

## 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 One Valley Bancorp, Inc., Charleston, West Virginia (“One Valley”),<sup>1</sup> and its nine wholly owned subsidiary banks.<sup>2</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 Federal Register 12,554 (2000)). 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 \$43.5 billion, operates depository institutions in North Carolina, Georgia, South Carolina, Maryland, Kentucky, Virginia, West Virginia, and the District of Columbia. BB&T operates the sixth largest commercial banking organization in Virginia, controlling deposits of \$3.7 billion, representing approximately 4.8 percent of total deposits in insured depository institutions in the state (“state deposits”).<sup>3</sup> BB&T operates the tenth

---

<sup>1</sup> BB&T also has requested the prior approval of the Board to hold and exercise an option to acquire up to 19.9 percent of One Valley’s voting shares. The option would expire on consummation of the proposal.

<sup>2</sup> The subsidiary banks of One Valley are listed in Appendix A.

<sup>3</sup> Deposit and ranking data are as of June 30, 1999, and reflect acquisitions as of April 20, 2000. Asset data are as of December 31, 1999. In this context,

largest depository institution in West Virginia, controlling deposits of \$318.5 million, representing 1.6 percent of state deposits.

One Valley is also the tenth largest commercial banking organization in Virginia, controlling total deposits of \$1.1 billion, representing approximately 1.5 percent of state deposits. One Valley is the largest commercial banking organization in West Virginia, controlling deposits of \$3.4 billion, representing 17.1 percent of state deposits.

On consummation of the proposal, and accounting for the proposed divestitures, BB&T would remain the sixth largest depository institution in Virginia, controlling deposits of \$4.8 billion, representing approximately 6.2 percent of state deposits. BB&T would become the largest depository institution in West Virginia, controlling deposits of approximately \$3.8 billion, representing 18.7 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>4</sup> For purposes of the BHC Act, the home state of BB&T is North Carolina, and One Valley's subsidiary banks are located in Virginia and West

---

depository institutions include commercial banks, savings banks, and savings associations.

<sup>4</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).

Virginia.<sup>5</sup> All of the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.<sup>6</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.

### 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. 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>7</sup>

BB&T and One Valley compete directly in the following five banking markets: Bluefield, West Virginia; Emporia, Lynchburg, and Roanoke, all in Virginia; and Metropolitan Washington, D.C. (Metropolitan D.C.).<sup>8</sup> The Board has

---

<sup>5</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) and (2); NationsBank Corporation, 84 Federal Reserve Bulletin 858 (1998).

<sup>6</sup> See 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A). BB&T is adequately capitalized and adequately managed. On 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 the total amount of deposits of insured depository institutions in each of Virginia and West Virginia. All of One Valley's banks have been in existence and continuously operated for at least the minimum period required under Virginia and West Virginia law. See Va. Code Ann. § 6.1-44.20 (Michie 1999); W. Va. Code §§ 1A-2-12a(c) and 31A-8A-5d (Michie 1996).

<sup>7</sup> See 12 U.S.C. § 1842(c).

<sup>8</sup> The banking markets are defined in Appendix B.

reviewed carefully 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>9</sup> the concentration level of 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>10</sup>

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in the Bluefield, Roanoke, and, Metropolitan D.C. banking markets. In each of these markets, the

---

<sup>9</sup> Market share data for all banking markets are as of June 30, 1999. These data are based on 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 (1984). 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>10</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.

change in the HHI as a result of this proposal would be less than 50 points. In addition, numerous competitors would remain in each of these banking markets.<sup>11</sup>

In the Emporia and Lynchburg banking markets, consummation of the proposal would exceed the DOJ Guidelines. BB&T is the third largest depository institution in the Emporia banking market, controlling deposits of \$27.8 million, representing approximately 15.4 percent of market deposits. One Valley is the second largest depository institution in the market, controlling deposits of \$47.2 million, representing approximately 26.2 percent of market deposits. The HHI would increase 804 points to 3166.

In order to mitigate the potential anticompetitive effects of the proposal in the Emporia banking market, BB&T has committed to divest one branch that controls \$17 million in deposits to a commercial banking organization that does not currently compete in the market.<sup>12</sup> On consummation of the proposal, and accounting for the proposed divestiture, BB&T would become the second largest depository institution in the banking market, controlling deposits of \$58 million, representing approximately 32.1 percent of market deposits, and the

---

<sup>11</sup> The competitive analyses for the Bluefield, Emporia, Roanoke, and Metropolitan D.C. banking markets are provided in Appendix C.

<sup>12</sup> BB&T has executed sales agreements for the proposed divestitures discussed in this order with purchasers that are competitively suitable, and has committed to complete the divestitures within 180 days of consummation of the proposal. BB&T also has committed that, if it is unsuccessful in completing the divestitures within the 180-day period, it will transfer the unsold branches to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branches 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 180 days after consummation of

HHI in the Emporia banking market would increase 200 points to 2562. At least six competitors would remain in the banking market, including five competitors other than BB&T that each would control 8 percent or more of market deposits.

In the Lynchburg banking market, BB&T is the sixth largest depository institution, controlling deposits of \$130.3 million, representing approximately 6.2 percent of market deposits. One Valley is the second largest depository institution in the market, controlling deposits of \$446.7 million, representing approximately 21.3 percent of market deposits. The HHI would increase 265 points to 2329.

In order to mitigate the potential anticompetitive effects of the proposal in the Lynchburg banking market, BB&T has committed to divest two branches that control approximately \$29.2 million in deposits to an in-market commercial banking organization. On consummation of the proposal and accounting for the proposed divestiture, BB&T would become the second largest depository institution in the banking market, controlling deposits of \$547.9 million, representing approximately 26.1 percent of market deposits. The HHI in the Lynchburg banking market would increase by 210 points to 2274. Fourteen competitors would remain in the banking market, including two competitors other than BB&T that each would control 10 percent or more of market deposits and three additional competitors that each would control at least approximately 5 percent of market deposits. In addition, the Lynchburg market appears to be attractive for new entry. Three banking firms have entered the market de novo since June 1997, with two of those market entries occurring since June 1999.

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

---

the proposal, executed trust agreements acceptable to the Board stating the terms of the proposed divestitures.

relevant banking market. The Department of Justice has advised the Board that, in light of the proposed divestitures, consummation of the proposal would not be likely to 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 divestitures in the Emporia and Lynchburg banking markets and the number and size of the competitors remaining in the markets, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or on the concentration of banking resources in the banking markets in which BB&T and One Valley 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, One Valley, 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 discussed 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>13</sup> effective May 30, 2000.

(signed)

---

Robert deV. Frierson  
Associate Secretary of the Board

---

<sup>13</sup> This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Governors Kelley, Meyer, and Gramlich. Absent and not voting: Chairman Greenspan and Vice Chairman Ferguson.

APPENDIX A

Subsidiary Banks of One Valley

West Virginia

One Valley Bank, Inc., Morgantown  
One Valley Bank of Huntington, Inc., Huntington  
One Valley Bank of Mercer County, Inc., Princeton  
One Valley Bank-South, Inc., Summersville  
One Valley Bank-North, Inc., Moundsville  
One Valley Bank, National Association, Charleston  
One Valley Bank-East, National Association, Martinsburg

Virginia

One Valley Bank-Shenandoah, Raphine  
One Valley Bank-Central Virginia, National Association, Lynchburg

## APPENDIX B

## Banking Markets in Which BB&amp;T and One Valley Directly Compete

Bluefield: Mercer County, West Virginia, and Tazewell County, Virginia.

Emporia: Greenville County and the city of Emporia, all in Virginia.

Lynchburg: Lynchburg, Virginia, Rand McNally Marketing Area (“RMA”) and the non-RMA portions of the counties of Amherst and Campbell, all in Virginia.

Roanoke: Roanoke, Virginia, RMA, the non-RMA portions of the counties of Botetourt and Roanoke, and the town of Boones Mill in Franklin County, all in Virginia.

Metropolitan D.C.: The DC-MD-VA RMA and the non-RMA portions of the counties of Fauquier and Loudoun, Virginia, and Calvert, Charles, and St. Mary’s, Maryland.

## APPENDIX C

## Summary of Pro Forma Market Structure

## Bluefield

BB&T is the tenth largest depository institution in the Bluefield banking market, controlling deposits of \$19.2 million, representing 1.4 percent of market deposits. One Valley is the second largest depository institution in the market, controlling deposits of \$237 million, representing 17 percent of market deposits. On consummation of the proposal, BB&T would become the second largest depository institution in the market, controlling deposits of approximately \$256.2 million, representing approximately 18.4 percent of market deposits. The HHI would increase 47 points to 1724.

## Roanoke

BB&T is the eighth largest depository institution in the Roanoke banking market, controlling deposits of \$131.4 million, representing 2.8 percent of market deposits. One Valley is the seventeenth largest depository institution in the market, controlling deposits of \$12.5 million, representing less than 1 percent of market deposits. On consummation of the proposal, BB&T would remain the eighth largest depository institution in the market, controlling deposits of approximately \$143.9 million, representing approximately 3.1 percent of market deposits. The HHI would increase 1 point to 2529.

## Metropolitan D.C.

BB&T is the tenth largest depository institution in the Metropolitan D.C. banking market, controlling deposits of \$1.6 billion, representing 2.9 percent of market deposits. One Valley is the seventy-fifth largest depository institution in the market, controlling deposits of \$14.7 million, representing less than 1 percent of market deposits. On consummation of the proposal, BB&T would remain the tenth largest depository institution in the market, with no change in deposits or market share. The HHI would remain unchanged at 882.