

## FEDERAL RESERVE SYSTEM

Wesbanco, Inc.  
Wheeling, West Virginia

Order Approving the Merger of Bank Holding Companies,  
Merger of Banks, and Establishment of Branches

Wesbanco, Inc. (“Wesbanco”), 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 American Bancorporation, Wheeling, West Virginia (“Bancorp”),<sup>1</sup> and its subsidiary bank, Wheeling National Bank, St. Clairsville, Ohio (“Wheeling Bank”).<sup>2</sup> Wesbanco’s subsidiary state member bank, Wesbanco Bank, Wheeling, West Virginia, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (the Bank Merger Act (“BMA”)) (12 U.S.C. § 1828(c)) to merge with Wheeling Bank, with Wesbanco Bank as the survivor. In addition, Wesbanco Bank has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”) (12 U.S.C. § 321) to establish branches at the locations of Wheeling Bank’s branches in West Virginia, Ohio, and Pennsylvania.<sup>3</sup>

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<sup>1</sup> AB Corporation, a wholly owned subsidiary of Wesbanco, has requested the Board’s approval under section 3 of the BHC Act to become a bank holding company by merging with Bancorp. AB Corporation would be merged with and into Wesbanco following its merger with Bancorp.

<sup>2</sup> Wesbanco also has requested the Board’s approval to acquire an option to purchase up to 19.9 percent of Bancorp’s voting common stock. The option would expire on consummation of the proposed merger.

<sup>3</sup> The branches to be established by the proposal are listed in Appendix A.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 Federal Register 57,967 (2001)). In addition, as required by the BMA, reports on the competitive effects of the merger were requested from the United States Attorney General and relevant banking agencies. 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, the BMA, and the FRA.

Wesbanco, with total consolidated assets of \$2.4 billion,<sup>4</sup> controls Wesbanco Bank, which operates in West Virginia and Ohio. Wesbanco Bank is the fifth largest depository institution in West Virginia, controlling deposits of \$1.7 billion, representing approximately 8.1 percent of total deposits of insured depository institutions in the state (“state deposits”).<sup>5</sup> Wesbanco Bank is the seventy-third largest depository institution in Ohio, controlling deposits of \$191 million, representing less than 1 percent of state deposits.

Bancorp’s only subsidiary bank, Wheeling Bank, is the sixteenth largest depository institution in West Virginia, controlling total deposits of \$193.8 million, representing less than 1 percent of state deposits. Wheeling Bank is the fifty-first largest insured depository institution in Ohio, controlling deposits of \$274.5 million, representing less than 1 percent of state deposits.

On consummation of the proposal, and accounting for the divestiture proposed by Wesbanco, Wesbanco Bank would become the fourth largest depository institution in West Virginia, controlling deposits of approximately \$1.8

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<sup>4</sup> Consolidated asset data are as of June 30, 2001.

<sup>5</sup> Deposit and ranking data are as of June 30, 2000. In this context, the term “depository institution” includes commercial banks, savings banks, and savings associations.

billion, representing approximately 9 percent of state deposits, and would become the thirty-third largest depository institution in Ohio, controlling deposits of approximately \$465.4 million, representing less than 1 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. For purposes of the BHC Act, the home state of Wesbanco is West Virginia,<sup>6</sup> and Bancorp's subsidiary bank is located in West Virginia, Ohio, and Pennsylvania.<sup>7</sup> The Board has reviewed the interstate banking laws of each state in which Wesbanco would acquire banking operations and consulted with the appropriate banking supervisor in each of those states about the permissibility of the proposed transaction under applicable state law. All the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.<sup>8</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>6</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>7</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)-(6) and 1842(d)(1) and (2); NationsBank Corporation, 84 Federal Reserve Bulletin 858 (1998).

<sup>8</sup> See 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Wesbanco is well capitalized and well managed. On consummation of the proposal, Wesbanco 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 held by insured depository institutions in each of

### Competitive Considerations

Section 3 of the BHC Act and the BMA prohibit 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. The BHC Act and the BMA also prohibit 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>9</sup>

Wesbanco Bank and Wheeling compete directly in the Wheeling, Steubenville-Weirton, and Tyler-Wetzel banking markets in West Virginia and Ohio.<sup>10</sup> The Board has 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>11</sup> the concentration level of deposits in the

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West Virginia, Ohio, and Pennsylvania. All of Bancorp’s banks have been in existence and continuously operated for at least the minimum period required under West Virginia, Ohio, and Pennsylvania law. See W.Va. Code §§ 1A-2-12a(c) and 31A-8A-5d (Michie 1996); Ohio Rev. Code Ann. § 1115.05 (2001); 7 Pa. Cons. Stat. § 904 (2001).

<sup>9</sup> 12 U.S.C. § 1842(c)(1)(A) and (B); 12 U.S.C. § 1828(c)(5)(A) and (B).

<sup>10</sup> These banking markets are defined in Appendix B.

<sup>11</sup> Market share data for all banking markets are as of June 30, 2000. 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

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>12</sup>

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in the Wheeling and Steubenville-Weirton banking markets.<sup>13</sup> These banking markets would remain moderately concentrated after consummation of the proposal, and numerous competitors would remain in the markets.

In the Tyler-Wetzel banking market, consummation of the proposal, without divestitures, would exceed the DOJ Guidelines. Wesbanco Bank is the

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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>12</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 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>13</sup> In the Wheeling banking market, Wesbanco Bank would remain the largest depository institution and would control \$757.9 million in deposits, representing approximately 34 percent of market deposits. Sixteen other depository institutions would remain in the Wheeling banking market on consummation of this proposal. The HHI would increase 498 points to 1676.

In the Steubenville-Weirton banking market, Wesbanco Bank would become the largest competitor on consummation of the proposal, and would control

largest depository institution in the market, controlling deposits of \$106.5 million, representing approximately 37 percent of market deposits. Wheeling Bank is the fifth largest depository institution in the market, controlling deposits of \$20.4 million, representing approximately 7 percent of market deposits. The HHI would increase 517 points to 2528.

To mitigate the potential anticompetitive effects of the proposal in the Tyler-Wetzel banking market, Wesbanco has committed to divest one branch that controls approximately \$17 million in deposits to a competitively suitable purchaser in the market.<sup>14</sup> On consummation of the proposal, taking into account the proposed divestiture, Wesbanco Bank would remain the largest depository institution in the banking market, controlling deposits of \$110 million, representing approximately 38 percent of market deposits, and the HHI in the Tyler-Wetzel banking market would increase 120 points to 2131. Eight other depository institutions would remain in the market. Four of these depository institutions, including the acquirer of the divested branch, would each control more than 8 percent of market deposits.

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\$338.7 million in deposits, representing approximately 23 percent of market deposits. Sixteen other depository institutions would remain in the market on consummation of this proposal. The HHI would increase 199 points to 1487.

<sup>14</sup> Wheeling Bank has executed a sale agreement for the proposed divestiture discussed in this order with a purchaser that is competitively suitable and has committed to complete the divestiture within 180 days of consummation of the proposal. Wesbanco 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).

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 is not likely to have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency, the Office of Thrift Supervision, 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 Tyler-Wetzel banking market 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 Wesbanco Bank and Wheeling Bank directly compete or in any other relevant banking market, and that competitive considerations are consistent with approval.

#### Financial, Managerial, and Other Factors

Section 3 of the BHC Act and the BMA also require the Board 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.<sup>15</sup> 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 Wesbanco.<sup>16</sup> Based on all the facts of record, the Board concludes

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<sup>15</sup> 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 1828(c)(5).

<sup>16</sup> The Board received a comment on the proposal alleging that a director of an insured depository institution that was acquired by and merged into Wesbanco Bank in 1995 engaged in illegal acts. The commentor provided no evidence to

that the financial and managerial resources and the future prospects of Wesbanco, Bancorp, and their respective subsidiary banks are consistent with approval, as are the other supervisory factors the Board must consider under the BHC Act and the BMA. 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 (“CRA”) (12 U.S.C. § 2901 et seq.), are consistent with approval of the proposal.<sup>17</sup>

As noted above, Wesbanco Bank also has applied under section 9 of the FRA to establish branches at the former sites of Wheeling Bank’s branches in West Virginia, Ohio, and Pennsylvania. The Board has considered the factors it is required to consider when reviewing an application under section 9 of the FRA<sup>18</sup> and, for the reasons discussed in this order, finds those factors to be consistent with approval.

### Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board’s approval is specifically conditioned on compliance by Wesbanco with all the commitments made in connection with the proposal and with the conditions

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support these allegations. The Board notes that the individual cited in the comment currently does not serve as an officer or director of Wesbanco or any of its subsidiaries, including Wesbanco Bank. The Board has also reviewed this comment in light of supervisory information assessing the current managerial resources of Wesbanco and its subsidiaries.

<sup>17</sup> Wesbanco Bank received a “satisfactory” rating at its most recent examination for CRA performance by the Federal Reserve Bank of Cleveland, as of May 7, 2001. Wheeling Bank also received a “satisfactory” CRA rating from its primary federal supervisor, the Office of the Comptroller of the Currency, at its most recent evaluation, as of December 29, 1999.

discussed in this order, including the divestiture commitments discussed above. 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 transactions shall 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 by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>19</sup> effective January 7, 2002.

(signed)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>18</sup> 12 U.S.C. § 322.

<sup>19</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Meyer, Gramlich, Bies, and Olson.

APPENDIX A

Branches to be Established by Wesbanco Bank

West Virginia

1145 Market Street, Wheeling  
12<sup>th</sup> & Main Streets, Wheeling  
Elm Grove Crossing, Wheeling  
Zane & Huron Streets, Wheeling  
3265 Main Street, Weirton  
Three Springs Drive, Weirton  
State Route 2, New Martinsville  
Route 20, Pine Grove

Ohio

135 W. Main Street, St. Clairsville  
One Mall Drive, St. Clairsville  
102 E. Main Street, Freeport  
875 E. Main Street, Barnesville  
219 High Street, Flushing  
3868 Central Avenue, Shadyside  
850 Wheeling Avenue, Cambridge  
100 Mall Road, Steubenville  
109 N. Hamilton Road, Gahanna  
6121 E. Livingston Avenue, Columbus  
148/150 E. Broad Street, Columbus  
369 Stoneridge Lane, Gahanna  
5670 North Hamilton Road, New Albany

Pennsylvania

6 S. Main Street, Washington

## APPENDIX B

Banking markets in which Wesbanco and Bancorp directly compete

Wheeling Banking Market

The Wheeling market is defined as Marshall and Ohio counties in West Virginia; Belmont County in Ohio, and Mt. Pleasant and Warren townships in Jefferson County, Ohio.

Steubenville-Weirton Banking Market

The Steubenville-Weirton market is defined as Jefferson County, Ohio, except Mt. Pleasant and Warren townships; the German, Rumley, Archer, Green, Cadiz, Athens, and Short Creek townships in Harrison County, Ohio; Brooke County, West Virginia; and Butler and Clay districts in Hancock County, West Virginia.

Tyler-Wetzel Banking Market

The Tyler-Wetzel market is defined as Tyler and Wetzel counties in West Virginia and the Adams, Jackson, Lee, Ohio, and Salem townships in Monroe County, Ohio.