

## FEDERAL RESERVE SYSTEM

BB&T Corporation  
Winston-Salem, North Carolina

## Order Approving the Acquisition of a Bank Holding Company

BB&T Corporation, Winston-Salem, North Carolina (“BB&T”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Premier Bancshares, Inc., Atlanta, Georgia (“Premier”), and its four wholly owned subsidiary depository institutions: Premier Bank, Atlanta; Bank Atlanta, Decatur; Farmers and Merchants Bank, Summerville; and Milton National Bank, Roswell, all in Georgia.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 55,291 (1999)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

BB&T, with total consolidated assets of \$39.2 billion, operates depository institutions in North Carolina, Georgia, South Carolina, Maryland, Kentucky, Virginia, and West Virginia. BB&T is the eighth largest depository institution in Georgia, controlling deposits of \$1.5 billion, representing approximately 1.7 percent of total deposits in insured depository institutions in the state (“state deposits”).<sup>1</sup> Premier, with total consolidated assets of \$1.5 billion, is

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<sup>1</sup> Asset data are as of June 30, 1999. Deposit data are as of June 30, 1999, and are adjusted to include acquisitions by BB&T after that date. In this context, depository institutions include commercial banks, savings banks, and savings associations.

the ninth largest depository institution in Georgia, controlling deposits of \$1.3 billion, representing approximately 1.6 percent of state deposits. After consummation of the proposal, BB&T would remain the eighth largest depository institution in Georgia, controlling deposits of \$2.8 billion, representing approximately 3.3 percent of state deposits.

### 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 home state of such bank holding company if certain conditions are met.<sup>2</sup> For purposes of the BHC Act, the home state of BB&T is North Carolina, and Premier's subsidiary banks are in Georgia.<sup>3</sup> All of the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.<sup>4</sup> In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

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<sup>2</sup> See 12 U.S.C. § 1842(d). 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).

<sup>3</sup> 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, headquartered, or operates a branch. See 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and (2)(B).

<sup>4</sup> See 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). BB&T meets the capital and managerial requirements established under applicable law, and the subsidiary banks of Premier have been in existence and operated for five years, as required by applicable state law. See Ga. Code Ann. § 7-1-622(b)(1) (Lexis 1999). After consummation of the proposal, BB&T would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of total deposits held by insured depository institutions in Georgia, which is the percentage established by state law. See Ga.

### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or be in furtherance of an attempt to monopolize the business of banking. Section 3 also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal in that banking market 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.<sup>5</sup> BB&T and Premier compete directly in the Atlanta<sup>6</sup> and Milledgeville<sup>7</sup> banking markets, both in Georgia. The Board has carefully reviewed the competitive effects of the proposal in each of these banking markets in light of all the facts of record, including the number of competitors that would remain in the market, the share of total deposits in depository institutions in the market (“market deposits”) controlled by the companies involved in the proposal,<sup>8</sup> the concentration level of

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Code Ann. § 7-1-622(b)(2)(B). All other requirements under section 3(d) of the BHC Act also would be met on consummation of the proposal.

<sup>5</sup> See 12 U.S.C. § 1842(c).

<sup>6</sup> The Atlanta banking market is defined as the counties of Bartow, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinett, Hall (excluding the town of Clermont), Henry, Newton, Paulding, Rockdale, and Walton, and the towns of Auburn and Winder in Barrow County.

<sup>7</sup> The Milledgeville banking market is defined as Baldwin and Hancock Counties and the northern half of Wilkinson County. BB&T entered the Milledgeville banking market in November 1999, through the acquisition of First Liberty Financial Corp. and its subsidiary bank, First Liberty Bank, both in Macon, Georgia.

<sup>8</sup> Market share data for the Atlanta banking market are as of June 30, 1998, and for the Milledgeville banking market as of June 30, 1999. These data are based on

market deposits in the market and the increase in this level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”), and other characteristics of the markets.<sup>9</sup>

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in the Atlanta banking market.<sup>10</sup> This banking market would remain moderately concentrated after consummation of the proposal and numerous competitors would remain in the market.

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calculations that include the deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1983). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

<sup>9</sup> Under the DOJ Guidelines, 49 Federal Register 26,823 (June 29, 1984), a market is considered moderately concentrated when the post-merger HHI is between 1000 and 1800, and is considered highly concentrated when the post-merger HHI is more than 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will 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. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

<sup>10</sup> BB&T is the 14th largest depository institution in the market, controlling deposits of \$327.1 million, representing less than 1 percent of market deposits. Premier is the eighth largest depository institution in the market, controlling deposits of \$1 billion, representing approximately 2.3 percent of market deposits. On consummation of the proposal, BB&T would become the seventh largest depository institution in the market, controlling deposits of approximately

Consummation of the proposal in the Milledgeville banking market would exceed the DOJ Guidelines. BB&T is the sixth largest depository institution in the market, controlling deposits of \$45.7 million, representing approximately 8.9 percent of market deposits. Premier is the largest depository institution in the market, controlling deposits of \$130.4 million, representing approximately 24 percent of market deposits. The HHI would increase 430 points to 2002, and the market would become highly concentrated.

To mitigate the potential anticompetitive effects of the proposal in the Milledgeville banking market, BB&T has committed to divest one branch that currently controls approximately \$19.3 million in deposits to a commercial banking organization that does not currently have a presence in the market or to a suitable in-market competitor.<sup>11</sup> After the proposed merger and divestiture, BB&T would become the largest depository institution in the banking market, controlling deposits of \$158.2 million, representing approximately 29.1 percent of market deposits. In addition, the HHI in the Milledgeville banking market would increase not more than 240 points to 1812. At least eight competitors would remain in the

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\$1.4 billion, representing approximately 3 percent of market deposits. The HHI would increase 3 points to 1210.

<sup>11</sup> BB&T has committed to execute, before consummation of the proposal, a sales agreement for the proposed divestiture with a purchaser determined by the Board to be competitively suitable, and to complete the divestiture within 180 days of consummation of the proposal. BB&T also has committed that, if it is unsuccessful in completing the divestiture within the 180-day period, it will transfer the unsold branch to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch promptly to an alternative purchaser acceptable to the Board. See BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991). BB&T also has committed to submit to the Board, within 120 days after consummation of the proposal, an executed trust agreement acceptable to the Board stating the terms of the proposed divestiture.

banking market, including four competitors other than BB&T that each would control 10 percent or more of market deposits.

The Board has considered the views of the Department of Justice and the other banking agencies on the competitive effects of the proposal in each relevant banking market. The Department of Justice has advised the Board that, in light of the proposed divestiture, consummation of the proposal likely would not have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have been afforded an opportunity to comment and have not objected to consummation of the proposal.

Based on all the facts of record, including the proposed divestiture in the Milledgeville banking market and the number and size of competitors remaining in the market, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the banking markets in which BB&T and Premier directly compete or in any other relevant banking market.

#### Other Considerations

The BHC Act requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the communities to be served, and certain supervisory factors. The Board has reviewed these factors in light of the record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by BB&T. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of BB&T, Premier, and their respective subsidiary banks are consistent with approval, as are the other supervisory factors the Board must consider under the BHC Act. In addition,

considerations related to the convenience and needs of the communities to be served, including the records of performance of the institutions involved under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.), are consistent with approval of the proposal.

### Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by BB&T with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order, including BB&T's divestiture commitments. For the purpose of this action, the commitments and conditions referred to above 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 proposed transaction 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>12</sup> effective December 17, 1999.

(signed)

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Robert deV. Frierson  
Associate Secretary of the Board

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<sup>12</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.