

FEDERAL RESERVE SYSTEM

SunTrust Bank
Atlanta, Georgia

Order Approving Merger of Banks

SunTrust Bank, Atlanta, Georgia (“SunTrust-Atlanta”), a state member subsidiary bank of SunTrust Banks, Inc., Atlanta, Georgia (“SunTrust”), has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (“Bank Merger Act”) to merge with SunTrust’s twenty-six wholly owned subsidiary banks (“Merging Banks”)¹, and to retain and operate branches at the locations of the main offices and branches of the Merging Banks.

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board’s Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General and the other federal banking agencies. The time for filing comments has expired, and the Board has considered the application and all the facts of record in light of the factors set forth in the Bank Merger Act.

SunTrust is the largest commercial banking organization in Georgia, controlling deposits of \$10.4 billion, representing 23.4 percent of the total deposits in commercial banking organizations in Georgia.² It also is the fourteenth largest commercial banking organization in Alabama, controlling deposits of \$298.1 million, representing less than 1 percent of the total deposits in commercial banking organizations in Alabama; the largest commercial banking organization in Florida, controlling deposits of \$20.4 billion, representing 33.1 percent of the total deposits

¹ The Merging Banks are listed in the appendix.

² All banking data are as of June 30, 1998.

in commercial banking organizations in Florida; the fourth largest commercial banking organization in Tennessee, controlling deposits of \$5.7 billion, representing 7.4 percent of the total deposits in commercial banking organizations in Tennessee; and the largest commercial banking organization in Virginia, controlling deposits of \$18.6 billion, representing 34.5 percent of the total deposits in commercial banking organizations in Virginia. This proposal represents a reorganization of SunTrust's existing banking operations and, therefore, the Board concludes that consummation of the proposal would not have any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market.

Riegle-Neal Analysis

Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act") (Pub. L. No. 103-328, 108 Stat. 2338 (1994)) authorizes a bank to conduct an interstate merger with another bank unless, prior to June 1, 1997, the home State of one of the banks involved in the transaction has adopted a law expressly prohibiting merger transactions involving out-of-state banks.³ The Riegle-Neal Act also authorizes the acquiring bank to retain and operate, as a main office or branch, any bank offices of the acquired bank.⁴

All the states involved in the proposal, Alabama, Florida, Georgia, Tennessee, and Virginia, have enacted legislation allowing interstate mergers between banks located in their states and out-of-state banks pursuant to the provisions of the Riegle-Neal Act on or after June 1, 1997.⁵ SunTrust-Atlanta has

³ 12 U.S.C. § 1831u(a)(1) (1994).

⁴ 12 U.S.C. § 1831u(d)(1) (1994).

⁵ See Ala. Code §§ 5-13B-22, 23 (effective May 31, 1997); Fla. Stat. Ch. 658.2953 (effective May 31, 1997); Ga. Code Ann., Fin. Inst. § 7-1-628.3 (effective (continued...))

notified the appropriate state banking agencies regarding its proposal to consolidate its banking operations and has provided a copy of its Bank Merger Act application to all the relevant state agencies. In light of the foregoing, it appears that the proposal complies with the requirements of the Riegle-Neal Act.⁶

Financial and Managerial Considerations

In reviewing this proposal under the Bank Merger Act, the Board also has considered the financial and managerial resources and future prospects of the institutions involved. The Board has reviewed these factors in light of the facts of record, including supervisory reports of examination assessing the financial and managerial resources of SunTrust-Atlanta and the Merging Banks. Based on all the facts of record, and because the proposal represents the reorganization of banking operations already under common control, the Board concludes that the financial and managerial resources and future prospects of SunTrust-Atlanta and the Merging Banks are consistent with approval of the proposal.

Convenience and Needs Considerations

The Board received a comment from the Coalition of Black Business Enterprises and Organizations of Albany, Georgia (“Protestant”), maintaining that one of the Merging Banks, SunTrust Bank, South Georgia, N.A., Leesburg, Georgia

⁵(...continued)

June 1, 1997); Tenn. Code Ann § 452-1402 et seq. (effective June 1, 1997); and Va. Code Ann. § 6.1-44.1 et seq. (effective March 16, 1995).

⁶ All the conditions for an interstate merger enumerated in Riegle-Neal would be met in this case. Each bank involved in the transaction is adequately capitalized and the resulting bank will continue to be adequately capitalized and adequately managed on consummation of this proposal. SunTrust-Atlanta and all affiliated depository institutions would not control more than 10 percent of the total amount of deposits of insured depository institutions in the United States and this corporate reorganization would not cause an increase in the percentage of deposits controlled by SunTrust in any state.

(“SunTrust-Leesburg”), does not provide needed services or make adequate efforts to meet the credit needs of consumers who live in low- and moderate-income (“LMI”) census tracts of Albany, Georgia. Specifically, Protestant states that African Americans, particularly small business owners in low-income census tracts, are harmed by “redlining” and indifference on the part of SunTrust-Leesburg.⁷

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*)(“CRA”). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisors of the CRA performance of the relevant institutions. 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 primary federal supervisor.⁸

⁷ Protestant further alleges that the CRA performance deficiencies of SunTrust-Leesburg result from the lack of minority representation on SunTrust-Leesburg’s board of directors and its management and staff. The Bank Merger Act does not authorize the Board to adjudicate disputes that arise in areas of employment discrimination or to monitor the racial composition of the board of directors, management, or staff of an organization. Under the regulations of the Department of Labor, SunTrust and SunTrust-Leesburg are required to file reports with the Equal Employment Opportunity Commission (“EEOC”) covering all employees, and the EEOC has jurisdiction to determine whether companies are in compliance with equal employment opportunity statutes. *See* 41 C.F.R. 60-1.7(a), 60-1.40.

⁸ The Interagency Questions and Answers Regarding Community Reinvestment provide that an institution’s most recent CRA performance evaluation is an 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 the appropriate federal financial supervisor.

(continued...)

The results of these examinations indicate that SunTrust's depository institution subsidiaries, including SunTrust-Leesburg, are helping to meet the convenience and needs of the communities they serve. Each of SunTrust's depository institutions received a rating of "satisfactory" or higher at its last CRA performance examination, with nine banks receiving an "outstanding" rating. Examiners found that the CRA-related investments made by SunTrust-Atlanta and the Merging Banks exhibited a high level of responsiveness to the credit needs of the communities, the banks' branch networks were accessible to most segments of the communities they served, and the banks provided a significant number and variety of community development services.

SunTrust-Leesburg, which provides products and services to the area identified by Protestant, received a "satisfactory" rating on its most recent CRA performance examination as of July 30, 1997, by the Office of the Comptroller of the Currency ("OCC"). In SunTrust-Leesburg's 1997 CRA performance examination, OCC examiners found that the level of lending by the bank throughout its assessment area was responsive to the community's credit needs and that no conspicuous gaps existed in the loan penetration of geographies. Examiners determined that SunTrust-Leesburg had good loan penetration in low-income geographies throughout its assessment area. OCC examiners also considered SunTrust-Leesburg's level of lending in the Albany, Georgia, Metropolitan

⁸(...continued)
54 Federal Register 23,618 and 23,641 (1999).

Statistical Area (“Albany MSA”)⁹ good and responsive to the credit needs in the MSA.¹⁰

SunTrust-Leesburg had a good record of serving the credit needs of the small businesses throughout its assessment area. Specifically, examiners found that in the assessment area, 84 percent of SunTrust-Leesburg’s small business loans were in amounts of \$100,000 or less, and that 89 percent of the bank’s small business loans were to businesses with gross revenues of less than \$1,000,000. In the Albany MSA, 32 percent of SunTrust-Leesburg’s small business loans were in LMI geographies. OCC examiners concluded that SunTrust-Leesburg’s small business lending in the Albany MSA was adequate, noting that 39 percent of that MSA’s small businesses were in LMI geographies.¹¹ Examiners also considered SunTrust-Leesburg’s performance in small farm lending to be adequate; SunTrust-Leesburg made 21 percent of its small farm loans in LMI geographies in its assessment area. Approximately 26 percent of the farms in the assessment area were in LMI geographies.

⁹ SunTrust-Leesburg includes the Albany MSA as one of its four assessment areas. All seven of the low-income census tracts in SunTrust-Leesburg’s assessment areas are in the city of Albany. In addition, five of the nineteen moderate-income geographies in SunTrust-Leesburg’s assessment areas are in the city of Albany.

¹⁰ SunTrust-Atlanta states that in 1998, SunTrust-Leesburg made more than 50 percent of the loans to African American borrowers in the Albany MSA’s low-income census tracts that were reported by local depository institutions under the Home Mortgage Disclosure Act.

¹¹ SunTrust-Atlanta states that SunTrust-Leesburg’s small business loan efforts have resulted in the bank making approximately 30 percent of the total business loans in amounts of less than \$100,000 and 50 percent of the business loans between \$100,000 and \$250,000 in LMI census tracts of Albany from 1996 to 1998.

SunTrust-Leesburg reports that it helps to meet the credit needs of its assessment areas through participation in several community development organizations, including Albany Community Together (“ACT”), Georgia Development Authority (“GDA”), and Community Development Center (“CDC”). SunTrust-Leesburg has committed to invest \$1 million in ACT, which is organizing a small business revolving loan fund. GDA originates small farm loans throughout Georgia, and CDC provides small business loans in the city of Albany. SunTrust-Leesburg has committed \$110,000 to Vision Albany, an initiative to promote community development in Albany and Dougherty Counties. SunTrust-Leesburg representatives assist these organizations in providing services in the bank’s assessment areas.

In reviewing the convenience and needs of the communities served by SunTrust-Leesburg, the Board also notes that the bank provides a full range of services, including commercial, agricultural, real estate, and consumer loans, trust services and a variety of community development services. SunTrust has stated that its internal reorganization will not adversely affect the provision of these services by SunTrust-Leesburg because the reorganization plan involves no branch closings or any other actions that might limit the bank’s ability to serve the credit needs of its local communities.

The Board has carefully considered all the facts of record, including Protestant’s comments, the response to those comments, the CRA performance records of SunTrust Bank-Atlanta and the Merging Banks, relevant reports from their primary federal regulators, and other supervisory information. Based on the facts of record, and for the reasons discussed above, the Board concludes that convenience and needs considerations, including the relevant banks’ records of CRA performance, 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 should be, and hereby is, approved.¹² The Board's approval is specifically conditioned on compliance by SunTrust-Atlanta with all the commitments made in connection with the application. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The proposed acquisition shall not be consummated before the fifteenth calendar day following 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 by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority. By order of the Board of Governors,¹³ effective November 18, 1999.

¹² Protestant requested that several public meetings or hearings be held on this matter in Albany, Georgia. The Bank Merger Act does not require the Board to hold a public hearing on an application. Under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. See 12 C.F.R. 262.3(i). The Board has carefully considered Protestant's request in light of all the facts of record. Protestant has had ample opportunity to submit its views and Protestant's request for a public meeting or hearing fails to demonstrate why written comments would not adequately present Protestant's evidence. Protestant's request also fails to identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, Protestant's request is denied.

¹³ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Meyer. Absent and not voting: Governor Gramlich.

(Signed)

Robert deV. Frierson
Associate Secretary of the Board

Appendix

Merging Banks:

Crestar Bank, Richmond, Virginia
SunTrust Bank, Alabama, N.A., Florence, Alabama
SunTrust Bank, Augusta, N.A., Augusta, Georgia
SunTrust Bank, Central Florida, N.A., Orlando, Florida
SunTrust Bank, Chattanooga, N.A., Chattanooga, Tennessee
SunTrust Bank, East Central Florida, Daytona Beach, Florida
SunTrust Bank, East Tennessee, N.A., Knoxville, Tennessee
SunTrust Bank, Gulf Coast, Sarasota, Florida
SunTrust Bank, Miami, N.A., Miami, Florida
SunTrust Bank, Mid-Florida, N.A., Winter Haven, Florida
SunTrust Bank, Middle Georgia, N.A., Macon, Georgia
SunTrust Bank, Nashville, N.A., Nashville, Tennessee
SunTrust Bank, Nature Coast, Brooksville, Florida
SunTrust Bank, North Central Florida, Ocala, Florida
SunTrust Bank, North Florida, N.A., Jacksonville, Florida
SunTrust Bank, Northeast Georgia, N.A., Athens, Georgia
SunTrust Bank, Northwest Florida, Tallahassee, Florida
SunTrust Bank, Northwest Georgia, N.A., Rome, Georgia
SunTrust Bank, Savannah, N.A., Savannah, Georgia
SunTrust Bank, South Central Tennessee, N.A., Pulaski, Tennessee
SunTrust Bank, South Florida, N.A., Fort Lauderdale, Florida
SunTrust Bank, South Georgia, N.A., Leesburg, Georgia
SunTrust Bank, Southeast Georgia, N.A., Brunswick, Georgia
SunTrust Bank, Southwest Florida, Fort Myers, Florida
SunTrust Bank, Tampa Bay, Tampa Bay, Florida
SunTrust Bank, West Georgia, N.A., Columbus, Georgia