



October 4, 2018

**CRA Decision #193
November 2018**

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Subject: Applications to (i) merge State Bank and Trust Company, Macon, Georgia with and into Cadence Bank, NA, Birmingham, Alabama (OCC Control No.: 2018-SO-Combination-303875); (ii) relocate Cadence Bank's main office (2018-SO-BranchNew-304056); and (iii) acquire BREC-Pharr Road, LLC as a subsidiary (2018-SO-Subs&Equities-304481)
OCC Charter No.: 3656

Dear Ms. Robinson:

The Office of the Comptroller of the Currency (OCC) hereby approves the applications to merge State Bank and Trust Company, Macon, Georgia (State Bank) with and into Cadence Bank, NA, Birmingham, Alabama (Cadence Bank); relocate Cadence Bank's main office and retain the current main office location as a branch, and acquire BREC-Pharr Road, LLC as a subsidiary. Cadence Bank is authorized to retain and operate as branches its existing branches and the branches of State Bank. This approval is granted after a thorough review of the application, other materials supplied by bank representatives, and additional information available to the OCC, including commitments and representations made in the application, and during the application process.

I. Background and the Transaction

Cadence Bank is an \$11.3 billion national bank headquartered in Birmingham, Alabama and operates 65 branches in Alabama, Florida, Mississippi, Tennessee, and Texas. Cadence Bank is a wholly-owned subsidiary of Cadence Bancorporation, Houston, Texas, a Delaware-registered bank holding company.

State Bank is a \$5.0 billion state-chartered nonmember bank headquartered in Macon, Georgia and operates 32 full-service branches and one limited-service branch in Georgia. State Bank is a wholly-owned subsidiary of State Bank Financial Corporation, Atlanta, Georgia, a Georgia-registered bank holding company.

Cadence Bancorporation submitted an application to the Federal Reserve Bank of Dallas to acquire State Bank Financial Corporation, pursuant to an Agreement and Plan of Merger by and

between Cadence Bancorporation and State Bank Financial Corporation (Merger Agreement), dated May 11, 2018. Pursuant to the Merger Agreement, State Bank Financial Corporation will merge with and into Cadence Bancorporation, with Cadence Bancorporation being the surviving parent company, and State Bank will become a wholly-owned subsidiary of Cadence Bancorporation. Immediately following the consummation of the bank holding company merger, State Bank will merge with and into Cadence Bank, with Cadence Bank continuing as the surviving institution.

The OCC received comments from one party regarding the proposed merger. The OCC carefully considered the concerns of the commenter as they relate to the statutory and regulatory factors considered by the OCC in acting on the application, including performance under the Community Reinvestment Act (CRA), and the probable effects of the transaction on the convenience and needs of the communities to be served. The public comments are discussed under the Public Comments and Analysis section below.

II. Legal Authority

A. 12 USC 215c

Mergers of insured banks with different home states are authorized under 12 USC 1831u(a)(1),¹ which was adopted as part of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal). Riegle-Neal imposes certain conditions on interstate merger transactions. These are (i) compliance with state-imposed age limits, if any, subject to Riegle-Neal's limits; (ii) compliance with certain state filing requirements, if any; (iii) compliance with nationwide and state concentration limits; (iv) expanded community reinvestment compliance; and (v) adequacy of capital and management skills.² The OCC has considered these factors and determined that the merger satisfies all applicable Riegle-Neal requirements.

Following an interstate merger transaction under Riegle-Neal, subject to the approval of the OCC, the resulting bank may retain and operate, as a main office or branch, any office that any bank involved in an interstate merger transaction was operating as a main office or a branch immediately before the merger transaction.³ Therefore, upon consummation of the merger, Cadence Bank may retain and operate all of the offices of both banks.

B. Bank Merger Act

The OCC also reviewed the proposed merger transaction under the criteria of the Bank Merger Act (BMA), 12 USC 1828(c), and applicable OCC regulations and policies. Under the BMA, the OCC must consider the risk of the transaction to the stability of the U.S. banking or financial system and may not, without good reason, approve a merger that would substantially lessen

¹ See also 12 USC 215a-1, which authorizes a national bank to merge with an out-of-state bank if the merger is approved pursuant to Riegle-Neal. 12 USC 215a-1(a).

² See 12 USC 1831u(a)(5) and 1831u(b).

³ 12 USC 1831u(d)(1) and 12 USC 36(d).

competition in any section of the country.⁴ The BMA also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions.⁵ The OCC must also consider the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities.⁶ The OCC considered these factors and found them consistent with approval of the Application.

The OCC must also consider the convenience and needs of the community to be served under the BMA as well as the record of compliance with the CRA of each applicant bank in a merger transaction.⁷ As discussed in more detail below, the OCC has considered these factors and found them consistent with approval of the application.

III. Branches

As noted above, the OCC approves the relocation of Cadence Bank's main office from 2100 Third Avenue North, Birmingham, Alabama to 1349 W. Peachtree Street, Suite 100, Atlanta, Georgia, an existing branch of State Bank.⁸ The OCC also approves the establishment of the 2100 Third Avenue North location as a branch.⁹ If the main office is not relocated and the branch is not established within 18 months from this approval date, the approval automatically terminates unless the OCC grants an extension. Within 10 days after relocating the main office and establishing the branch, Cadence Bank must advise this office of the relocation date. If the branch is instead closed, a 90-day advance notice of proposed branch closing must be submitted to the OCC pursuant to 12 USC 1831r-1. Following the expiration of the 90-day notification period, a final closing notice should be submitted to this office.

IV. Retention of Subsidiary

State Bank has one wholly owned subsidiary, BREC-Pharr Road, LLC. The OCC approves the acquisition of BREC-Pharr Road, LLC as a wholly owned subsidiary of Cadence Bank for purposes of holding and managing real estate for future expansion. A national bank "may conduct in an operating subsidiary activities that are permissible for a national bank to engage in directly either as part of, or incidental to, the business of banking, as determined by the OCC, or otherwise under statutory authority" and further described at 12 CFR 5.34(e). Based on a thorough review of all information available, including the representations and commitments made in the application and by the Bank's representatives, the OCC concludes the activities of

⁴ 12 USC 1828(c)(5).

⁵ Id.

⁶ 12 USC 1828(c)(11).

⁷ 12 USC 1828(c)(5), 2903(a)(2); 12 CFR 25.29(a)(3).

⁸ 12 USC 1831u(d)(1).

⁹ Id.

BREC-Pharr Road, LLC are legally permissible for national banks and their operating subsidiaries.

V. Community Reinvestment Act and Convenience and Needs

In evaluating this proposed transaction, the OCC carefully considered (i) Cadence Bank's and State Bank's most recent CRA performance evaluations (PE), (ii) information available to the OCC as a result of its supervisory activities, (iii) written public comments, and (iv) information Cadence Bank provided in response to a public comment.

A. Community Reinvestment Act

The CRA requires the OCC to take into account the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income (LMI) neighborhoods, when evaluating applications under the BMA. Under the regulations implementing the CRA, a bank's record of performance may be the basis for denying or conditioning approval of an application subject to the BMA.¹⁰ Accordingly, the OCC considered the CRA PE of each bank involved in this transaction. Based on this review, the OCC has concluded that the banks' records of performance under the CRA are consistent with approval of this application.

1. Cadence Bank's CRA Performance

Cadence Bank's most recent CRA PE, prepared by the OCC, is dated July 27, 2015. The bank's overall rating was "satisfactory."¹¹ The major factors that supported this rating included the bank's (i) origination of a significant majority of loans inside its assessment areas (AA); (ii) generally adequate lending activity; (iii) poor geographic distribution of lending activity across rating areas, and generally adequate borrower income distribution; (iv) neutral community development (CD) lending performance; (v) overall adequate level of qualified investments, which were generally responsive to community needs; (vi) branches with accessibility levels that ranged depending on their rating areas; and (vii) generally good level of CD services.

2. State Bank's CRA Performance

State Bank's most recent CRA PE, prepared by the Federal Deposit Insurance Corporation (FDIC), is dated April 24, 2017. The bank's overall CRA rating was "satisfactory."¹² The major

¹⁰ 12 CFR 25.29(d).

¹¹ The OCC evaluated Cadence Bank for CRA purposes as a large institution. Examiners reviewed Home Mortgage Disclosure Act (HMDA) reportable loans and small business loans for the period beginning October 1, 2010, and ending December 31, 2014, with evaluation periods varying by assessment area (AA). Examiners reviewed community development (CD) loans, investments, and services for the period beginning September 14, 2010, through December 31, 2014, with evaluation period start dates varying by AA. See CRA PE (July 27, 2015), appendix A. Cadence Bank received a "low satisfactory" rating on the lending, investment, and service tests. The CRA PE is available at <https://www.occ.gov/static/cra/craeval/mar17/3656.pdf>.

¹² The FDIC evaluated State Bank for CRA purposes as a large institution. During the course of this evaluation, examiners reviewed the bank's loans reported pursuant to the HMDA and CRA data collection requirements for calendar years 2014 through 2016. Examiners also considered CD loans originated between January 21, 2014, and April 24, 2017. State Bank received a "low satisfactory" rating on the lending and investment tests, and a "high

factors that supported this rating included (i) lending levels that reflected adequate responsiveness to the credit needs of its AAs, (ii) adequate level of qualified CD investments and grants that reflected good responsiveness to credit and CD needs, and (iii) delivery systems that are reasonably accessible to all portions of its AAs.

B. Convenience and Needs

Under the BMA, the OCC considers the convenience and needs of the communities to be served by the resulting bank.¹³ Though the banks' CRA performance and the probable effects of the proposed transaction on the convenience and needs of the communities to be served are interrelated, as explained in the "Public Notice and Comments" booklet of the *Comptroller's Licensing Manual* (November 2017), consideration of a bank's CRA performance primarily looks to how the bank has performed in the past. A convenience and needs assessment considers how the combined bank will help to meet the needs of its community on a prospective basis. The OCC has concluded that approval of this transaction is consistent with the convenience and needs of the communities that the resulting bank will serve.

VI. Public Comments and Analysis

A. Summary of Public Comment and Applicant's Response

The OCC received and considered one comment letter concerning the proposed transaction.¹⁴ The commenter expressed concerns about Cadence Bank's CRA lending, investment, and service test performance in the state of Alabama. Based on a review of 2015 and 2016 HMDA data of home purchase lending originations to minorities, to LMI borrowers, and in majority-minority census tracts (CT), the commenter found that Cadence Bank trailed other market lenders in the Birmingham, Alabama AA¹⁵ and Jefferson County in particular. The commenter also asserted that Cadence Bank trailed market lenders in terms of small business lending for the same AA, and Jefferson County in particular. Lastly, the commenter expressed concerns that the volume of Cadence Bank's CD loans and investments in the Birmingham AA from 2012 – 2014 fell short in comparison to the bank's market share of deposits in the same AA. The commenter requested that the OCC condition approval of the proposed transaction on the development and implementation of a community benefits plan to specifically address the state of Alabama.¹⁶

satisfactory" rating on the service test. A copy of the CRA PE is available at https://www5.fdic.gov/crapes/2017/57870_170424.pdf.

¹³ See 12 USC 1828(c)(5); 12 CFR 5.33(e)(1)(ii)(C).

¹⁴ The OCC makes public comment letters received on applications available on its website. For additional details regarding public comments, please visit <https://www.occ.gov/topics/licensing/public-comment/index-public-comments.html>.

¹⁵ The Birmingham-Hoover Metropolitan Statistical Area (Birmingham AA) consists of the counties of Blount, Jefferson, and Shelby.

¹⁶ Establishing a community commitment plan is not a requirement under the BMA or the CRA. See generally 12 USC 1828(c) and 12 USC 2901 *et seq.*

The OCC also considered Cadence Bank's responses to the concerns raised by the commenter. Cadence Bank stated that the bank's leadership believes in the importance of a strong CRA program and is committed to serving the credit needs of all the constituents and communities in its AAs, including LMI persons and communities, small businesses, and CD organizations. Cadence Bank further stated it is firmly committed to enhancing the bank's CRA program and improving its CRA rating via adoption of a CRA plan in 2017 that extends through 2021 and all of the bank's AAs.

Cadence Bank represented that various initiatives have already bolstered the bank's CRA performance. These initiatives include hiring a new CRA Officer, hiring two regional CRA Development Officers (including one for the Birmingham AA), launching a CRA Affordable Home Purchase Loan product in June 2017, introducing the Quick Decision Small Business Loan product in September 2017, establishing CRA working groups which meet monthly, developing partnerships in Birmingham to provide affordable housing to LMI persons and persons of color and increase its community development and mortgage lending to residents in LMI and majority-minority census tracts, and improving reporting on CRA activities to the bank's board.

B. Analysis

Home Purchase Lending Originations

Cadence Bank's 2015 CRA PE indicates the bank's overall lending activity in the Birmingham AA and in the state of Alabama is adequate. While home mortgage lending and geographic distribution were noted as poor, the PE states that this was due to strong competition for home purchase lending with 266 lenders in the AA and Cadence Bank's market share of less than one percent. The PE further states that borrower distribution of home mortgage loans was adequate given the impact of older housing stock in the AA, higher home maintenance costs, and the impact of these factors on LMI individuals qualifying for mortgage loans.

Cadence Bank concurred with the commenter's concerns that the bank's performance results for 2015-2016 were not adequate, and stated the results of its efforts to enhance performance since then have produced mixed results. For instance, in the first six months of 2018, home purchase lending in majority-minority CTs and to LMI borrowers exceeded market averages; however, in the same period, home purchase lending to persons of color, including African Americans, was below market averages. To address this shortfall, Cadence Bank stated that it is working with the City of Birmingham on two initiatives in the Birmingham AA to bolster the stock of affordable housing units in two predominantly African-American neighborhoods. The first is a partnership with the city to construct 70 affordable new homes in Cadence Park in Tuxedo Junction, after which the Bank will offer affordable mortgages to potential home purchasers. The second is to work with the Titusville Development Corporation whose objectives are to assist existing residents who need grants or small loans for housing repair or renovations, or need new housing. Cadence Bank also stated that it is working with several minority non-profit organizations and minority real estate organizations to increase the volume of applications and originations to persons of color in the Birmingham AA and in particular, Jefferson County.

Disparities in mortgage lending that are correlated with prohibited basis characteristics are of concern to the OCC, and the OCC screens HMDA data reported by institutions. The OCC uses the results of this screening process, along with information from its regular fair lending risk assessments, to identify institutions that exhibit heightened fair lending risk for which a fair lending examination is required. The OCC then conducts targeted examination activities and additional statistical analysis to assess the banks' compliance with fair lending laws and regulations, and takes action to address any deficiencies that are identified. Cadence Bank is subject to the OCC's ongoing supervisory program to monitor fair lending risk and compliance with the Fair Housing Act and its implementing regulation.¹⁷ The Bureau of Consumer Financial Protection has exclusive supervisory and primary enforcement authority with respect to Cadence Bank's compliance with the Equal Credit Opportunity Act.¹⁸ The OCC will consider the data put forward in the comment letter in its ongoing fair lending supervisory process; however, the OCC notes that HMDA data alone are not adequate to provide a basis for concluding that an institution is engaged in lending discrimination or to indicate whether its level of lending is sufficient, and the OCC's regular fair lending review encompasses factors in addition to HMDA data. Specifically, HMDA data for the period in question do not take into consideration borrower creditworthiness, housing prices, collateral values, credit scores, and other factors relevant to each credit decision, nor do they fully reflect the range of an institution's lending activities and efforts.

Small Business Lending

Cadence Bank's 2015 CRA PE states that the bank's overall small business lending activity was good given Cadence Bank's market share of less than 1.0% and competition with 76 other lenders. Cadence Bank's geographic distribution of loans was good and its borrower distribution of small loans to businesses was adequate.

Cadence Bank represented that through implementation and marketing of its Quick Decision Loan product since September 2017, it expects to steadily increase small business lending in the Birmingham AA, including LMI CTs. In the 18 months between January 2017 and June 2018, Cadence Bank represented that its percentage of loans to businesses with gross annual revenues of less than \$1 million and percentage of small business loans originated in LMI CTs exceeded the aggregate total percentage of its peers for the Birmingham AA and Jefferson County. The bank also represented that it is working on an innovative small business lending initiative in a majority-minority Birmingham neighborhood which has generated 54 small business loans totaling \$1.5 million with another 36 loans or \$795,000 approved and in process.

CD Lending and Investments

Based on Cadence Bank's 2015 CRA PE, the bank's level of CD lending had a positive impact on lending performance in the Birmingham AA given the bank's origination of seven loans totaling nearly \$15 million, \$13.5 million of which was used to provide funds to a nursing

¹⁷ 42 USC 3601 *et seq*; 24 CFR Part 100.

¹⁸ 15 USC 1691 *et seq*; 12 USC 5515.

home/independent and assisted living provider, which benefitted LMI senior citizens in the Birmingham AA.¹⁹ Cadence Bank stated that since 2014, CD loans in the Birmingham AA have totaled \$41.2 million, representing 15.1% of allocated tier 1 capital, which exceeds the bank's 7.0% of allocated tier 1 capital goal.²⁰

Regarding the concerns raised by the commenter on Cadence Bank's investment performance, the 2015 CRA PE states that the bank's performance in the Birmingham AA was found to be adequate. The CRA PE noted 26 investments in the AA totaling \$5.65 million.²¹ These investments were largely in mortgage-backed securities with underlying mortgages to LMI borrowers in the AA. Cadence Bank asserts that since 2014, qualified investments in the Birmingham AA totaled approximately \$23 million, representing 8.4% of allocated tier 1 capital, which exceeds the bank's 8.0% of allocated tier 1 capital goal.²²

VII. Summary of Consideration of Public Comments

The OCC considered all the facts of record, including the banks' records of performance under the CRA, confidential supervisory information, information provided by Cadence Bank, and the public comment on the proposal. Based upon this review, the OCC finds the facts to be consistent with approval.

VIII. Consummation Requirements

The OCC's Southern District Licensing staff must be advised in writing at least 10 days in advance of the desired effective date of the merger so that it may issue a letter certifying consummation of the transaction. The effective date must follow the applicable Department of Justice's injunction period and any other required regulatory approval to the extent applicable. If the transaction is not consummated within six months from the date of this letter, the approval shall automatically terminate unless an extension is granted.

This decision and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. Our decision is based on the representations made in the application, other submissions, and other information available to the OCC as of this date. The OCC may modify, suspend, or rescind the decision if a material change

¹⁹ The evaluation period for CD lending was September 14, 2010 to December 31, 2014 (see Page 10 in the July 27, 2015 CRA PE).

²⁰ Cadence Bank used the FDIC's annual summary of deposits as of June 30, 2017 to obtain Birmingham AA deposits of \$1,842,687,000. Cadence Bank calculated allocated tier 1 capital for the Birmingham AA as \$273,444,000 as of year-end 2017.

²¹ The evaluation period for investments for the Birmingham AA was January 4, 2011 to December 31, 2014. See CRA PE (July 27, 2015), table 14.

²² See fn 20.

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in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting the bank's feedback on how we handled the application. If you have any questions, please contact Licensing Analyst Abel Reyna by e-mail at Abel.Reyna@occ.treas.gov or by telephone at (214) 720-7052. Please include the OCC Control Number on any correspondence related to this filing.

Sincerely,

/s/

Stephen A. Lybarger
Deputy Comptroller for Licensing

Enclosure: Survey Letter

cc: Bob Dickerson, Building Alabama Reinvestment