

FEDERAL RESERVE SYSTEM

Prosperity Bancshares, Inc.
Houston, Texas

Order Approving the Merger of Bank Holding Companies

Prosperity Bancshares, Inc. (“Prosperity”), Houston, Texas, a financial 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 merge Southwest Bancshares, Inc. (“Southwest”), San Antonio, Texas, a bank holding company, with and into Prosperity, and thereby indirectly acquire Southwest’s state nonmember bank subsidiary, Texas Partners Bank (“Texas Partners”), San Antonio, Texas. Following the proposed transaction, Texas Partners would be merged with and into Prosperity’s state nonmember bank subsidiary, Prosperity Bank, El Campo, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (90 Federal Register 50869 (November 12, 2025)), in accordance with the Board’s Rules of Procedure.⁴ 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.

¹ 12 U.S.C. § 1841 *et seq.*

² 12 U.S.C. § 1842.

³ The merger of Texas Partners with and into Prosperity Bank is subject to the approval of the Federal Deposit Insurance Corporation (“FDIC”), under section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c) (“Bank Merger Act”). The FDIC approved the Bank Merger Act application on December 16, 2025.

⁴ 12 CFR 262.3(b).

Prosperity, with consolidated assets of approximately \$38.4 billion, is the 65th largest insured depository organization in the United States.⁵ Prosperity controls approximately \$27.9 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Prosperity controls Prosperity Bank, which operates in Oklahoma and Texas. Prosperity Bank is the 10th largest insured depository institution in Texas, controlling deposits of approximately \$26.3 billion, which represent 1.8 percent of the total deposits of insured depository institutions in that state.⁶

Southwest, with consolidated assets of approximately \$2.5 billion, is the 486th largest insured depository organization in the United States. Southwest controls approximately \$2.3 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Southwest controls Texas Partners, which operates in Texas. Texas Partners is the 60th largest insured depository institution in Texas, controlling deposits of approximately \$2.1 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, and reflecting consideration of the recent acquisition of ABHC, Prosperity would become the 62nd largest insured depository organization in the United States, with consolidated assets of approximately \$43.4 billion. Prosperity would control total consolidated deposits of approximately

⁵ In this context, insured depository institutions include commercial banks, savings associations, and savings banks. Consolidated asset, national ranking, consolidated national deposit, and market share data are as of September 30, 2025. However, consideration of Prosperity's pro forma consolidated asset, national ranking, consolidated national deposit, and national market share data incorporates Prosperity's acquisition of American Bank Holding Corporation ("ABHC"), Corpus Christi, Texas, which the Federal Reserve Bank of Dallas approved on October 28, 2025, and which was consummated on January 1, 2026.

⁶ State deposit and market share data are as of June 30, 2025. However, consideration of Prosperity's pro forma state deposit and state market share data incorporates Prosperity's recent acquisition of ABHC.

\$32.5 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Prosperity Bank would become the eighth largest insured depository institution in Texas, controlling deposits of approximately \$30.8 billion, which would represent 2.1 percent of the total deposits of insured depository institutions in that state.⁷

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.⁸ 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.⁹

Prosperity¹⁰ and Southwest have subsidiary banks that compete directly in the Austin, Texas, banking market (“Austin market”);¹¹ the San Antonio, Texas, banking market (“San Antonio market”);¹² and the Fredericksburg, Texas, banking market (“Fredericksburg market”).¹³ The Board has considered the competitive effects of the proposal in these banking markets. In particular, the Board has considered the relative

⁷ The proposal does not require interstate analysis under section 3(d) of the BHC Act because the home state of Prosperity is Texas, and Texas Partners is located only within Texas. See 12 U.S.C. §§ 1841(o)(4)–(7) and 1842(d).

⁸ 12 U.S.C. § 1842(c)(1)(A).

⁹ 12 U.S.C. § 1842(c)(1)(B).

¹⁰ In considering the competitive effects of the proposal, the Board took into account Prosperity’s recently consummated acquisition of ABHC and its subsidiary bank.

¹¹ The Austin market is defined as the Austin metropolitan statistical area (“MSA”), and Bastrop, Blanco, Caldwell, Hays, Travis, and Williamson counties, Texas.

¹² The San Antonio market is defined as Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson counties, Texas.

¹³ The Fredericksburg market is defined as Gillespie County, Texas.

share of total deposits in insured depository institutions in the markets (“market deposits”) that Prosperity would control;¹⁴ the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the 1995 Bank Merger Competitive Review guidelines (“1995 Bank Merger Guidelines”);¹⁵ the number of competitors that would remain in each market; and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the 1995 Bank Merger Guidelines in the Austin market, the San Antonio market, and the Fredericksburg market. On consummation, the Austin

¹⁴ Local deposit and market share data are as of June 30, 2025, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. *See, e.g., 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).

¹⁵ Department of Justice, Bank Merger Competitive Review – Introduction and Overview, <https://www.justice.gov/sites/default/files/atr/legacy/2007/08/14/6472.pdf> (1995). On September 17, 2024, the United States Department of Justice (“DOJ”) announced its withdrawal from the 1995 Bank Merger Guidelines and emphasized that the 2023 Merger Guidelines, issued on December 18, 2023, remain its sole and authoritative statement across all industries. Press Release, Department of Justice, “Justice Department Withdraws from 1995 Bank Merger Guidelines,” <https://www.justice.gov/opa/pr/justice-department-withdraws-1995-bank-merger-guidelines>. The 1995 Bank Merger Guidelines had been adopted together with the federal banking agencies, and none of the federal banking agencies have withdrawn from the 1995 Bank Merger Guidelines. The Board continues to apply the 1995 Bank Merger Guidelines in evaluating bank merger proposals. The Board traditionally has considered a market 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. *See, e.g., Chemical Banking Corporation*, 78 Federal Reserve Bulletin 74 (1992). In addition, the Board has traditionally considered a merger not to have an anticompetitive effect where the proposed merger would not increase the HHI by more than 200 points in any banking market, in the absence of other factors indicating anticompetitive effects.

market would remain unconcentrated, and the change in market concentration would be well within the 1995 Bank Merger Guidelines and Board precedent. The San Antonio market and the Fredericksburg market would remain highly concentrated, as measured by the HHI; however, the change in HHI in each market would be small. Numerous competitors would remain in each of the markets.¹⁶

The DOJ 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

¹⁶ As of September 30, 2025, Prosperity is the 9th largest depository organization in the Austin market, controlling approximately \$1.3 billion in deposits, which represent 1.80 percent of the market deposits. Southwest is the 21st largest depository organization in the market, controlling approximately \$0.6 million in deposits, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, and reflecting consideration of the recent merger with ABHC, Prosperity would become the seventh largest depository organization in the market, controlling approximately \$2.0 billion in deposits, which would represent 2.86 percent of market deposits. The HHI for the Austin market would increase by 5 points to 933, and 82 competitors would remain in the market, including Prosperity.

As of September 30, 2025, Prosperity is the 20th largest depository organization in the San Antonio market, controlling approximately \$461.2 million in deposits, which represent 0.36 percent of the market deposits. Southwest is the 10th largest depository organization in the market, controlling approximately \$1.4 billion in deposits, which represent 1.12 percent of market deposits. On consummation of the proposed transaction, and reflecting consideration of the recent merger with ABHC, Prosperity would become the 10th largest depository organization in the market, controlling approximately \$2.5 billion in deposits, which would represent 1.94 percent of market deposits. The HHI for the San Antonio market would increase by 2 points to 2062, and 68 competitors would remain in the market, including Prosperity.

As of September 30, 2025, Prosperity is the 10th largest depository organization in the Fredericksburg market, controlling approximately \$22.4 million in deposits, which represent 1.36 percent of the market deposits. Southwest is the 11th largest depository organization in the market, controlling approximately \$10.5 million in deposits, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, and reflecting consideration of the recent merger with ABHC, Prosperity would remain the 10th largest depository organization in the market, controlling approximately \$32.9 million in deposits, which would represent 2.00 percent of market deposits. The HHI for the Fredericksburg market would increase by 2 points to 2002, and 12 competitors would remain in the market, including Prosperity.

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 proposals 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.¹⁷ 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.

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

Prosperity, Southwest, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a share or cash exchange, with a merger of Texas Partners with and into Prosperity Bank.¹⁸ The capital, asset quality, earnings, and liquidity of Prosperity, Southwest, and their depository institutions, are consistent with approval, and Prosperity and Prosperity Bank appear 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.

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

Prosperity, Southwest, 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 Prosperity's risk-management program appears consistent with approval of this proposal.

¹⁸ At the time of the merger of Southwest with and into Prosperity, each share of Southwest common stock would be converted into a right to receive shares of Prosperity common stock based on an exchange ratio, plus cash in lieu of any fractional shares or any Southwest warrants or in-the-money Southwest stock options that are outstanding at that time. Immediately following this merger, Texas Partners would merge with and into Prosperity Bank, with Prosperity Bank as the surviving entity. Prosperity has the financial resources to effect the proposed transaction.

The Board also has considered Prosperity's plans for implementing the proposal. Prosperity has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, Prosperity's management has the experience and resources to operate the resulting organization in a safe and sound manner. Prosperity plans to apply its compliance and risk-management policies, procedures, and controls at the combined holding company following the transaction.

Based on all the facts of record, including Prosperity'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 Prosperity and Southwest 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.¹⁹ 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

¹⁹ 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 Community Reinvestment Act of 1977 (“CRA”).²⁰ 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.²¹

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 Prosperity Bank and Texas Partners, the fair lending and compliance records of both banks, the supervisory views of the FDIC and the Federal Reserve Bank of Dallas, confidential supervisory information, information provided by Prosperity, and the public comments received on the proposal.

Public Comments on the Proposal

The Board received two timely adverse comments on the proposal, both from the same commenter. The commenter objected to the proposal, alleging that, based on data reported under the Home Mortgage Disclosure Act of 1975 (“HMDA”),²²

²⁰ 12 U.S.C. § 2901 *et seq.*

²¹ *See* 12 U.S.C. § 2901(b).

²² 12 U.S.C. § 2801 *et seq.*

Prosperity Bank made fewer home loans to African Americans as compared to white individuals in Texas and Oklahoma in 2024. The commenter also alleged that Prosperity Bank denied home loan applications of African American individuals at a higher rate than those of white individuals in Texas and Oklahoma in 2024. The commenter raised similar fair lending concerns regarding Texas Partners, based also on 2024 HMDA data.²³

²³ The commenter also requested the Board consider and hold hearings to review a condition imposed by the FDIC when the FDIC approved the application by Prosperity Bank to merge with FirstCapital Bank of Texas, National Association, Midland, Texas, on April 6, 2023. The FDIC's condition required Prosperity Bank to make enhancements to its fair lending program to improve the volume of home mortgage loans from, and originations to, African American borrowers and borrowers in majority-minority census tracts. In this regard, the Board has considered information provided by Prosperity, consulted with the FDIC, and reviewed confidential supervisory information with respect to Prosperity Bank's fair lending practices.

In addition, the commenter asked the Board to consider three unrelated customer reviews posted on Yelp and Reddit regarding different individualized customer complaints. Complaints based on individual customer transactions generally are not considered to be substantive comments and, thus, generally are not considered by the Board in its evaluation of the statutory factors governing the transaction. *See* 12 CFR 225.16(c)(3); SR Letter 97-10 (Apr. 24, 1997), <https://www.federalreserve.gov/boarddocs/srletters/1997/sr9710.htm>.

The commenter also asked the Board to consider an unrelated proposal by the FDIC regarding the FDIC's procedures for insured nonmember bank branch applications. This portion of the comment does not relate to any of the statutory factors the Board considers in acting on an application under section 3 of the BHC Act, 12 U.S.C. § 1842, and therefore is not considered substantive. Accordingly, the Board has not considered this portion of the comment in acting on the application. The commenter also requested that, in the event the Consumer Financial Protection Bureau ("CFPB") is no longer able to publish HMDA data on its public website due to a lack of funding, the Board take action to ensure that HMDA data continue to be made available to the public. The ability of the CFPB to continue publishing HMDA data is not in the scope of the Board's review of this application. Accordingly, this portion of the comment is not considered substantive, and the Board has not considered it in acting on the application. The Board observes, however, that, notwithstanding the concerns raised, the commenter was able to locate and review the 2024 HMDA data as desired for this application.

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

Prosperity and Prosperity Bank provide personal banking and investment services to consumers and businesses. Through Prosperity Bank, Prosperity offers a range of loan products, including mortgage, consumer non-real estate, commercial, small business and agricultural, and traditional deposit services, such as checking and savings accounts and certificates of deposit. In addition to offering traditional deposit and loan products, Prosperity Bank offers digital banking solutions, credit and debit cards, retail brokerage services, trust services, wealth management services, and treasury management services. Through Texas Partners, Southwest offers a range of financial services, including commercial and private banking loan and deposit solutions supported by a treasury management platform.

In response to the comments regarding disparities in HMDA loans to African Americans in 2024, Prosperity states that examiners did not identify any evidence of discriminatory or illegal credit practices for Prosperity Bank as a whole or within Texas or Oklahoma during Prosperity Bank's most recent CRA performance evaluation in 2022. Further, Prosperity represents that Prosperity Bank's current fair lending program includes extensive community outreach and credit needs assessments, as well as monitoring and analysis processes. Prosperity asserts that Prosperity Bank maintains numerous relationships and partnerships with non-profit and community organizations, including through its dedicated community outreach team, which regularly engages with community groups, churches, and other organizations to provide financial training, resources, and support to LMI areas. Prosperity represents that Prosperity Bank has developed mortgage loan products to increase lending to minority individuals, including grant and down-payment assistance programs. Prosperity also represents that a primary objective of Prosperity Bank's community outreach team is to increase applications from African American individuals and, in support of this objective, noted Prosperity Bank hosted a homebuying educational event alongside a homebuilder in targeted census tracts; sponsored a conference hosted by the African American

Leadership Institute that served as a platform for advancing minority homeownership, representation in technology industries, and growth of small businesses; and has an advertising and marketing plan that continuously focuses on the African American community. Finally, Prosperity also represents that Prosperity Bank has a successful financial literacy program designed to focus on minority- or women-owned businesses located in LMI areas.

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 FDIC with respect to both Prosperity Bank and Texas Partners.²⁴ In addition, the Board considers information provided by the applicant and any 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.²⁵ 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 Prosperity Bank and Texas Partners, 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

²⁴ See Interagency Questions and Answers Regarding Community Reinvestment, 81 *Federal Register* 48506, 48548 (July 25, 2016).

²⁵ 12 U.S.C. § 2906.

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;²⁶ (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.²⁷ 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.²⁸

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

²⁶ 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).

²⁷ *See* 12 CFR 228.22(b) (2023).

²⁸ *See* 12 CFR 228.23 and 228.24 (2023).

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.²⁹ 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 Prosperity Bank

Prosperity Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of July 18, 2022 ("Prosperity Bank Evaluation").³⁰ The bank received "High Satisfactory" ratings for each of the Lending and Investment Tests, and a "Low Satisfactory" rating for the Service Test.³¹

With respect to the Lending Test, examiners found that Prosperity Bank's lending levels reflected excellent responsiveness to credit needs in the bank's AAs.

²⁹ 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.

³⁰ The Prosperity Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed the bank's HMDA-reportable, small business, and small farm loans from January 1, 2017, through December 31, 2021. Examiners also reviewed community development loans and services, as well as qualified investments, from June 27, 2017, through July 18, 2022.

³¹ The Prosperity Bank Evaluation involved a full-scope review of the bank's activities in two AAs: the Oklahoma City, Oklahoma, MSA and the Dallas-Fort Worth-Arlington, Texas, MSA. Examiners also conducted a limited-scope review of Prosperity Bank's activities in the Tulsa, Oklahoma, MSA AA, as well as in the following AAs in Texas: the Abilene MSA, the Austin-Round Rock-San Marcos MSA, the Beaumont-Port Arthur MSA, the College Station-Bryan MSA, the Corpus Christi MSA, the Houston-Pasadena-The Woodlands MSA, the Longview MSA, the Lubbock MSA, the Midland MSA, the Odessa MSA, the San Angelo MSA, the San Antonio-New Braunfels MSA, the Tyler MSA, and the Victoria MSA. Examiners also combined 11 nonmetropolitan AAs in Texas into the "Texas Non-MSA AA" and conducted a limited-scope review of this AA.

Examiners also found that a substantial majority of Prosperity Bank's loans were made in the bank's AAs and that the geographic distribution of loans reflected adequate penetration throughout the AAs. Examiners stated that, given the product lines offered by the bank, the distribution of borrowers reflected good penetration among retail customers of different income levels and business customers of different sizes. Prosperity Bank was found to exhibit an excellent record of serving the credit needs of the most economically disadvantaged areas of its AAs, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices. Examiners also noted that Prosperity Bank was a leader in making community development loans and made extensive use of innovative and/or flexible lending practices in order to serve AA credit needs.

Examiners rated Prosperity Bank's performance under the Lending Test as "High Satisfactory" in both Oklahoma and Texas, the two areas of interest to the commenter. In both Oklahoma and Texas, examiners determined that the level of home mortgage lending activity reflected excellent responsiveness to AA credit needs. In Oklahoma, examiners found that Prosperity Bank's geographic distribution of loans was adequate, that the bank had a good borrower profile loan distribution, and that the bank was a leader in community development lending. Additionally, examiners stated that the bank made extensive use of innovative and/or flexible lending practices and demonstrated excellent lending activity. In Texas, examiners found that the bank's geographic loan distribution performance was adequate, that the bank had a good borrower profile loan distribution, and that the bank was a leader in community development lending. Additionally, examiners noted that the bank made extensive use of innovative and/or flexible lending practices and demonstrated excellent lending activity.

With respect to the Investment Test, examiners found that Prosperity Bank made a significant level of qualified community development investments and grants. Further, examiners found that Prosperity Bank occasionally used innovative and/or complex investments to support community development initiatives. Examiners also

found that the bank exhibited good responsiveness to credit and community development needs.

Examiners rated Prosperity Bank's performance under the Investment Test as "Low Satisfactory" in Oklahoma, and "High Satisfactory" in Texas, the two areas of interest to the commenter. In Oklahoma, examiners found that Prosperity Bank made an adequate level of qualified community development investments and donations and that the bank's responsiveness to credit and community development needs was adequate. In Texas, examiners found that the bank made a significant level of qualified investments and had good responsiveness to credit and community development needs.

With respect to the Service Test, examiners determined that Prosperity Bank's delivery systems were reasonably accessible to essentially all its AAs. Examiners found that the bank's record of opening and closing of branches had improved the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Examiners noted that services and business hours did not vary in a way that inconvenienced portions of its AAs, particularly LMI geographies or individuals. Finally, examiners found that the bank provided an adequate level of community development services.

Examiners rated Prosperity Bank's performance under the Service Test as "Low Satisfactory" in both Oklahoma and Texas, the two areas of interest to the commenter. In Oklahoma, examiners found that Prosperity Bank demonstrated an adequate level of community development services, delivery systems that were reasonable accessible to essentially all portions of the AAs, and that the bank's business hours and services did not vary in a way that inconvenienced portions of the AAs, particularly LMI geographies and/or individuals. In Texas, examiners found Prosperity Bank demonstrated an adequate level of community development services overall and that delivery systems were reasonably accessible. Additionally, examiners found that the bank's business hours and services did not vary in a way that inconvenienced portions of

the AAs and that the bank's opening and closing of branches has improved the accessibility of its delivery systems.

Prosperity Bank's Efforts since the Prosperity Bank Evaluation

Prosperity represents that, since the Prosperity Bank Evaluation, Prosperity Bank has participated in several grant and loan programs and continued to support its communities. Specifically, in 2023 and 2024, Prosperity represents that the bank (1) donated more than \$2.4 million to charitable community events and organizations in Texas and Oklahoma, (2) made nearly \$114 million in new CRA investments, (3) made over \$1.4 billion in CRA-eligible community development loans, and (4) continued supporting housing efforts in low-income communities by providing over 1,376 home loans for a total of more than \$321.5 million in loan funding through its home ownership program. Prosperity also represents that, in 2023 and 2024, Prosperity Bank employees contributed approximately 17,000 hours of volunteer service in collaboration with community-based organizations and also served in leadership roles in these organizations. In addition, Prosperity represents that it has continued its small business financial literacy program offered to small businesses in LMI areas or owned by minorities or women.

CRA Performance of Texas Partners

Texas Partners was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of February 5, 2024 ("Texas Partners Evaluation").³² The bank received "Low Satisfactory" ratings for each of the Lending, Investment, and Service Tests.³³

³² The Texas Partners Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed HMDA-reportable loan data from January 1, 2021, through December 31, 2022; small loans to businesses and farms from January 1, 2022, through December 31, 2022; and community development loans, qualified investments, and CD services from February 16, 2021, through February 5, 2024.

³³ The Texas Partners Bank Evaluation involved a full-scope review of the bank's activities in the San Antonio–New Braunfels, Texas, MSA and the Austin–Round Rock–

With respect to the Lending Test, examiners found that Texas Partners' lending levels reflected good responsiveness to credit needs in the bank's AAs. Examiners also found that a high percentage of loans were originated in the bank's AAs and that the geographic distribution of loans reflected adequate penetration throughout the AAs. Examiners stated that, given the product lines offered by the bank, the bank's distribution of borrowers reflected poor penetration among retail customers of different income levels and business customers of different sizes; however, examiners also found that Texas Partners was a leader in making community development loans and exhibited a good record of serving the credit needs of the most economically disadvantaged areas of its AAs, low-income individuals, and very small businesses. Examiners noted that the bank made limited use of innovative and/or flexible lending practices in serving the credit needs of its AAs.

With respect to the Investment Test, examiners found that Texas Partners made an adequate level of qualified community development investments and grants, although the bank was rarely in a leadership position. Further, examiners found that the bank did not use innovative and/or complex investments to support community development initiatives, but exhibited adequate responsiveness to credit and community development needs.

With respect to the Service Test, examiners determined that Texas Partners' delivery systems were reasonably accessible to essentially all portions of the bank's AAs. Examiners found that the bank's record of opening and closing of branches had generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Examiners also noted that services and business hours did not vary in a way that inconvenienced portions of its AAs, particularly LMI

Georgetown, Texas, MSA. Examiners applied limited-scope procedures to the remaining AA: the Non-MSA AA, which consisted of the entirety of Gillespie and Kerr counties, Texas.

geographies or individuals. Finally, 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 FDIC, as the primary federal supervisor of both Prosperity Bank and Texas Partners. The Board also considered the results of the most recent consumer compliance examinations of Prosperity Bank and Texas Partners, which included reviews of the banks' compliance management programs and their compliance with consumer protection laws and regulations, including fair lending.

The Board has taken this information, as well as the CRA performance records of Prosperity Bank and Texas Partners, into account in evaluating the proposal, including in considering whether Prosperity 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.

Prosperity represents that both Prosperity Bank and Texas Partners support the needs of their respective communities and that the combined organization will continue to do so following consummation of the proposal. Prosperity states that the unique way in which Prosperity Bank manages its banking operations in banking centers allows it to more effectively identify and respond to the financial needs of its members. Prosperity also states that the proposal will allow it to expand the customer base it serves. Prosperity asserts that Prosperity Bank offers a broad range of products and services to

meet the needs of the communities where its banking centers are located, and also specifically offers products and services to meet the needs of LMI individuals and geographies, including internet banking, internet bill-pay services, deposit and loan products, credit card services, online deposit account opening services, online consumer loan application services, and remote merchant deposit capture services.

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.³⁴ In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or that primarily service LMI individuals, as part of the CRA examination process.³⁵

Prosperity represents that Prosperity Bank may consolidate one or more bank branches in connection with the proposal in geographies where branches overlap or for other business reasons, but final decisions would likely not be made until after

³⁴ 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.

³⁵ See, e.g., 12 CFR 228.24(d)(2) (2023).

consummation of the proposal. Prosperity represents that the Texas Partners bank branches being considered for closure or consolidation would not be in low-income census tracts and that, as a result of the proposal, additional Prosperity Bank branches will be added to the San Antonio market, which will enhance the services available to customers of Texas Partners through Prosperity Bank's larger branch and ATM network, higher lending limit, and additional digital capabilities. Prosperity also represents that it gives consideration to the impact that a consolidation or closure would have on customers in terms of accessibility and proximity to other branches, as well as its fair lending impact and how a given branch contributes to the local and broader branch network. Prosperity further considers Prosperity Bank's obligations under the CRA. Prosperity indicates that it would provide notice to customers and regulators prior to consolidation or closure.

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 Prosperity, 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.

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."³⁶ 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

³⁶ 12 U.S.C. § 1842(c)(7).

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.³⁷ These categories are not exhaustive, and additional categories could inform the Board's decision.

In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.³⁸

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.³⁹

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

³⁷ Many of the metrics considered by the Board measure an institution's activities relative to the United States financial system.

³⁸ For further discussion of the financial stability standard, see *Capital One Financial Corporation*, FRB Order No. 2012-2 (February 14, 2012).

³⁹ 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.

\$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.⁴⁰ 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 proposal should be, and hereby is, approved.⁴¹ In reaching its conclusion, the

⁴⁰ Prosperity and Southwest offer a range of retail and commercial banking products and services. Prosperity 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.

⁴¹ The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b); *see also* 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted two written comments that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be

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 Prosperity 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 Prosperity 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.⁴²

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,⁴³ effective January 8, 2026.

(signed) Michele Taylor Fennell

Michele Taylor Fennell
Associate Secretary of the Board

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 commenter also requested an extension of the comment period for the application. The 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.

⁴² See 12 U.S.C. § 1818(b)(1).

⁴³ Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Bowman, Governors Waller, Cook, Barr, and Miran.