

FEDERAL RESERVE SYSTEM

CSBH, LLC
Powhatan, Virginia

Order Approving the Acquisition of Shares of a Bank Holding Company

CSBH, LLC (“CSBH”), Powhatan, 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 up to 49.9 percent of the voting shares of Industry Bancshares, Inc. (“Industry”), Industry, Texas, and thereby indirectly acquire control of Industry’s subsidiary banks: (1) Citizens State Bank, Buffalo, Texas, a state nonmember bank; (2) Industry State Bank, Industry, Texas, a state nonmember bank; (3) Bank of Brenham, National Association (“Bank of Brenham”), Brenham, Texas, a national bank; (4) The First National Bank of Shiner, Shiner, Texas, a national bank; (5) The First National Bank of Bellville, Bellville, Texas, a national bank; and (6) Fayetteville Bank, Fayetteville, Texas, a state nonmember bank.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (89 Federal Register 68440 (August 26, 2024)), in

¹ 12 U.S.C. § 1841 et seq.

² 12 U.S.C. § 1842.

³ The BHC Act contemplates that a bank holding company may seek to acquire less than a majority interest in another bank holding company or bank. See 12 U.S.C. § 1842(a)(3). On this basis, the Board previously has approved the acquisition by a bank holding company of less than a majority interest. See, e.g., Apex Bancorp, Inc., FRB Order No. 2020-20 (August 4, 2020); C-B-G, Inc., 93 Federal Reserve Bulletin C88 (2007) (approving the acquisition of up to 35 percent of a bank holding company); Juniata Valley Financial Corp., 92 Federal Reserve Bulletin C171 (2006) (approving the acquisition of up to 39.2 percent of a bank). The Board notes, however, that the BHC Act requires CSBH to receive the Board’s approval before directly or indirectly acquiring any additional shares of Industry or its subsidiary banks. See 12 U.S.C. § 1842(a)(3).

accordance with the Board's Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has considered the proposal and the comments received in light of the factors set forth in section 3 of the BHC Act.

CSBH, with consolidated assets of approximately \$147.6 million, is the 3,276th largest insured depository organization in the United States.⁵ CSBH controls approximately \$111 million in consolidated deposits, which represent less than one percent of the total amount of deposits of insured depository institutions in the United States.⁶ CSBH controls New Horizon Bank, National Association (“New Horizon Bank”), Powhatan, Virginia, which operates in Virginia.

Industry, with consolidated assets of approximately \$5.2 billion, is the 265th largest insured depository organization in the United States. Industry controls approximately \$4.8 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Industry controls Citizens State Bank, Industry State Bank, Bank of Brenham, The First National Bank of Shiner, The First National Bank of Bellville, and Fayetteville Bank (collectively, the “Industry Subsidiary Banks”), all of which operate in Texas.

On consummation of this proposal, CSBH would control deposits of approximately \$4.9 billion, which would represent less than one percent of the total amount of deposits of insured depository institutions in the United States.⁷

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

⁴ 12 CFR 262.3(b).

⁵ Consolidated asset and national ranking data are as of September 30, 2024.

⁶ Consolidated national deposit and market share data are as of September 30, 2024. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁷ CSBH represents that, upon consummation, it would not plan to consolidate the assets of Industry onto its balance sheet.

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.⁸ 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.⁹ When determining whether to approve an 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")¹⁰ and the applicant's record of compliance with applicable state community reinvestment laws.¹¹ 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.¹²

For purposes of this provision, the home state of CSBH is Virginia.¹³ New Horizon Bank is located in Virginia. CSBH is well capitalized and well managed under

⁸ 12 U.S.C. § 1842(d)(1)(A).

⁹ 12 U.S.C. § 1842(d)(1)(B).

¹⁰ 12 U.S.C. § 2901 et seq.

¹¹ 12 U.S.C. § 1842(d)(3).

¹² 12 U.S.C. § 1842(d)(2)(A) and (B). Under 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. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

¹³ 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

applicable law. New Horizon Bank has a “Satisfactory” rating under the CRA, and the jurisdiction in which New Horizon Bank operates does not have a state community reinvestment law that applies to this proposal. Each of the Industry Subsidiary Banks has been in existence for more than five years.

On consummation of the proposed transaction, CSBH would control less than one percent of the total amount of consolidated deposits in insured depository institutions in the United States. New Horizon Bank and the Industry Subsidiary Banks do not have overlapping banking operations for purposes of section 3(d) of the BHC Act. 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.¹⁴ 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.¹⁵

New Horizon Bank and the Industry Subsidiary Banks do not compete directly in any banking market. The U.S. Department of Justice 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 agencies have been afforded an opportunity to comment and have not objected to the proposal.

July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

¹⁴ 12 U.S.C. § 1842(c)(1)(A).

¹⁵ 12 U.S.C. § 1842(c)(1)(B).

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.¹⁶ 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.¹⁷ 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.

CSBH and New Horizon Bank are both well capitalized and would remain so upon consummation of the proposal. The proposed transaction is structured as a cash

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

¹⁷ After consummation of the proposed transaction, CSBH represents that it will continue to operate New Horizon Bank and the Industry Subsidiary Banks separately. Consequently, operational integration will be limited.

purchase of shares.¹⁸ The capital, asset quality, earnings, and liquidity of CSBH are consistent with approval, and CSBH appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations as proposed. In addition, the future prospects of the institutions are considered consistent with approval.¹⁹

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of CSBH, Industry, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by CSBH; 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.²⁰

¹⁸ CSBH's principal shareholder will provide CSBH with the financial resources to fund the transaction.

¹⁹ The proposed transaction will result in additional capital injected into Industry. In addition, Industry's capital will also be further increased following completion of Industry's concurrent common stock offering to other investors. Collectively, these capital increases will improve Industry's financial condition.

²⁰ The Board received two comments that, among additional concerns discussed further below, expressed concern that certain consent orders issued by the Office of the Comptroller of the Currency ("OCC") to Industry's three national bank subsidiaries reflect significant issues at Industry that were not acknowledged or addressed by Industry or CSBH in connection with the proposal. These commenters asserted that the financial health and governance issues highlighted by these orders raise significant concerns about their ability to manage the financial health of the combined organization and to meet the needs of the local communities that rely on these institutions for financial services. See infra discussion of convenience and needs considerations evaluating commenters' concerns related to that factor.

The Board has considered the consent orders issued to the Industry Subsidiary Banks by their primary federal supervisors and the consent order issued to Industry by the Board and the Texas Department of Banking ("Industry Consent Order"), including those

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

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

issued by the OCC, which were mentioned in the public comments. The OCC entered into consent orders with Industry's three national bank subsidiaries—Bank of Brenham, The First National Bank of Shiner, and The First National Bank of Bellville—on October 21, 2024, to resolve notices of charges filed on January 2, 2024, regarding each bank's unsafe and unsound practices relating to, among other things, its investment strategy and interest rate and liquidity risk management. OCC Docket Nos. AA-SO-2023-55, 56, and 57. The Federal Deposit Insurance Corporation ("FDIC") entered into consent orders with Industry's three state bank subsidiaries—Industry State Bank, Citizens State Bank, and Fayetteville Bank—on September 9, 2024, to address similar concerns at each of those banks. FDIC Docket Nos. FDIC-24-0063b, 0064b, and 0065b. The OCC and FDIC consent orders direct each of the Industry Subsidiary Banks to take certain actions, including to formulate and submit a capital plan and to increase capital; to formulate and to submit a strategic plan with objectives for, among other things, financial condition and earnings performance; to improve board oversight, staffing, and management; and to improve risk management practices, including for risks related to interest rates and liquidity.

The Industry Consent Order was entered into on November 13, 2024, related to deficiencies with respect to the operations of Industry, including with respect to Industry's ability to serve as a source of strength to the Industry Subsidiary Banks. Federal Reserve System Docket No. 24-029-B-HC. The Industry Consent Order directs Industry to take certain actions, including to take steps to fully utilize its financial and managerial resources to serve as a source of strength to the Industry Subsidiary Banks; to improve the board of directors' oversight of Industry's management and operations; to enhance its risk management practices, interest rate risk management practices, and liquidity and funds management practices; and to submit a plan to improve Industry's earnings and overall condition and to maintain sufficient capital. The Board has considered the strategic and implementation plans submitted by Industry and consulted with the OCC and the FDIC regarding the plans made by the Industry Subsidiary Banks in complying with the requirements of their respective orders. The Board expects that Industry and the Industry Subsidiary Banks will continue to take all necessary steps to ensure compliance with the orders, and CSBH is committed to providing appropriate assistance.

financial and other resources to address all aspects of the planned post-acquisition integration process for this proposal. CSBH's plans to augment its corporate governance to incorporate its oversight of Industry and the Industry Subsidiary Banks, as well as Industry's plans to augment resources, strengthen its risk management program, and improve its financial condition, are considered acceptable from a supervisory perspective. The resulting organization appears to have the banking experience and resources to operate as proposed.

Based on all the facts of record, including CSBH's supervisory records, managerial and operational resources, and plans for operating the organizations 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 CSBH and Industry 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 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

²¹ 12 U.S.C. § 1842(c)(2). 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.

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 CRA.²² 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. 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 New Horizon Bank and the Industry Subsidiary Banks, the fair lending and compliance records of these banks, the supervisory views of the FDIC and OCC, confidential supervisory information, information provided by CSBH, and the public comments received on the proposal.

Public Comments on the Proposal

The Board received two adverse comments on the proposal.²⁴ Both commenters expressed concerns regarding the lending practices of CSBH, noting the lack

²² 12 U.S.C. § 2901 et seq.

²³ See 12 U.S.C. § 2901(b).

²⁴ The Board also received one comment that was subsequently withdrawn. That commenter expressed concern that the merger would interfere with the ability of the

of a strong track record in low-income lending by New Horizon Bank, especially in relation to its lending to the Hispanic community, and referencing New Horizon Bank's March 3, 2023, CRA performance evaluation ("New Horizon Bank Evaluation"), which found that New Horizon Bank's percentage of loans to small businesses in LMI census tracts was significantly below the percentage of loans to businesses and aggregate lending. Both commenters also alleged that Industry's 25 percent loan-to-deposit ratio indicates that Industry has failed to sufficiently reinvest deposits back into the communities in which it operates.²⁵ Both commenters asserted that neither CSBH nor Industry has demonstrated a commitment to supporting the credit needs of the Hispanic community and expressed concern that the transaction could further limit financial access for Hispanic and other minority communities. Additionally, both commenters expressed concern about the ability of the institutions following the consummation of the proposal to manage the financial health of the combined organization and meet the needs of the local communities, in light of the financial health and governance issues highlighted by consent orders issued by the OCC to Industry's three national bank subsidiaries.²⁶ One of the commenters opposed the approval of the proposed acquisition, while the other commenter requested that the proposed acquisition be delayed until the above issues have been addressed.

Industry Subsidiary Banks to serve the needs of their communities in Texas. The commenter later withdrew the comment and submitted a comment in support of the proposal.

²⁵ The commenters stated that the industry standard loan-to-deposit ratio is 80 to 90 percent, and that the Federal Financial Institutions Examinations Council has stated that banks with loan-to-deposit ratios as low as 25 percent are considered nonperforming in community lending.

²⁶ See supra note 20 for discussion of the consent orders, as well as the Board's consideration of financial, managerial, and other supervisory considerations.

Businesses of the Involved Institutions and Response to the Public

Comments

Through New Horizon Bank, CSBH offers consumer and commercial banking and mortgage products and services. Through the Industry Subsidiary Banks, Industry offers similar products and services as CSBH, as well as agricultural and farm lending services.

In response to the comments, CSBH represents that it plans to work with the Industry Subsidiary Banks to increase lending in their respective communities following consummation of the proposed transaction. CSBH notes that New Horizon Bank has received “Satisfactory” CRA ratings both historically and in the New Horizon Bank Evaluation. CSBH argues that the New Horizon Bank Evaluation’s “Satisfactory” rating and findings do not support the commenters’ assertion that the evaluation highlighted a failure to adequately serve LMI and minority communities. In particular, CSBH notes that, with respect to serving LMI communities, the New Horizon Bank Evaluation states that New Horizon Bank’s lending practices were reasonable due to the distance between New Horizon Bank and LMI census tracts. Additionally, CSBH notes that the New Horizon Bank Evaluation did not find that New Horizon Bank engaged in any discriminatory or other illegal credit practices.

CSBH also represents that the Industry Subsidiary Banks’ loan-to-deposit ratios will improve following the transaction because CSBH intends to work with Industry to rebalance the balance sheets of each of the Industry Subsidiary Banks to focus on lending in the bank’s communities, with a goal of expanding lending in the Industry Subsidiary Banks’ current and adjacent markets. CSBH projects an increase in the Industry Subsidiary Banks’ loan-to-deposit ratios to approximately 30 percent by December 31, 2026. CSBH asserts that all prospective borrowers, including low-income and minority populations, should benefit from the expanded lending by the Industry Subsidiary Banks which will expand affordable credit access for both small business and residential borrowers representing all populations and demographic categories.

CSBH also represents that one of the primary goals of the proposed transaction is de-risking and achieving financial strength for Industry for the benefit of the local communities, which includes shifting assets away from concentrations in certain securities and toward expanded lending operations in the communities that Industry and the Industry Subsidiary Banks serve. CSBH states it will work with Industry to restructure the balance sheets of the Industry Subsidiary Banks and to replace securities with loans, while monitoring liquidity. CSBH represents that the additional capital will help achieve these goals.

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 is the OCC with respect to New Horizon Bank, Bank of Brenham, The First National Bank of Shiner, and The First National Bank of Bellville, and the FDIC with respect to Citizens State Bank, Industry State Bank, and Fayetteville Bank.²⁷ 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.²⁸ 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") and a community development test ("Community Development Test") to evaluate

²⁷ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

²⁸ 12 U.S.C. § 2906.

the performance of an intermediate small bank, such as Citizens State Bank, The First National Bank of Shiner, The First National Bank of Bellville, Industry State Bank, and Fayetteville Bank, in helping to meet the credit needs of the communities the bank serves. 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 (“HMDA”),²⁹ automated loan reports, and other reports generated by the institution, in order 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 the institution’s (1) loan-to-deposit ratio and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments; (2) percentage of loans and, as appropriate, other lending-related activities located in the bank’s assessment areas (“AAs”); (3) record of lending to, and, as appropriate, engaging in other lending-related activities for, borrowers of different income levels and businesses and farms of different sizes; (4) geographic distribution of loans; and (5) record of taking action, if warranted, in response to written complaints about the institution’s performance in helping to meet credit needs in the bank’s AAs.³⁰ 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.³¹ Small institutions, such as New Horizon Bank and Bank of Brenham, are subject only to the Lending Test.³²

²⁹ 12 U.S.C. § 2801 et seq.

³⁰ See 12 CFR 228.26(b) (2023).

³¹ See 12 CFR 228.26(c) (2023).

³² 12 CFR 228.26(a)–(b) (2023).

CRA Performance of New Horizon Bank

New Horizon Bank was assigned an overall rating of “Satisfactory” by the OCC in the New Horizon Bank Evaluation, as of March 6, 2023.³³ The bank received a “Satisfactory” rating for the Lending Test.³⁴

Examiners found that New Horizon Bank’s loan-to-deposit ratio was reasonable given the bank’s size, financial condition, and the credit needs of the bank’s AAs. Examiners also found that a majority of the bank’s loans were originated or purchased within the bank’s AAs, the geographic distribution of loans within the bank’s AAs was considered reasonable, and the distribution of loans to businesses of different sizes was considered reasonable. Examiners noted that the percentage of the bank’s loans to small businesses in LMI communities was below the percentage of aggregate loans and loans to businesses in moderate-income communities, but observed that New Horizon Bank had limited opportunities to lend to businesses in LMI communities given the distance between its locations and LMI census tracts within its AAs.

CRA Performance of Bank of Brenham

Bank of Brenham was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the OCC, as of October 15, 2021 (“Bank of

³³ The New Horizon Bank Evaluation was conducted using the Small Institution CRA Examination Procedures. Examiners reviewed small business loan data from January 1, 2019, through December 31, 2021. Home mortgage loans, small farm loans, and multifamily loans were not evaluated because the bank did not originate or purchase a sufficient volume in the AAs for a meaningful analysis.

³⁴ The New Horizon Bank Evaluation involved a full-scope review of the bank’s activities in its AA located in the Richmond, VA Metropolitan Statistical Area (“MSA”). The New Horizon Bank Evaluation involved a limited-scope review of New Horizon Bank’s one remaining AA, consisting of Charlotte, Cumberland, and Prince Edward counties, Virginia.

Brenham Evaluation").³⁵ The bank received a "Satisfactory" rating for the Lending Test.³⁶

Examiners found that Bank of Brenham's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of its AA. Examiners noted that the bank made a majority of its loans in its AA. Examiners also found that the geographic distribution of loans reflected excellent penetration throughout the bank's AA and that the distribution of loans to retail borrowers of different income levels and businesses of different sizes was reasonable, given the product lines offered by the bank. Examiners also noted that Bank of Brenham exhibited excellent responsiveness to the community development needs in its AA, considering the bank's capacity and the need for and availability of community development opportunities in the bank's AA.

CRA Performance of Citizens State Bank

Citizens State Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of April 12, 2023 ("Citizens State Bank Evaluation").³⁷ The bank received a "Satisfactory" rating for the Lending Test and an "Outstanding" rating for the Community Development Test.³⁸

With respect to the Lending Test, examiners found that Citizens State Bank's loan-to-deposit ratio was reasonable given the bank's size, financial condition,

³⁵ The Bank of Brenham Evaluation was conducted using the Small Institution CRA Examination Procedures. Examiners reviewed home mortgage, small business loan, and consumer loan data from January 1, 2018, through December 31, 2020.

³⁶ The Bank of Brenham Evaluation involved a full-scope review of the bank's activities in the bank's sole AA, which is Washington County, Texas.

³⁷ The Citizens State Bank Evaluation was conducted using Interagency Intermediate Small Institution CRA Examination Procedures. Examiners reviewed small business and agricultural loan data from January 1, 2022, through December 31, 2022. Examiners also reviewed data on community development loans, qualified investments, and community development services since the previous evaluation dated March 16, 2020.

³⁸ The Citizens State Bank Evaluation involved a full-scope review of the bank's activities in its AA within the Texas Non-MSA, consisting of Bosque, Freestone, Hill,

and the credit needs of its AAs. Examiners noted that a majority of loans were originated and purchased within the bank's AAs. Examiners also found that the geographic distribution of loans reflected reasonable dispersion throughout the bank's AAs and that the distribution of loans reflected excellent penetration among businesses and farms of different sizes given the demographics of the bank's AAs.

With respect to the Community Development Test, examiners found that Citizens State Bank demonstrated excellent responsiveness to community development needs in its AAs. Examiners observed that Citizens State Bank exhibited an excellent record regarding community development loans, qualifying investments, and community development services.

CRA Performance of Fayetteville Bank

Fayetteville Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of July 31, 2023 ("Fayetteville State Bank Evaluation").³⁹ The bank received a "Satisfactory" rating for the Lending Test and an "Outstanding" rating for the Community Development Test.⁴⁰

With respect to the Lending Test, examiners found that Fayetteville Bank's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of its AA. Examiners noted that a majority of loans were made within the

Leon, Limestone, and Navarro counties, Texas; and the AA within the Waco, Texas MSA, which consists of a portion of McLennan County, Texas.

³⁹ The Fayetteville Bank Evaluation was conducted using Interagency Intermediate Small Institution CRA Examination Procedures. Examiners reviewed small business lending data from January 1, 2022, to December 31, 2022. Examiners also reviewed data on community development loans, qualified investments, and community development services since the previous evaluation dated July 27, 2020.

⁴⁰ The Fayetteville State Bank Evaluation involved a full-scope review of the bank's activities in its sole AA, which consists of Fayette County, Texas.

bank's AA. Examiners found that the distribution of loans to businesses of different sizes was reasonable.⁴¹

With respect to the Community Development Test, examiners found that Fayetteville Bank demonstrated excellent responsiveness to community development needs in its AA. Examiners noted that Fayetteville Bank exhibited an excellent record regarding community development loans, qualified investments, and community development services.

CRA Performance of Industry State Bank

Industry State Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of February 7, 2022 ("Industry State Bank Evaluation").⁴² The bank received "Satisfactory" ratings for both the Lending Test and Community Development Test.⁴³

With respect to the Lending Test, examiners found that Industry State Bank's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of its AAs. Examiners noted that a majority of loans were originated and purchased within the bank's AAs. Examiners also found that the geographic distribution of loans reflected reasonable dispersion throughout the bank's AAs and that

⁴¹ Fayetteville Bank's AA does not include any LMI geographies, so the geographic distribution of loans was not evaluated.

⁴² The Industry State Bank Evaluation was conducted using Interagency Intermediate Small Institution CRA Examination Procedures. Examiners reviewed data on small business and small farm lending in 2021. Examiners also reviewed data on community development loans, qualified investments, and community development services since the previous evaluation dated January 22, 2019.

⁴³ The Industry State Bank Evaluation involved a full-scope review of the bank's activities in its two AAs, the Houston-The Woodlands-Sugarland MSA and the Texas non-MSA, which consists of Colorado, Fayette, and Washington counties, Texas.

the distribution of loans reflected excellent penetration among businesses and farms of different sizes given the demographics of the bank's AAs.

With respect to the Community Development Test, examiners found that Industry State Bank demonstrated adequate responsiveness to community development needs in its AAs, considering the institution's capacity and the need and availability of such opportunities. Examiners observed that Industry State Bank exhibited an adequate record regarding community development loans and services and an excellent record regarding qualifying community development investments.

CRA Performance of The First National Bank of Bellville

The First National Bank of Bellville was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of January 3, 2023 ("First National Bank of Bellville Evaluation").⁴⁴ The bank received a "Satisfactory" rating for the Lending Test and an "Outstanding" rating for the Community Development Test.⁴⁵

With respect to the Lending Test, examiners found that The First National Bank of Bellville's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of its AA. Examiners noted that a majority of loans were originated and purchased within the bank's AA. Examiners also found that the geographic distribution of loans reflected reasonable penetration throughout the bank's

⁴⁴ The First National Bank of Bellville Evaluation was conducted using Intermediate Small Institution CRA Examination Procedures. Examiners reviewed data related to residential real estate loans, commercial loans, and consumer loans from January 1, 2020, through December 31, 2022. Examiners performed a separate analysis of loans originated in 2022 due to demographic changes in 2022.

⁴⁵ The First National Bank of Bellville Evaluation involved a full-scope review of the bank's activities in its sole AA, which is in the Houston-The Woodlands-Sugarland MSA.

AA and that the distribution of loans to individuals of different income levels and businesses of different sizes was reasonable.

With respect to the Community Development Test, examiners found that The First National Bank of Bellville exhibited excellent responsiveness to community development needs in the state through community development loans, qualified investments, and community development services.

CRA Performance of The First National Bank of Shiner

The First National Bank of Shiner was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the OCC, as of February 13, 2023 (“First National Bank of Shiner Evaluation”).⁴⁶ The bank received a “Satisfactory” rating for the Lending Test and an “Outstanding” rating for the Community Development Test.⁴⁷

With respect to the Lending Test, examiners found that The First National Bank of Shiner’s loan-to-deposit ratio was reasonable given the bank’s size, financial condition, and the credit needs of its AAs. Examiners noted that a majority of loans were originated and purchased within the bank’s AAs. Examiners also found that the bank exhibited a reasonable geographic distribution of loans throughout its AAs and that the distribution of loans to individuals of different income levels and businesses and farms of different sizes was excellent.

With respect to the Community Development Test, examiners found that The First National Bank of Shiner exhibited excellent responsiveness to community

⁴⁶ The First National Bank of Shiner Evaluation was conducted using Intermediate Small Institution CRA Examination Procedures. Examiners reviewed data related to residential real estate, commercial, agricultural, and consumer loans from January 1, 2020, through December 31, 2022. Examiners performed a separate analysis of loans originated in 2022 due to demographic changes in 2022.

⁴⁷ The First National Bank of Shiner Evaluation involved a full-scope review of the bank’s activities in the bank’s two AAs located in the Shiner MSA, consisting of the Dewitt, Fayette, Gonzales, and Lavaca counties, Texas; and the Victoria MSA, which consists of Goliad County, Texas.

development needs in the state through community development loans, qualified investments, and 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 New Horizon Bank, Bank of Brenham, The First National Bank of Shiner, and The First National Bank of Bellville, and of the FDIC as the primary federal supervisor of Citizens State Bank, Industry State Bank, and Fayetteville Bank. The Board also considered the results of the most recent consumer compliance examinations of New Horizon Bank and the Industry Subsidiary Banks, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations, including fair lending.

The Board has taken this information, as well as the CRA performance records of New Horizon Bank and the Industry Subsidiary Banks, into account in evaluating the proposal, including in considering whether CSBH 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 models and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by the organizations; any additional plans the combined organization has for meeting the needs of its communities following consummation; and any other information the Board deems relevant.

CSBH represents that, following consummation of the proposal, it does not plan for any material products or services offered by the involved institutions to be discontinued. CSBH represents that it plans to work with Industry to rebalance the balance sheet of each of the Industry Subsidiary Banks to focus on increased lending to better meet the needs of each bank's 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.⁴⁸ 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.⁴⁹

CSBH represents that no branches of the Industry Subsidiary Banks are anticipated to be closed, consolidated, or relocated in connection with the proposed transaction.

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 CSBH, the public comments on the proposal, and

⁴⁸ 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.

⁴⁹ See, e.g., 12 CFR 228.24(d)(2) (2023).

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 commenters raised, including the supervisory records of the institutions involved and CSBH’s representations regarding efforts the organizations will make to satisfy the convenience and needs of its communities, including LMI communities. Based on that review, the Board determines that the convenience and needs factor is 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.”⁵⁰

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.⁵¹ 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

⁵⁰ 12 U.S.C. § 1842(c)(7).

⁵¹ Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

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.⁵²

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.⁵³

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.⁵⁴ The proposal would not result in an organizational structure with complex interrelationships or unique characteristics that would complicate resolution of either of the firms 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.

⁵² For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

⁵³ 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.

⁵⁴ CSBH and Industry offer a range of retail and commercial banking products and services. CSBH 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.

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 CSBH 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 CSBH 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 Richmond, acting under delegated authority.

By order of the Board of Governors,⁵⁵ effective February 12, 2025.

(Signed) Michele Taylor Fennell

Michele Taylor Fennell
Associate Secretary of the Board

⁵⁵ Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.