰

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 an acquisition of less than \$10 billion in total assets and would result in a pro forma organization of less than \$100 billion in total assets. AN Bank is predominantly engaged in retail and commercial banking activities. 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.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by ANB Holding with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal.

³⁰ 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.

The Board's approval also is conditioned on receipt by ANB Holding 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 Federal Reserve Bank of Dallas, acting under delegated authority.

By order of the Board of Governors,³¹ effective July 29, 2024.

(Signed) Ann E. Misback

Ann E. Misback
Secretary of the Board

³¹ Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.