FRB Order No. 2017-31
November 14, 2017

FEDERAL RESERVE SYSTEM

South State Corporation
Columbia, South Carolina

Order Approving the Merger of Bank Holding Companies

South State Corporation ("SSC"), Columbia, South Carolina, a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to merge with Park Sterling Corporation ("PSC") and thereby indirectly acquire PSC's subsidiary bank, Park Sterling Bank, both of Charlotte, North Carolina. Following the proposed acquisition, Park Sterling Bank would be merged into SSC's subsidiary bank, South State Bank, Columbia, South Carolina.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (82 Federal Register 32812 (July 18, 2017)).[4] The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

SSC, with consolidated assets of approximately $11.2 billion, is the 119th largest insured depository organization in the United States. SSC controls approximately $9.0 billion in consolidated deposits, which represent less than 1 percent

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1 12 U.S.C. § 1841 et seq.

2 12 U.S.C. § 1842.

3 The merger of Park Sterling Bank into South State Bank is subject to approval of the Federal Deposit Insurance Corporation ("FDIC"), pursuant to section 18(c) of the Federal Deposit Insurance Act. See 12 U.S.C. § 1828(c). The FDIC approved the bank merger on October 31, 2017.

4 12 CFR 262.3(b).

of the total amount of deposits of insured depository institutions in the United States.[5] SSC controls South State Bank, which operates in Georgia, North Carolina, and South Carolina. SSC is the 5th largest insured depository organization in South Carolina, controlling approximately $5.6 billion in deposits, which represent approximately 7.1 percent of the total deposits of insured depository institutions in that state.[6] SSC is the 38th largest insured depository organization in North Carolina, controlling approximately $399.1 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state. SSC is the 14th largest insured depository organization in Georgia, controlling approximately $2.8 billion in deposits, which represent approximately 1.2 percent of the total deposits of insured depository institutions in that state.

PSC, with consolidated assets of approximately $3.3 billion, is the 273rd largest insured depository organization in the United States. PSC controls approximately $2.5 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. PSC controls Park Sterling Bank, which operates in Georgia, North Carolina, South Carolina, and Virginia. PSC is the 15th largest insured depository organization in South Carolina, controlling approximately $731.7 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state. PSC is the 18th largest insured depository organization in North Carolina, controlling approximately $965.9 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state. PSC is the 65th largest insured depository organization in Georgia, controlling approximately $240.8 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

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[5] National asset and deposit data are as of June 30, 2017, unless otherwise noted.

[6] State deposit data are as of June 30, 2016. In this context, insured depository institutions include commercial banks, credit unions, savings associations, and savings banks.

On consummation of the proposal, SSC would become the 102nd largest insured depository organization in the United States, with consolidated assets of approximately $14.5 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. SSC would control total deposits of approximately $11.6 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In South Carolina, SSC would remain the 5th largest insured depository organization, controlling deposits of approximately $6.3 billion, which represent approximately 8 percent of the total deposits of insured depository institutions in that state. In North Carolina, SSC would become the 15th largest insured depository organization, controlling deposits of approximately $1.4 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state. In Georgia, SSC would become the 13th largest insured depository organization, controlling deposits of approximately $3.0 billion, which represent approximately 1.3 percent of the total deposits of insured depository institutions in that state.

Interstate and Deposit Cap 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 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 is prohibited under state law.[7] Under this section, the Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the bank has not been in existence for the lesser of the state statutory minimum period of time or five years.[8] In addition, the Board may not approve an interstate application if the bank holding company controls or, upon consummation of the proposed transaction, would control

[7] 12 U.S.C. § 1842(d)(1)(A).

[8] 12 U.S.C. § 1842(d)(1)(B).

more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, 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.[9]

For purposes of the BHC Act, the home state of SSC is South Carolina, and Park Sterling Bank is located in Georgia, North Carolina, South Carolina, and Virginia.[10] SSC is well capitalized and well managed under applicable law, and South State Bank has a "Satisfactory" rating under the Community Reinvestment Act of 1977 ("CRA").[11] There are no minimum age requirements under the laws of Georgia, North Carolina, or Virginia that would apply to SSC's acquisition of Park Sterling Bank, and Park Sterling Bank has been in existence for more than five years.[12]

On consummation of the proposed transaction, SSC would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. In addition, SSC would control less than 30 percent of the total deposits of insured depository institutions in Georgia, North Carolina, and South Carolina, the only states in which SSC and PSC have overlapping banking operations.[13]

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[9] 12 U.S.C. § 1842(d)(2)(A) and (B). The acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or 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).

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

[11] 12 U.S.C. § 2901 et seq.

[12] See N.C. Gen. Stat. Ann. § 53-211; Ga. Code Ann. § 7-1-622; Va. Code Ann. § 6.2-849 et seq.

[13] Both Georgia and South Carolina impose a 30 percent limit on the total amount of in-state deposits that a single banking organization may control. See Ga. Code Ann. § 7-1-

The Board has considered all other requirements under section 3(d) of the BHC Act, including South State Bank's record of meeting the convenience and needs of the communities it serves. Accordingly, in light of all the facts of record, the Board may approve 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]

SSC and PSC have subsidiary depository institutions that compete directly in the Charleston, Columbia, Greenville, Greenwood, and Newberry County banking markets, all of which are located in South Carolina.[16] The depository institution subsidiaries of SSC and PSC also compete directly in the Charlotte, North Carolina-

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622(b)(2)(B); S.C. Code Ann. § 34-25-240(b). North Carolina does not impose limits on the total amount of in-state deposits that a single banking organization may control.

[14] 12 U.S.C. § 1842(c)(1).

[15] 12 U.S.C. § 1842(c)(1)(B).

[16] The Charleston, South Carolina, banking market ("Charleston market") is defined as Berkeley, Charleston, and Dorchester counties, and the southeastern part of Colleton County (east of the South Edisto River on Edisto Island), all of South Carolina. The Columbia, South Carolina, banking market ("Columbia market") is defined as Calhoun, Fairfield, Kershaw, Lexington, and Richland counties, all of South Carolina. The Greenville, South Carolina, banking market ("Greenville market") is defined as Anderson, Greenville, Laurens, and Pickens counties, all of South Carolina. The Greenwood, South Carolina, banking market ("Greenwood market") is defined as Abbeville, Greenwood, and McCormick counties, all of South Carolina. The Newberry County, South Carolina, banking market ("Newberry County market") is defined as Newberry County, South Carolina.

South Carolina, banking market ("Charlotte market"),[17] the Spartanburg, South Carolina-North Carolina, banking market ("Spartanburg market"),[18] and the Wilmington, North Carolina, banking market ("Wilmington market").[19]

The Board has considered the competitive effects of the proposal in these banking markets. In particular, the Board has considered the number of competitors that would remain in each market; the relative share of total deposits in insured depository institutions in each market ("market deposits") that SSC would control;[20] the concentration levels of market deposits and the increase in these levels, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[21] and other characteristics of the markets.

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[17] The Charlotte market is defined as Anson, Cabarrus, Gaston, Lincoln, Mecklenburg, and Union counties, all of North Carolina; the city of Mooresville and the townships of Davidson and Coddle Creek, all in Iredell County, North Carolina; the townships of Atwell and China Grove, all in Rowan County, North Carolina; the King's Mountain township in Cleveland County, North Carolina; and Lancaster and York counties, both of South Carolina.

[18] The Spartanburg market is defined as Cherokee, Spartanburg, and Union counties, all of South Carolina, and Polk County, North Carolina.

[19] The Wilmington market is defined as New Hanover, Pender, and Brunswick (excluding the Shallotte Township) counties, all of North Carolina.

[20] Local deposit and market share data are as of June 30, 2016, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50-percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[21] Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice ("DOJ") has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines for each of these markets. On consummation of the proposed transaction, the Charlotte and Columbia markets would remain highly concentrated, but the increase in the HHI in each market would be minimal (1 point or less), and numerous competitors would remain.[22] The Newberry County market also would remain highly concentrated on consummation of the proposal, but the increase in the HHI would be below the threshold in the DOJ Bank Merger Guidelines.[23] Further, six competitors would remain in the market, including a market

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anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

[22] SSC operates the 10th largest depository institution in the Charlotte market, controlling approximately $567.9 million in deposits, which represent approximately 0.3 percent of market deposits. PSC operates the 7th largest depository institution in the same market, controlling approximately $819.1 million in deposits, which represent approximately 0.4 percent of market deposits. On consummation of the proposed transaction, SSC would become the 7th largest depository organization in the market, controlling deposits of approximately $1.4 billion, which represent approximately 0.7 percent of market deposits. The HHI for the Charlotte market would increase by less than 1 point to 5894, and 42 competitors would remain in the market.

SSC operates the 8th largest depository institution in the Columbia market, controlling approximately $466.3 million in deposits, which represent approximately 2.6 percent of market deposits. PSC operates the 17th largest depository institution in the same market, controlling approximately $50.1 million in deposits, which represent approximately 0.3 percent of market deposits. On consummation of the proposed transaction, SSC would become the 7th largest depository organization in the market, controlling deposits of approximately $516.4 million, which represent approximately 2.8 percent of market deposits. The HHI for the Columbia market would increase by 1 point to 2028, and 25 competitors would remain in the market.

[23] SSC operates the 6th largest depository institution in the Newberry County market, controlling approximately $30.3 million in deposits, which represent approximately 6.3 percent of market deposits. PSC operates the 3rd largest depository institution in the same market, controlling approximately $75.6 million in deposits, which represent

leader with 29.35 percent market share and three other competitors that would each have an over 10 percent market share.

On consummation of the proposal, the Charleston, Greenwood, Spartanburg, and Wilmington markets would remain moderately concentrated, as measured by the HHI, and the Greenville market would remain unconcentrated. Numerous competitors would remain in each market.[24]

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approximately 15.7 percent of market deposits. On consummation of the proposed transaction, SSC would become the 2nd largest depository organization in the market, controlling deposits of approximately $105.9 million, which represent approximately 22.0 percent of market deposits. The HHI for the Newberry County market would increase by 197 points to 2015, and6 competitors would remain in the market.

[24] SSC operates the 3rd largest depository institution in the Charleston market, controlling approximately $1.5 billion in deposits, which represent approximately 12.6 percent of market deposits. PSC operates the 27th largest depository institution in the same market, controlling approximately $12.6 million in deposits, which represent approximately 0.1 percent of market deposits. On consummation of the proposed transaction, SSC would remain the 3rd largest depository organization in the market, controlling deposits of approximately $1.5 billion, which represent approximately 12.7 percent of market deposits. The HHI for the Charleston market would increase by 2 points to 1224, and 33 competitors would remain in the market.

SSC operates the 6th largest depository institution in the Greenwood market, controlling approximately $86.9 million in deposits, which represent approximately 7.5 percent of market deposits. PSC operates the 3rd largest depository institution in the same market, controlling approximately $180.2 million in deposits, which represent approximately 15.5 percent of market deposits. On consummation of the proposed transaction, SSC would become the largest depository organization in the market, controlling deposits of approximately $267.2 million, which represent approximately 23.0 percent of market deposits. The HHI for the Greenwood market would increase by 232 points to 1728, and 10 competitors would remain in the market.

SSC operates the 20th largest depository institution in the Spartanburg market, controlling approximately $33.5 million in deposits, which represent approximately 0.6 percent of market deposits. PSC operates the 16th largest depository institution in the same market, controlling approximately $109.0 million in deposits, which represent approximately 1.8 percent of market deposits. On consummation of the proposed transaction, SSC would become the 15th largest depository organization in the market, controlling deposits of approximately $142.4 million, which represent approximately 2.4 percent of market deposits. The HHI for the Spartanburg market would increase by

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

Based on 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 the Charleston, Columbia, Greenville, Greenwood, Newberry County, Charlotte, Spartanburg, or Wilmington banking markets, or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the

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2 points to 1002, and 22 competitors would remain in the market.

SSC operates the 11th largest depository institution in the Wilmington market, controlling approximately $159.3 million in deposits, which represent approximately 2.3 percent of market deposits. PSC operates the 13th largest depository institution in the same market, controlling approximately $69.5 million in deposits, which represent approximately 1.0 percent of market deposits. On consummation of the proposed transaction, SSC would become the 9th largest depository organization in the market, controlling deposits of approximately $228.7 million, which represent approximately 3.3 percent of market deposits. The HHI for the Wilmington market would increase by 5 points to 1280, and 21 competitors would remain in the market.

SSC operates the 7th largest depository institution in the Greenville market, controlling approximately $773.4 million in deposits, which represent approximately 5.1 percent of market deposits. PSC operates the 14th largest depository institution in the same market, controlling approximately $217.9 million in deposits, which represent approximately 1.4 percent of market deposits. On consummation of the proposed transaction, SSC would become the 5th largest depository organization in the market, controlling deposits of approximately $991.2 million, which represent approximately 6.5 percent of market deposits. The HHI for the Greenville market would increase by 14 points to 921, and 35 competitors would remain in the market.

institutions involved.[25] 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 information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

SSC and PSC are both well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is structured primarily as a share exchange, with a subsequent merger of the subsidiary depository institutions.[26] The asset quality, earnings, and liquidity of both South State Bank and Park Sterling Bank are consistent with approval, and SSC appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, the

[25] 12 U.S.C. § 1842(c)(2), (5), and (6).

[26] As part of the proposed transaction, each share of PSC common stock would be converted into a right to receive shares of SSC common stock based on an exchange ratio. Certain stock options granted by PSC would be cancelled and converted into the right to receive a cash amount based on an exchange ratio. SSC has the financial resources to effect the proposed transaction.

future prospects of the institutions under the proposal 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 SSC, PSC, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by SSC; 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 information provided by the commenter.

SSC, PSC, and their subsidiary depository institutions are each considered to be well managed. SSC has a record of successfully integrating organizations into its operations and risk-management systems after acquisitions. The directors and senior executive officers of SSC have knowledge of and experience in the banking and financial services sectors, and SSC's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered SSC's plans for implementing the proposal. SSC has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. SSC would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, SSC's management has the experience and resources to operate the combined organization in a safe and sound manner, and SSC plans to integrate PSC's existing management and personnel in a manner that augments SSC's management.[27]

[27] SSC anticipates that, on consummation of the proposed transaction, PSC's chief executive officer and an independent member of PSC's board of directors would be appointed to the boards of directors of SSC and South State Bank.

Based on all of the facts of record, including SSC's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, the Board concludes 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 SSC and PSC in combating 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.[28] In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,[29] and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[30]

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers the assessments of other relevant

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[28] 12 U.S.C. § 1842(c)(2).

[29] 12 U.S.C. § 2901(b).

[30] 12 U.S.C. § 2903.

supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, its marketing and outreach plans, the organization's plans following consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all of the facts of record, including reports of examination of the CRA performance of South State Bank and Park Sterling Bank; the fair lending and compliance records of both banks; the supervisory views of the FDIC; confidential supervisory information; information provided by SSC; and the public comment received on the proposal.

Public Comment on the Proposal

A commenter objected to the proposal on the basis of alleged disparities in South State Bank's lending to African Americans and Hispanics, as compared to whites, in the Columbia, South Carolina Metropolitan Statistical Area ("Columbia MSA"), the Charlotte, North Carolina MSA ("Charlotte MSA"), and the Atlanta, Georgia MSA ("Atlanta MSA"), as reflected in data reported under the Home Mortgage Disclosure Act ("HMDA")[31] for 2015. Specifically, the commenter alleged that South State Bank originated low levels of home mortgage loans to African American and Hispanic borrowers and had high denial rates for home purchase loan applications from such borrowers, compared to white borrowers, in each MSA. In addition, the commenter asserted that South State Bank should provide additional information concerning the branches that it plans to close in connection with the proposed transaction, as well as its criteria for closing branches.

[31] 12 U.S.C. § 2801 et seq.

Businesses of the Involved Institutions and Response to the Public Comment

SSC operates primarily through South State Bank, offering a broad range of financial products and services to consumers and businesses. Through its network of branches across Georgia, North Carolina, and South Carolina, the bank offers a variety of banking products and services, including consumer and commercial loans, real estate mortgages, personal checking and savings accounts, business checking and savings accounts, and private banking and asset management services.

PSC operates primarily through Park Sterling Bank and offers a wide variety of banking products and services to its customers in branches across Georgia, North Carolina, South Carolina, and Virginia. These products and services include retail and commercial banking services; commercial, consumer, and mortgage loans; and trust and investment services.

SSC disputes the commenter's allegations that South State Bank has engaged in discriminatory lending practices and represents that it is firmly committed to making its credit products and services available to customers on a fair and equitable basis and in strict compliance with fair lending laws and regulations. SSC asserts that the denial rates referenced by the commenter reflect determinations based on nondiscriminatory factors, including debt-to-income ratios, credit and employment history, and collateral. SSC represents that it maintains a fair lending program with policies and procedures that help ensure compliance with CRA and fair lending requirements. These include a second review program for denied consumer loans, periodic testing and monitoring of South State Bank's HMDA data, and periodic analyses of the bank's consumer lending products to detect possible disparate treatment with respect to credit decisions and pricing. In addition, SSC represents that it conducts extensive fair lending compliance training for its employees and provides periodic reporting of fair lending compliance risk assessments, issues, and trends to senior management and directors.

SSC acknowledges that South State Bank plans to close or consolidate certain branches of the combined organization following consummation of the proposed transaction, but disputes the commenter's allegations that it has not publicized which branches it intends to close. SSC asserts that South State Bank has been transparent to the public by disclosing the locations of the branches that it plans to close or consolidate and providing explanations for its decisions. SSC represents that South State Bank considered a variety of factors in identifying branches for closure, including the proximity of other branch locations, the financial performance and future prospects of the relevant branches, and the impact of branch closures on customers and the community. SSC represents that customers would receive prior notice before any branches are closed or consolidated. Moreover, SSC represents that any branch closures would be completed in accordance with regulatory requirements associated with closing branches.[32]

SSC represents that South State Bank offers a variety of mortgage loan products and programs designed to increase affordable housing opportunities for LMI individuals and communities. Specifically, SSC represents that South State Bank has proprietary loan programs for underserved markets and participates in a variety of national, state, and local mortgage lending programs designed to assist LMI individuals and LMI or minority communities. SSC contends that South State Bank offers, among its proprietary programs, an affordable home mortgage loan product available to borrowers purchasing homes in high minority census tracts and borrowers meeting certain income thresholds, which allows loan-to-value ratios of up to 100 percent. SSC asserts that South State Bank has taken steps to increase its home mortgage lending to African American, Hispanic, and LMI borrowers, including partnering with local organizations

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[32] The Board notes that section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Fed. Reg. 34844 (June 29, 1999)), requires that a bank provide the public with at least 30 days' notice, and the appropriate federal supervisory agency with at least 90 days' notice, before the date of a proposed branch closing. 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.

that promote affordable housing, home ownership, and economic development opportunities. SSC represents that South State Bank has hired community mortgage loan originators in various markets who have a specific focus on community outreach and mortgage originations in markets where South State Bank's minority applications intake rate falls below certain benchmarks. In addition, SSC represents that South State Bank has been increasing its outreach efforts to further promote its mortgage lending products and services and recently announced a new $100 million mortgage lending initiative to assist LMI and minority communities.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the response to comments by the applicant. In particular, the Board evaluates an institution's performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions, as well as information and views provided by the appropriate federal supervisors.[33] In this case, the Board considered the supervisory views of the FDIC.

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.[34] 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 lending, investment, and service tests to evaluate the performance of a large insured depository institution in

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[33] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

[34] 12 U.S.C. § 2906.

helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending 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 HMDA data, 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 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 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;[35] (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.

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic 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

[35] Examiners also consider the number and amounts of small business and small farm loans 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).

credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.[36] Consequently, HMDA data disparities must be evaluated in the context of other information regarding the lending record of an institution.

CRA Performance of South State Bank

South State Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of October 31, 2016 ("South State Bank Evaluation").[37] The bank received "High Satisfactory" ratings for the Lending Test, Investment Test, and Service Test.

Examiners found that South State Bank's overall lending levels reflected good responsiveness to the credit needs of its AAs. According to examiners, the bank originated a substantial majority of its loans within its AAs, and the distribution of its loans reflected adequate penetration among retail customers of different income levels and businesses of different sizes. Regarding the bank's distribution of borrowers, examiners found that the bank's home mortgage lending performance to LMI borrowers was generally consistent with or below aggregate and demographic data, and the bank's

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

[37] The South State Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed mortgage loans reported pursuant to HMDA and small loans made to businesses and farms reported under CRA data collection requirements from January 1, 2014, through the second quarter of 2016. The evaluation period for community development loans, investments, and services was July 2, 2014, through October 31, 2016. As of the evaluation date, the bank had 16 AAs located in three states and two multistate MSAs. The South State Bank Evaluation included full-scope evaluations of the bank's AAs in the following locations: Charleston-North Charleston, Greenville-Anderson-Mauldin, Columbia ("Columbia MSA"), and Hilton Head Beach-Bluffton-Beaufort MSAs, all of South Carolina, as well as the South Carolina non-MSA; Savannah, Georgia, MSA and Georgia non-MSA; Wilmington, North Carolina, MSA; and the Multistate MSAs ("MMSAs") of Charlotte-Concord-Gastonia, North Carolina-South Carolina ("Charlotte MMSA") and Myrtle Beach-Conway-North Myrtle Beach, North Carolina-South Carolina. Limited scope evaluations were performed for the bank's other AAs.

lending performance to small businesses was generally below aggregate and demographic data. However, examiners found that South State Bank's geographic distribution of loans reflected good penetration throughout its AAs and noted that its home mortgage and small business lending performance in LMI census tracts was generally consistent with or above aggregate and demographic data. Moreover, examiners noted that the bank used flexible lending practices in order to serve the credit needs of its AAs and participated in or used several programs to help borrowers who otherwise might not qualify for credit. The bank's innovative or flexible lending practices noted by examiners included an affordable housing residential mortgage loan program that the bank designed to meet the needs of LMI families and affordable home mortgage loans that featured down-payment assistance.

In the Columbia MSA and Charlotte MMSA, both areas of concern to the commenter, the bank's lending levels were found to reflect generally adequate responsiveness to the AAs' credit needs, and, in the Atlanta-Sandy Springs-Roswell MSA ("Atlanta MSA"), another area of concern to the commenter, examiners found that the bank's lending performance reflected good responsiveness to the credit needs of the AA. According to examiners, the geographic distribution of the bank's HMDA lending was found to be adequate in the Columbia MSA and the Atlanta MSA and generally adequate in the Charlotte MMSA. The bank's distribution of borrowers for HMDA lending was found to reflect adequate penetration among retail customers of different income levels in both the Columbia MSA and Charlotte MMSA. In the Atlanta MSA, examiners found that the bank's distribution of borrowers for HMDA lending reflected good penetration among retail customers of different income levels, and the bank's level of home purchase lending to low-income borrowers was significantly above aggregate and demographic data. In the Columbia and Atlanta MSAs, examiners found that the bank made an adequate level of community development loans; however, examiners determined that the bank's level of community development lending was low in the Charlotte MMSA. In each of these three geographic areas, examiners found that the bank used flexible lending practices.

Examiners found that South State Bank maintained a significant level of qualified investments. In light of the available investment opportunities, examiners found that the level and innovation of the bank's qualified investments demonstrated good responsiveness to the credit and community development needs of its AAs. Examiners noted that the bank occasionally used innovative and complex investments to support community development initiatives and that the majority of its investments by number and dollar volume benefited affordable housing, followed by economic development and stabilization. Examiners found that the bank demonstrated adequate responsiveness to meeting the community development investment needs of the Columbia MSA and Charlotte MMSA and good responsiveness to meeting the community development investment needs of the Atlanta MSA.

Examiners found South State Bank's delivery systems to be reasonably accessible to essentially all portions of its AAs. Examiners found that the bank's opening and closing of branches generally did not adversely affect the accessibility of its delivery systems, particularly in LMI geographies or to LMI individuals. Examiners determined that the bank's services and business hours did not vary in a way that inconvenienced parts of its AAs. Examiners found that, overall, the bank provided a relatively high level of community development services in its AAs, including to organizations that promoted affordable housing, economic and small business development, financial education, and other community development goals. Examiners found that the bank provided a relatively high level of community development services in the Columbia MSA and Charlotte MMSA and that the bank was a leader in providing community development services in the Atlanta MSA.

South State Bank's Activities Since the South State Bank Evaluation

SSC represents that, since the South State Bank Evaluation, South State Bank has furthered its commitment to community reinvestment and to serving the needs of LMI geographies and individuals in all of its communities. According to SSC, the bank has done so through a range of initiatives, including community development service activities, community development loans and investments, and lending to small businesses and LMI borrowers. SSC represents that South State Bank has demonstrated its commitment to flexible and innovative lending by participating in several loan programs that provide financing to LMI borrowers or small businesses in LMI geographies. SSC also represents that South State Bank made a variety of community development loans and investments to promote job creation and improve services in LMI geographies. SSC contends that the bank has provided financial literacy training for youth, young adults, adults, and small business owners and has supported organizations that provide targeted services to LMI individuals and communities.

CRA Performance of Park Sterling Bank

Park Sterling Bank received an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of April 24, 2017 ("Park Sterling Bank Evaluation"),[38] with a "High Satisfactory" rating for the Lending Test and "Low Satisfactory" ratings for the Investment Test and Service Test.

Examiners concluded that Park Sterling Bank's overall lending levels reflected good responsiveness to the credit needs of the bank's AAs. Examiners found that a high percentage of the bank's loans, by number and dollar amount, was originated in its AAs. Examiners found that the geographic distribution of the bank's loans reflected good penetration throughout the bank's AAs. The distribution of the bank's borrowers was found to reflect poor penetration among retail customers of different income levels and adequate penetration among businesses of different sizes. Examiners

[38] The Park Sterling Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed mortgage loans reported pursuant to HMDA and small loans made to businesses and farms reported under CRA data collection requirements from January 1, 2015, through December 31, 2016. The evaluation period for community development lending, investments, and services was April 12, 2014, through April 24, 2017. The Park Sterling Bank Evaluation included full-scope evaluations of the bank's AAs in the following locations: Charlotte-Concord-Gastonia, North Carolina-South Carolina Multistate MSA; Greenville-Anderson-Mauldin, South Carolina MSA; South Carolina non-MSA; Wilmington, North Carolina MSA; Georgia non-MSA; and Richmond, Virginia MSA. Limited-scope evaluations were performed in the bank's other AAs.

found the bank to be a leader in making community development loans. Examiners noted that the bank extended a substantial number and dollar amount of community development loans, with most of the loans directly targeted at affordable housing for LMI families.

Examiners found that Park Sterling Bank maintained an adequate level of qualified investments, particularly those that were not routinely provided by private investors. Examiners found that the volume and percentage of the bank's investments were commensurate with those provided by similarly situated banks. The majority of the bank's investments by number and dollar amount was found to have benefited affordable housing, followed by economic development and revitalization or stabilization.

Examiners found that the bank's delivery systems were reasonably accessible to essentially all portions of the bank's AAs. To the extent that changes had been made, examiners determined that the bank's opening and closing of branches throughout the AAs had improved the accessibility of the bank's delivery systems, especially in LMI geographies or to LMI individuals. Examiners also found that Park Sterling Bank's banking hours and services did not vary in a way that inconvenienced portions of the bank's AAs, particularly LMI geographies or individuals. Examiners found that the bank provided an adequate level of community development services within its AAs, and such services supported a variety of community organizations that promoted affordable housing, economic development, financial education, and small business development.

Additional Supervisory Views

In its review of the proposal, the Board consulted with the FDIC regarding South State Bank's CRA, consumer compliance, and fair lending records. The FDIC reviewed the bank merger underlying this proposal and, in so doing, considered the comment received by the Board. In addition, the Board consulted with the Consumer Financial Protection Bureau ("CFPB").

The Board has considered the results of the most recent consumer compliance examination of South State Bank conducted by the FDIC, which included a review of the bank's compliance management system and the bank's compliance with consumer protection laws, including fair lending laws and regulations. Examiners also conducted transaction testing and a fair lending review.

The Board has taken the consultations with the FDIC and the CFPB and the information discussed above into account in evaluating the proposed transaction, including in considering whether SSC has the experience and resources to ensure that the organization effectively implements policies and programs that would allow the combined organization to serve effectively the credit needs of all the communities within the firm's AAs.

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. SSC represents that, as a result of the proposal, existing customers of South State Bank and Park Sterling Bank would benefit from an expanded branch and ATM network and a broader range of financial products and services. Moreover, SSC represents that the proposed transaction would create potential expense-saving opportunities, which would create opportunities to pass savings on to customers of the combined organization.

SSC contends that the combined organization would have a greater focus on consumer lending, as additional Park Sterling Bank employees would be trained as consumer lenders, and the organization would be able to offer higher unsecured loan amounts. SSC asserts that current small business and commercial customers of Park Sterling Bank would gain access to a broader retail network, focused on delivering small business loans, as well as to enhanced small business lending through South State Bank's participation and experience in Small Business Administration lending and other state and federal loan assistance programs.

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 views of the FDIC, confidential supervisory information, information provided by SSC, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater risk to the stability of the United States banking or financial system."[39]

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[40] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness 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 to the broader economy.[41]

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[39] Dodd-Frank Act § 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601 (2010), codified at 12 U.S.C. § 1842(c)(7).

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

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

The Board's experience has shown that proposals involving an acquisition of less than $10 billion in assets, or that result in a firm with less than $100 billion in total assets, are generally 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.[42]

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target that has less than $10 billion in assets and a pro forma organization of less than $100 billion in assets. Both the acquirer and the target are predominately engaged in retail and commercial banking activities.[43] The pro forma organization would have minimal cross-border activities and 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 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

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[42] See People's United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

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

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.[44] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by SSC with all of the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. 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.

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[44] The commenter requested that the Board hold a public hearing or meeting on the proposal. Section 3(b) of the BHC Act does not require that the Board hold a public hearing on any application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 U.S.C. § 1842(b); 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent 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 written comments that the Board has considered in acting on the proposal. The commenter's request did not identify disputed issues of fact material to the Board's decision that would be clarified by a public meeting. In addition, the request did not demonstrate why written comments do not present the commenter's views adequately or why a hearing or meeting otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

The proposal may not be consummated before the fifteenth 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,[45] effective November 15, 2017.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

[45] Voting for this action: Chair Yellen, Vice Chairman for Supervision Quarles, and Governors Powell and Brainard.