

FEDERAL RESERVE SYSTEM

United Bankshares, Inc.
Charleston, West Virginia

Order Approving the Acquisition of a Bank Holding Company

United Bankshares, Inc. (“United”) and its wholly owned subsidiary, UBC Holding Company, Inc. (“UBC”), both of Charleston, have requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to acquire Centra Financial Holdings, Inc. (“Centra”) and its subsidiary bank, Centra Bank, Inc. (“Centra Bank”), both of Morgantown, and all of West Virginia.²

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (76 Federal Register 20350 (2011)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

United, with total consolidated assets of approximately \$7.2 billion, is the 92nd largest insured depository organization in the United States, controlling \$5.7 billion in deposits.³ United controls two subsidiary banks, United Bank, Inc. (“UB-WV”), Parkersburg, West Virginia, and United Bank (“UB-VA”), Fairfax, Virginia, that operate in West Virginia, Maryland, Ohio, Virginia, and the District of Columbia.⁴

¹ 12 U.S.C. § 1842.

² Specifically, United has requested that Centra and its four second-tier holding companies, Centra Financial Corporation-Hagerstown, Inc.; Centra Financial Corporation-Martinsburg, Inc.; Centra Financial Corporation-Morgantown, Inc.; and Centra Financial Corporation-Uniontown, Inc., all of Morgantown, merge with and into UBC.

³ Deposit data are as of June 30, 2010, updated to reflect mergers through April 23, 2011. In this context, insured depository institutions include commercial banks, savings associations, and savings banks. National deposit data and rankings are as of December 31, 2010.

⁴ UB-WV operates in West Virginia and Ohio. UB-VA operates in Maryland, Virginia, and the District of Columbia.

United is the 2nd largest depository organization in West Virginia, controlling deposits of approximately \$2.9 billion, which represent 10.1 percent of the total amount of deposits of insured depository institutions in the state. United is the 19th largest depository organization in Maryland, controlling deposits of approximately \$479.2 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.

Centra, with total consolidated assets of \$1.3 billion, controls Centra Bank, which operates in West Virginia, Maryland, and Pennsylvania. Centra Bank is the 9th largest insured depository institution in West Virginia, the 71st largest insured depository institution in Maryland, and the 99th largest insured depository institution in Pennsylvania, controlling deposits of \$718.5 million, \$116.4 million, and \$341.0 million, respectively.

On consummation of the proposal, United would become the 81st largest depository organization in the United States, with total consolidated assets of approximately \$8.6 billion. United would control deposits of approximately \$3.6 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In West Virginia, United would remain the 2nd largest depository organization, controlling deposits of approximately \$3.6 billion (approximately 12.6 percent of deposits of insured depository institutions in the state); in Maryland, it would remain the 19th largest depository organization, controlling deposits of approximately \$595.6 million (less than 1 percent of deposits of insured depository institutions in the state); and in Pennsylvania, it would become the 99th largest depository organization, controlling deposits of approximately \$341.0 million (less than 1 percent of deposits of insured depository institutions in the state).

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the bank holding company's home state if certain conditions are met. For purposes of

the BHC Act, the home state of United is West Virginia,⁵ and Centra is located in West Virginia, Maryland, and Pennsylvania.⁶ Based on a review of all the facts of record, including relevant state statutes, the Board finds that the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.⁷

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant 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 community to be served.⁸

United and Centra have subsidiary depository institutions that compete directly in two West Virginia banking markets: the Martinsburg and the Morgantown banking markets. The Board has reviewed carefully the competitive effects of the

⁵ 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. 12 U.S.C. § 1841(o)(4)(C).

⁶ 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. 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and 1842(d)(2)(B).

⁷ 12 U.S.C. §§ 1842(d)(1)(A)-(B) and 1842(d)(2)-(3). United is adequately capitalized and adequately managed, as defined by applicable law. Centra Bank has been in existence and operated for the minimum period of time required by applicable state laws and for more than five years. See 12 U.S.C. § 1842(d)(1)(B)(i)-(ii). On consummation of the proposal, United would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. 12 U.S.C. §1842(d)(2)(A). United also would control less than 30 percent of, and less than the applicable state deposit cap for, the total amount of deposits in insured depository institutions in the relevant states. 12 U.S.C. § 1842(d)(2)(B)-(D). All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

⁸ 12 U.S.C. § 1842(c)(1).

proposal in these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking markets, the relative shares of total deposits in depository institutions in the markets (“market deposits”) controlled by United and Centra,⁹ the concentration levels of market deposits and the increase in those levels as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”),¹⁰ and other characteristics of the markets.

A. Banking Market within Established Guidelines

Consummation of the proposal would be consistent with Board precedent and within the DOJ Guidelines in the Martinsburg banking market.¹¹ On consummation of the proposal, the market would remain moderately concentrated, as measured by the HHI. The change in the HHI in the market would be consistent with Board precedent and the thresholds in the DOJ Guidelines, and a number of competitors would remain.¹²

⁹ Deposit and market share data are as of June 30, 2010, updated to reflect mergers through April 23, 2011.

¹⁰ Under the DOJ 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 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 recently issued revised Horizontal Merger Guidelines, the DOJ has confirmed that its guidelines for bank mergers or acquisitions, which were issued in 1995, were not changed. Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

¹¹ The Martinsburg banking market is defined as Berkeley County, West Virginia, excluding the portion of that county included in the Hagerstown Rand McNally Marketing Area (“RMA”).

¹² UB-WV would be the second largest depository institution in the market, controlling deposits of \$218.4 million, which would represent approximately 20.9 percent of market deposits. The HHI would increase by 25 points to 1764.

B. Banking Market Warranting Special Scrutiny

The structural effects that consummation of the proposal would have on the Morgantown banking market¹³ warrant a detailed review because the concentration level on consummation would exceed the threshold levels in the DOJ Guidelines. UB-WV is the sixth largest insured depository institution in the Morgantown banking market, controlling deposits of approximately \$184.3 million, which represent approximately 8.1 percent of the market deposits. Centra Bank is the largest depository institution in the market, controlling deposits of approximately \$535.4 million, which represent approximately 23.6 percent of market deposits. On consummation, the HHI in this market would increase by 383 points, from 1719 to 2102, and the pro forma market share of the combined entity would be approximately 31.7 percent.

The Board has considered carefully whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would have a significantly adverse effect on competition in the Morgantown banking market.¹⁴ Several factors indicate that the increase in concentration in the Morgantown banking market, as measured by the HHI and market share, overstates the potential competitive effects of the proposal in the market. After consummation of the proposal, eight other commercial bank competitors would remain, some with a significant presence in the market. The second largest bank competitor in the market would control 22 percent of market deposits, and three other bank competitors in the market each would control between 9 percent and 17 percent of market deposits.

In addition, the Board has evaluated the competitive influence of two active community credit unions in the Morgantown banking market: The United Federal Credit Union (“United Credit Union”), Morgantown, and Fairmont Federal Credit Union

¹³ The Morgantown banking market is defined as the Morgantown RMA and the non-RMA portions of Monongalia and Preston Counties, West Virginia.

¹⁴ The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See NationsBank Corp., 84 Federal Reserve Bulletin 129 (1998).

(“Fairmont Credit Union”), Fairmont. Both credit unions offer a wide range of products, operate at least one street-level branch, and have broad membership criteria that include most of the residents in the Morgantown banking market.¹⁵ Moreover, Fairmont Credit Union is a significant source of commercial loans,¹⁶ and competition from that credit union closely approximates competition from a commercial bank. Accordingly, the Board has concluded that deposits controlled by this institution should be weighted at 100 percent in market-share calculations.¹⁷ The Board has also concluded that the activities of such credit unions exert a competitive influence that mitigates, in part, the potential effects of the proposal.¹⁸

In addition, the record of recent entry into the Morgantown banking market indicates the market’s attractiveness for entry. The Board notes that five depository institutions have entered the market de novo since 2000. Other factors indicate that the market remains attractive for entry. From 2003 to 2008, the Morgantown banking

¹⁵ The Board previously has considered the competitiveness of certain active credit unions as a mitigating factor. See, e.g., The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006); and F.N.B. Corporation, 90 Federal Reserve Bulletin 481 (2004).

¹⁶ Fairmont Credit Union has a ratio of commercial and industrial loans to assets of approximately 6 percent, which is comparable to the ratio for some commercial banks in the market and greater than the ratio for some thrift institutions that the Board has previously found to be full competitors of commercial banks.

¹⁷ The Board has previously indicated that it may consider the competitiveness of a thrift institution at a level greater than 50 percent of deposits when appropriate. See, e.g., Banknorth Group, Inc., 75 Federal Reserve Bulletin 703 (1989). As noted, Fairmont Credit Union’s commercial-loan-to-asset ratio is higher than the ratio for many thrift institutions that have been weighted at 100 percent in past Board orders. See, e.g., The PNC Financial Services Group, Inc., *supra*.

¹⁸ These credit unions control approximately \$68.1 million in deposits in the market that, on a 50 percent weighted basis for United Credit Union and a 100 percent weighted basis for Fairmont Credit Union, represent approximately 2.6 percent of market deposits. Accounting for the revised weightings of these deposits, United would control approximately 30.9 percent of market deposits, and the HHI would increase 363 points to 1996.

market's population grew twice as fast as other metropolitan areas in West Virginia, and the market's annualized rates of deposit growth and income growth exceeded the averages for other urban areas in West Virginia and the averages for all metropolitan areas in the United States.

C. View of Other Agencies and Conclusion on Competitive Considerations

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

Based on these and other facts of record, the Board has concluded 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, based on all the facts of record, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors.¹⁹ The Board has carefully considered these factors in light of all the facts of record, including supervisory and examination information received from the relevant federal and state supervisors of the organizations involved in the proposal, and other available financial information, including information provided by United.

In evaluating financial factors in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking

¹⁹ 12 U.S.C. § 1842(c)(2) and (3).

operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has considered carefully the proposal under the financial factors. United, Centra, and their subsidiary depository institutions are well capitalized and would remain so on consummation of the proposal. The proposed transaction is structured as a share exchange. Based on its review of the record, the Board also finds that United has sufficient financial resources to effect the proposal.

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 United, Centra, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking law, including anti-money-laundering laws. United and its subsidiary depository institutions are considered to be well managed. The Board also has considered United's plans for implementing the proposal, including the proposed management after consummation of the proposal. In addition, the Board has considered the future prospects of the organizations involved in the proposal in light of the financial and managerial resources and the proposed business plan.

Based on all the facts of record, the Board concludes that consideration relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors under the BHC Act.

Convenience and Needs and CRA Performance Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).²⁰ The Board has carefully considered the convenience and needs factor and the CRA performance records of UB-WV, UB-VA, and Centra Bank in light of all the facts of record. As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.²¹ UB-WV, UB-VA, and Centra Bank received “satisfactory” ratings at their most recent examinations for CRA performance by the Federal Reserve Bank of Richmond (UB-WV and UB-VA) and the Federal Deposit Insurance Corporation (Centra Bank), as of February 2, 2009, February 2, 2009, and July 16, 2008, respectively. Based on a review of the entire record, the Board has concluded that considerations relating to convenience and needs considerations and the CRA performance records of UB-WV, UB-VA, and Centra Bank are consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application under section 3 of the BHC Act should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act. The Board’s approval is specifically conditioned on compliance by United with all the conditions

²⁰ 12 U.S.C. §§ 2901 et seq.; 12 U.S.C. § 1842(c)(2).

²¹ The Interagency Questions and Answers Regarding Community Reinvestment provide that 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 of the institution’s overall record of performance under the CRA by its appropriate federal supervisor. 75 Federal Register 11642 at 11665 (2010).

imposed in this order and all the commitments made to the Board in connection with the application and on receipt of all other required regulatory approvals for the proposal. These conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors,²² effective June 20, 2011.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

²² Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Duke, Tarullo, and Raskin.