

FEDERAL RESERVE SYSTEM

SouthState Corporation  
Winter Haven, Florida

Order Approving the Merger of Bank Holding Companies

SouthState Corporation (“SouthState”), Winter Haven, Florida, a financial holding company within the meaning of the Bank Holding Company Act (“BHC Act”),<sup>1</sup> has requested the Board’s approval under section 3 of the BHC Act<sup>2</sup> to merge with Independent Bank Group, Inc. (“IBTX”), a bank holding company, and thereby indirectly acquire IBTX’s state nonmember bank subsidiary, Independent Bank, both of McKinney, Texas. Following the proposed transaction, Independent Bank would be merged with and into SouthState’s subsidiary national bank, SouthState Bank, National Association (“SouthState Bank”), Winter Haven, Florida.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (89 Federal Register 56751 (July 10, 2024)), in accordance with the Board’s Rules of Procedure.<sup>4</sup> The time for submitting comments has expired, and the Board has considered the proposal and the comments received in light of the factors set forth in section 3 of the BHC Act.

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1842.

<sup>3</sup> The merger of Independent Bank with and into SouthState Bank is subject to the approval of the Office of the Comptroller of the Currency (“OCC”) under section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c) (“Bank Merger Act”). The OCC approved the Bank Merger Act application on December 13, 2024.

<sup>4</sup> 12 CFR 262.3(b).

SouthState, with consolidated assets of approximately \$46.1 billion, is the 57th largest insured depository organization in the United States.<sup>5</sup> SouthState controls approximately \$37.1 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>6</sup> SouthState controls SouthState Bank, which operates in Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia. SouthState Bank is the 14th largest insured depository institution in Florida, controlling deposits of approximately \$13.8 billion, which represent approximately 1.7 percent of the total deposits of insured depository institutions in that state.

IBTX, with consolidated assets of approximately \$18.6 billion, is the 101st largest insured depository organization in the United States. IBTX controls approximately \$15.8 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. IBTX controls Independent Bank, which operates in Colorado and Texas. Independent Bank is the 12th largest insured depository institution in Texas, controlling deposits of approximately \$12.0 billion, which represent less than 1 percent of the total deposits of insured depository institutions in Texas.

On consummation of this proposal, SouthState would become the 46th largest insured depository organization in the United States, with consolidated assets of approximately \$65.1 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. SouthState would control total consolidated deposits of approximately \$52.9 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.

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<sup>5</sup> Consolidated asset data are as of September 30, 2024, and national deposit, ranking, and market share data are as of June 30, 2024.

<sup>6</sup> State deposit and ranking data are as of June 30, 2024. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

### *Interstate Analysis*

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.<sup>7</sup> The Board may not approve under this provision an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years.<sup>8</sup> When determining whether to approve an application under this provision, the Board must take into account the record of the applicant's depository institution under the Community Reinvestment Act of 1977 ("CRA")<sup>9</sup> and the applicant's record of compliance with applicable state community reinvestment laws.<sup>10</sup> In addition, the Board may not approve an interstate application under this provision if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.<sup>11</sup>

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<sup>7</sup> 12 U.S.C. § 1842(d)(1)(A).

<sup>8</sup> 12 U.S.C. § 1842(d)(1)(B).

<sup>9</sup> 12 U.S.C. § 2901 *et seq.*

<sup>10</sup> 12 U.S.C. § 1842(d)(3).

<sup>11</sup> 12 U.S.C. § 1842(d)(2)(A) and (B). Under section 3(d) of the BHC Act, the acquiring and target organizations have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. *See* 12 U.S.C. § 1841(o)(4)–(7).

For purposes of this provision, the home state of SouthState is Florida.<sup>12</sup> Independent Bank is located in Texas and Colorado. SouthState is well capitalized and well managed under applicable law. SouthState Bank has a “Satisfactory” rating under the CRA, and none of the jurisdictions in which SouthState Bank operates has a state community reinvestment law that applies to this proposal. Independent Bank has been in existence for more than five years.

On consummation of the proposed transaction, SouthState would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. SouthState and IBTX do not have overlapping banking operations in any state. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

### ***Competitive Considerations***

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.<sup>13</sup> 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.<sup>14</sup>

SouthState Bank and Independent Bank do not compete directly in any banking market. The U.S. Department of Justice (“DOJ”) conducted a review of the potential competitive effects of the proposal and has advised the Board that it has not concluded that the proposal would have a significantly adverse effect on competition. In

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<sup>12</sup> 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.

<sup>13</sup> 12 U.S.C. § 1842(c)(1)(A).

<sup>14</sup> 12 U.S.C. § 1842(c)(1)(B).

addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

***Financial, Managerial, and Other Supervisory Considerations***

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.<sup>15</sup> 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.

SouthState, IBTX, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the

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<sup>15</sup> 12 U.S.C. § 1842(c)(2), (5), and (6).

proposal. The proposed transaction is a bank holding company merger that is structured as a share exchange, followed immediately by a merger of Independent Bank into United Bank.<sup>16</sup> The capital, asset quality, earnings, and liquidity of SouthState and IBTX and their subsidiary depository institutions are consistent with approval, and SouthState and SouthState Bank appear to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. 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 the proposed combined organization. The Board has reviewed the examination records of SouthState, IBTX, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by SouthState; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comments on the proposal.

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

The Board also has considered SouthState's plans for implementing the proposal. SouthState 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, SouthState's management has the experience and resources to operate the resulting organization in a safe and sound

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<sup>16</sup> To effect the transaction, each share of IBTX common stock would be converted into a right to receive shares of SouthState common stock based on an exchange ratio, plus cash in lieu of any fractional shares. SouthState has the financial resources to effect the proposed transaction.

manner. SouthState plans to integrate IBTX's existing management and personnel in a manner that augments SouthState's management, and SouthState plans to apply its risk-management policies, procedures, and controls at the combined organization following the transaction.

Based on all the facts of record, including SouthState's and IBTX'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 SouthState and IBTX 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.<sup>17</sup> 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 customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records

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<sup>17</sup> 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.

of the relevant depository institutions under the CRA.<sup>18</sup> 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.<sup>19</sup>

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 SouthState Bank and Independent Bank; the fair lending and compliance records of both banks; the supervisory views of the OCC, FDIC, and CFPB; confidential supervisory information; information provided by SouthState; and the public comments received on the proposal.

#### *Public Comments on the Proposal*

The Board received two timely adverse comments on the proposal from two commenters.<sup>20</sup> One commenter expressed fair lending concerns regarding SouthState Bank, and the other raised fair lending concerns regarding Independent Bank. One commenter alleged that in 2023, SouthState Bank made fewer home loans to African

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<sup>18</sup> 12 U.S.C. § 2901 et seq.

<sup>19</sup> See 12 U.S.C. § 2901(b).

<sup>20</sup> One commenter submitted additional responses to SouthState's responses to the commenter's initial comment.



American individuals as compared to white individuals on a national basis, and in South Carolina, North Carolina, Florida, Georgia, and Alabama in particular.<sup>21</sup>

The other commenter alleged that Independent Bank is failing to address the needs of its community, particularly those of LMI residents in southern Dallas, and engaged in unlawful redlining in that area. The commenter stated that from 2017 to 2023, Independent Bank made fewer home loans to African American individuals as compared to white individuals in Dallas County, Texas.<sup>22</sup> Further, the commenter alleged that Independent Bank had engaged in redlining and avoided the credit needs of LMI areas in southern Dallas from 2010 to 2020. The commenter also alleged that Independent Bank and SouthState Bank had failed to consult the CFPB, the U.S. Department of Housing and Urban Development, and DOJ regarding its lending in southern Dallas.

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

Through SouthState Bank, SouthState offers a variety of banking products and services, including traditional consumer, commercial, mortgage, and treasury management services; trust and fiduciary services; private banking; wealth management services; and investment services. Through Independent Bank, IBTX offers similar products and services as SouthState.

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<sup>21</sup> The commenter also referenced an investor complaint alleging that a financial advisor associated with SouthState approved unauthorized transactions. In response, SouthState represented that the matter was ancillary to a lawsuit in which none of SouthState, SouthState Bank, or the investment advisor were named, and that the matter had been resolved. The comment regarding the investor complaint concerns matters that are outside the scope of the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act. See CIT Group, Inc., FRB Board Order No. 2015-20 at 11 n.24 (July 19, 2015); Bank of America Corporation, 90 Federal Reserve Bulletin 217, 223 n.31 (2004); see also Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973).

<sup>22</sup> The commenter cited publicly available data from 2017–2023 reported by Independent Bank under the Home Mortgage Disclosure Act of 1975 (“HMDA”), 12 U.S.C. § 2801 et seq.

In response to the comments regarding SouthState Bank, SouthState states that it was unable to confirm many of the statistics cited by the commenter, which appear to be derived from HMDA data. SouthState explains that, in any event, HMDA data do not reflect the full record of its home lending and refinancing activities, and that HMDA data alone provide an incomplete measure of an institution's lending. SouthState represents that it offers several affordable housing loan programs; has partnered with local, city, and state municipalities or non-profit organizations to make downpayment assistance products available; and has made various efforts, including over the past two years, to expand its product offerings and reach underserved communities.

In response to the comments regarding Independent Bank, SouthState states that most of the allegations are based on outdated CRA performance evaluations.<sup>23</sup> Additionally, SouthState represents that the FDIC did not identify at Independent Bank any discriminatory or otherwise illegal credit practices, including under the Fair Housing Act and Equal Credit Opportunity Act. SouthState also states that Independent Bank submitted an application to open a branch in south Dallas in a zip code that the commenter identifies as an area with a significant minority population.<sup>24</sup> SouthState further represents that it expects to increase mortgage lending, small business lending, community development loans and investments, and CRA-eligible philanthropy throughout the communities it will serve in Texas and Colorado.

*Records of Performance under the CRA*

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the OCC with respect to

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<sup>23</sup> The commenter stated that SouthState failed to provide any significant CRA initiatives undertaken by Independent Bank since its 2023 CRA performance evaluation, and failed to provide details regarding current community outreach and marketing efforts to residents and businesses located in LMI and majority-minority census tracts in which Independent Bank operates, particularly in southern Dallas.

<sup>24</sup> The branch application was approved by the FDIC on November 4, 2024.

SouthState Bank and the FDIC with respect to Independent Bank.<sup>25</sup> In addition, the Board considers information provided by the applicant and public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.<sup>26</sup> 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 SouthState Bank and Independent Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income

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

<sup>26</sup> 12 U.S.C. § 2906.

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;<sup>27</sup> (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.<sup>28</sup> 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.<sup>29</sup>

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may not be available from public HMDA data.<sup>30</sup> 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.

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<sup>27</sup> 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).

<sup>28</sup> See 12 CFR 228.22(b) (2023).

<sup>29</sup> See 12 CFR 228.23 and 228.24 (2023).

<sup>30</sup> 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.

*CRA Performance of SouthState Bank*

SouthState Bank was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the OCC, as of May 6, 2024 (“SouthState Bank Evaluation”).<sup>31</sup> The bank received “High Satisfactory” ratings for the Lending, Service, and Investment Tests.<sup>32</sup>

With respect to the Lending Test, SouthState Bank’s rating was based on excellent performance in Florida and South Carolina; good performance in its three MMSAs, Alabama, Georgia, and North Carolina; and adequate performance in Virginia. Among the areas where one of the commenters expressed concern, examiners found that SouthState Bank exhibited good geographic distribution of loans in its AAs in Florida, Georgia, South Carolina, and its three MMSAs; adequate geographic distribution in its AAs in Alabama; and poor geographic distribution in its AA in North Carolina. Examiners also found that SouthState Bank exhibited a good distribution of loans among individuals of different income levels and businesses of different sizes in Florida, South Carolina, the Augusta-Richmond GA-SC MMSA, and the Myrtle Beach-Conway-North Myrtle Beach NC-SC MMSA, and an adequate distribution in Alabama, Georgia, North Carolina, and the Charlotte-Concord-Gastonia NC-SC MMSA. Examiners noted that the bank was a leader in originating community development loans in all five states and two

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<sup>31</sup> The SouthState Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed small business and HMDA-reportable loan data from January 1, 2021, through December 31, 2023.

<sup>32</sup> The SouthState Bank Evaluation involved a full-scope review of the bank’s activities in its Augusta-Richmond GA-SC Multistate Metropolitan Statistical Area (“MMSA”); Charlotte-Concord-Gastonia NC-SC MMSA; Myrtle Beach-Conway-North Myrtle Beach NC-SC MMSA; Huntsville, AL Metropolitan Statistical Area (“MSA”); Miami-Port St. Lucie-Fort Lauderdale, FL Combined Statistical Area (“CSA”); Orlando-Lakeland-Deltona, FL CSA; Atlanta-Sandy Springs-Alpharetta, GA MSA; Savannah, GA MSA; Wilmington, NC MSA; Charleston-North Charleston, SC MSA; Greenville-Anderson, SC MSA; Hilton-Head Island-Bluffton, SC MSA; and Richmond, VA MSA. The SouthState Bank Evaluation also conducted a limited-scope review of SouthState Bank’s remaining AAs.

of its MMSAs. In the Augusta-Richmond GA-SC MMSA, examiners noted that the bank made an adequate level of community development loans.

With respect to the Investment Test, the bank's rating was based on excellent performance in Florida, North Carolina, and Virginia; good performance in Alabama and Georgia; adequate performance in its three MMSAs, and poor performance in South Carolina. Among the areas where one of the commenters expressed concern, examiners found that qualified investments were effective and responsive in addressing community economic development and credit needs in Alabama, Florida, Georgia, North Carolina, and the bank's three MMSAs, and were responsive in South Carolina. Examiners also found that SouthState Bank had an excellent level of qualified community development investments and grants in Florida and North Carolina, a good level in Alabama and Georgia, an adequate level in its three MMSAs, and a poor level in South Carolina.

With respect to the Service Test, the bank's rating was based on excellent performance in Florida; good performance in its three MMSAs and South Carolina; and adequate performance in Alabama, Georgia, North Carolina, and Virginia. Among the areas where one of the commenters expressed concern, examiners found that SouthState Bank's branches were readily accessible to geographies and individuals of different incomes in Florida; were reasonably accessible in Alabama, Georgia, and North Carolina; and were accessible in South Carolina, the Augusta-Richmond GA-SC MMSA, and the Charlotte-Concord-Gastonia NC-SC MMSA. Examiners found that in the Myrtle Beach-Conway-North Myrtle Beach NC-SC MMSA, the bank's branches in moderate-income geographies were reasonably accessible to geographies and individuals of different incomes. In Alabama, Florida, Georgia, South Carolina, and its three MMSAs, examiners noted that SouthState Bank was a leader in providing community development services, consistent with its capacity and expertise to conduct these activities, and found that community development services were effective and responsive in addressing community needs. In North Carolina, examiners found that SouthState Bank provided a

relatively high level of community development services, consistent with its capacity and expertise.

*CRA Performance of Independent Bank*

Independent Bank was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the FDIC, as of April 24, 2023 (“Independent Bank Evaluation”).<sup>33</sup> Independent Bank received a “High Satisfactory” rating for the Lending Test and “Low Satisfactory” ratings for both the Investment and Service Tests.<sup>34</sup>

With respect to the Lending Test, examiners found that Independent Bank’s lending levels reflected excellent responsiveness to the credit needs in the bank’s AAs and that a high percentage of loans were made in the institution’s AAs. Examiners also found that the geographic distribution of loans reflected adequate penetration throughout the bank’s AAs and that the distribution of borrowers reflected adequate penetration among retail customers of different income levels and business customers of different sizes, given the product lines offered by the bank. Examiners noted that Independent Bank is a leader in making community development loans and that Independent Bank made extensive use of innovative and/or flexible lending practices to serve the credit needs of its AAs. Examiners found that Independent Bank exhibited a good record of serving the credit needs of the most economically disadvantaged areas of its AAs, low-

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<sup>33</sup> The Independent Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed home mortgage data and small business loan data from January 1, 2020, through December 31, 2022. Examiners also reviewed community development activities from November 30, 2020, through April 24, 2023.

<sup>34</sup> The Independent Bank Evaluation involved a full-scope review of the bank’s activities in its Dallas-Fort Worth TX (“DFW”) MSA; Austin-Round Rock-Georgetown TX MSA; Denver-Aurora-Lakewood CO MSA; and Fort Collins CO MSA AAs. The Independent Bank Evaluation also conducted a limited-scope review of Independent Bank’s remaining seven AAs.

income individuals, and/or very small businesses, consistent with safe and sound banking practices.

In the DFW MSA, an area of concern for one of the commenters, Independent Bank received a “High Satisfactory” rating for the Lending Test. Examiners found that the bank’s lending levels reflected excellent responsiveness to the credit needs of that AA, and that excellent performance regarding home mortgage and small business loans supported this conclusion. Examiners also found that the geographic distribution of loans reflected adequate penetration throughout the AA, and that the distribution of borrowers reflected adequate penetration among retail customers of different income levels and business customers of different sizes in the AA, given the product lines offered by the institution. Examiners characterized Independent Bank as making extensive use of innovative and/or flexible lending practices in order to meet the credit needs of the AA, and that Independent Bank was a leader in making community development loans in the AA.

With respect to the Investment Test, examiners found that Independent Bank made an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. Examiners also found that the bank occasionally used innovative and/or complex investments to support community development initiatives. Examiners characterized Independent Bank as having exhibited adequate responsiveness to credit and community development needs.

With respect to the Service Test, examiners determined that Independent Bank’s delivery systems were readily accessible to essentially all portions of the bank’s AAs. Examiners noted that, to the extent changes have been made, Independent Bank’s opening and closing of branches generally did not adversely affect the accessibility of delivery systems, particularly in LMI geographies and/or to LMI individuals, and the bank’s services and hours of operation did not vary in a way that inconvenienced certain portions of the bank’s AAs, particularly LMI geographies and/or individuals. Examiners



also noted that Independent Bank provided an adequate level of community development services.

*Additional Supervisory Views*

In its review of the proposal, the Board consulted with and considered the views of the OCC as the primary federal supervisor of SouthState Bank and of the FDIC as the primary federal supervisor of Independent Bank. The Board also considered the results of the most recent consumer compliance examinations of SouthState Bank and Independent Bank, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations, including fair lending. Lastly, the Board also considered reviews of both banks conducted by the CFPB.

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

SouthState represents that the proposed transaction will allow it to provide customers, including LMI customers, with access to a wider variety of banking services and knowledgeable professionals. SouthState states that it plans to replicate many of its existing programs to address wealth gaps in underserved communities within Independent Bank's current footprint in Texas and Colorado, including its Community

Engagement Program, through which SouthState claims it has introduced several mortgage products that increase opportunities for LMI and underserved individuals in majority-minority census tracts to achieve home ownership. SouthState represents that customers located in Independent Bank's geographic area will have access to affordable home programs currently offered by SouthState Bank through the Federal Home Loan Bank ("FHLB") of Atlanta, which are comparable to those currently offered by Independent Bank through the FHLB of Dallas. SouthState also represents that various products and programs will now be available in SouthState's new markets that are not currently offered by Independent Bank, including an expedited and simplified loan application process for businesses, a dynamic overdraft program that provides overdraft limits tailored to each customer, and the elimination of non-sufficient funds fees. Lastly, SouthState states that customers will benefit from an expanded branch footprint, including the opening of Independent Bank's new branch in southern Dallas, an area of concern for one of the commenters.

#### *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.<sup>35</sup> In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.<sup>36</sup>

SouthState represents that it plans to retain Independent Bank's branches and that it has no plans to close any of SouthState Bank's existing branches.

#### *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 SouthState, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. The Board has considered relevant facts of the record pertaining to the issues commenters raised, including the supervisory records of the institutions involved and SouthState's representations regarding efforts the combined organization will make to satisfy the convenience and needs of its community, including LMI and majority-minority communities. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

#### ***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."<sup>37</sup>

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

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<sup>35</sup> 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.

<sup>36</sup> See, e.g., 12 CFR 228.24(d)(2) (2023).

<sup>37</sup> 12 U.S.C. § 1842(c)(7).

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.<sup>38</sup> 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.<sup>39</sup>

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.<sup>40</sup>

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 pro

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<sup>38</sup> Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

<sup>39</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

<sup>40</sup> 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.

forma organization with less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.<sup>41</sup> The pro forma organization would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

### ***Conclusion***

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.<sup>42</sup> In reaching its conclusion, the

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<sup>41</sup> SouthState and IBTX offer a range of retail and commercial banking products and services. SouthState 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.

<sup>42</sup> One 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 a written comment 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 SouthState 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 SouthState of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Reserve Bank, acting under delegated authority.

By order of the Board of Governors,<sup>43</sup> effective December 13, 2024.

*(Signed) Michele Taylor Fennell*

Michele Taylor Fennell  
Associate Secretary of the Board

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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.

<sup>43</sup> Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.