FEDERAL RESERVE SYSTEM

BB&T Corporation
Winston-Salem, North Carolina

Order Approving the Merger of Bank Holding Companies

BB&T Corporation ("BB&T"), a financial 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 merge with First Virginia Banks, Inc. ("First Virginia"), a bank holding company, and thereby acquire First Virginia's subsidiary banks, including its lead subsidiary bank, First Virginia Bank, both in Falls Church, Virginia.[1] BB&T, as permitted by section 4 of the BHC Act, also has elected to request the Board's approval under section 4(c)(8) and (j) of the BHC Act (12 U.S.C. § 1843(c)(8) and (j)) and sections 225.28(b)(3), (11)(i), and (12) of the Board's Regulation Y (12 C.F.R. 225.28(b)(3), (11)(i), and (12)) to acquire certain nonbanking subsidiaries of First Virginia, and thereby engage in permissible leasing, credit-related insurance, and community development activities.[2]

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[1] BB&T also would acquire the following subsidiary state member banks of First Virginia: Atlantic Bank, Ocean City, and Farmers Bank of Maryland, Annapolis, both in Maryland; and First Virginia Bank-Blue Ridge, Staunton; First Virginia Bank/Tri-Cities, Bristol; First Virginia Bank-Colonial, Richmond; First Virginia Bank-Hampton Roads, Norfolk; and First Virginia Bank-Southwest, Roanoke, all in Virginia. BB&T initially would own First Virginia's subsidiary banks as direct subsidiaries. BB&T subsequently would reorganize the branch structure of the acquired subsidiary banks through consolidations, mergers, and purchase-and-assumption transactions, subject to obtaining all appropriate regulatory approvals.

[2] In addition, BB&T would acquire First Virginia Insurance Services, Inc., also in Falls Church, an insurance agency that is a direct subsidiary of First Virginia,

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (68 Federal Register 13,709 (2003)). The time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in sections 3 and 4 of the BHC Act.

BB&T, with total consolidated assets of approximately $80.2 billion, is the eighteenth largest commercial banking organization in the United States.[3] BB&T operates subsidiary depository institutions in North and South Carolina, Virginia, West Virginia, Kentucky, Georgia, Maryland, Tennessee, Alabama, Indiana, and Florida. In Virginia, BB&T is the fourth largest commercial banking organization with deposits of $9 billion, representing approximately 8.6 percent of total deposits in insured depository institutions in the state ("state deposits").[4] BB&T is the sixth largest commercial banking organization in Maryland with deposits of $3.3 billion, representing 5.1 percent of state deposits; and the eleventh largest commercial banking organization in Tennessee with deposits of $873.5 million, representing 1.2 percent of state deposits.

First Virginia, with total consolidated assets of $11.2 billion, is the sixty-fourth largest commercial banking organization in the United States. First Virginia operates subsidiary depository institutions in Virginia, Maryland, and

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pursuant to section 4(k) of the BHC Act (12 U.S.C. § 1843(k)) and the post-transaction notice procedures of section 225.87 of Regulation Y (12 C.F.R. 225.87).

[3] Asset and ranking data are as of December 31, 2002.

[4] Deposit and ranking data are as of June 30, 2002, and reflect mergers and acquisitions as of February 25, 2003. In this context, depository institutions include commercial banks, savings banks, and savings associations.

Tennessee. First Virginia is the sixth largest commercial banking organization in Virginia with deposits of $7.4 billion, representing approximately 7.2 percent of total state deposits; the tenth largest commercial banking organization in Maryland with deposits of $1.3 billion, representing 2 percent of state deposits; and the forty-third largest commercial banking organization in Tennessee with deposits of $251.8 million, representing less than 1 percent of state deposits.

On consummation of the proposal and after accounting for the proposed divestitures noted in this order, BB&T would become the fifteenth largest commercial banking organization in the United States with total consolidated assets of $93.4 billion, representing approximately 1.1 percent of total U.S. banking assets. Also, BB&T would become the second largest commercial banking organization in Virginia with deposits of $16.1 billion, representing approximately 15.6 percent of state deposits; would remain the sixth largest commercial banking organization in Maryland with deposits of $4.5 billion, representing 7 percent of state deposits; and would become the ninth largest commercial banking organization in Tennessee with deposits of $1.1 billion, representing 1.5 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 the bank holding company if certain conditions are met.[5] For purposes of the BHC Act, the home state of BB&T is North

[5] 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 the later of July 1, 1966, or the date on which the company became a bank holding company. 12 U.S.C. § 1841(o)(4)(C).

Carolina, and First Virginia's subsidiary banks are located in Maryland, Virginia, and Tennessee.[6] Based on a review of all the facts of record, including a review of relevant state statutes, the Board finds that all conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[7] 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 Consideration

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 any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that

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[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, headquartered, or operates a branch.

[7] BB&T is adequately capitalized and adequately managed, as defined by applicable law. In addition, BB&T would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States on consummation of the proposal. See 12 U.S.C. § 1842(d)(1)(A) & (B), 1842(d)(2)(A) & (B). BB&T would control less than 30 percent of the total deposits of insured depository institutions in each of Maryland, Tennessee, and Virginia. Each of First Virginia's subsidiary depository institutions located in a state with a minimum age requirement has been in existence and operated continuously for at least the period of time required by applicable state law. In addition, North Carolina law permits the acquisition by an out-of-state bank holding company of a bank holding company or bank located in North Carolina on a reciprocal basis. All the conditions for interstate acquisitions enumerated in Maryland, Virginia, and Tennessee law are met in this case. See Md. Financial Institutions Code Ann. § 5-905 (2002); N.C. Gen. Stat. § 53-211 (2003); Va. Code Ann. § 6.1-399 (2003); and Tenn. Code Ann. §§ 45-2-1403 & 1404 (2002).

would substantially lessen competition in any relevant banking market, unless the Board finds that 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]

BB&T and First Virginia compete directly in twenty-nine local banking markets located primarily in Maryland and Virginia.[9] 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. In particular, the Board has considered the number of competitors that would remain in the markets, the relative shares of total deposits in depository institutions in the markets ("market deposits") controlled by BB&T and First Virginia,[10] the concentration level of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines

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[8] 12 U.S.C. § 1842(c)(1).

[9] These banking markets are described in Appendix A.

[10] Market share data are as of June 30, 2002, and are based on calculations in which the deposits of thrift institutions are included at 50 percent, except as discussed in the order. 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 Board 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

("DOJ Guidelines"),[11] other characteristics of the markets, and commitments made by BB&T to divest certain branches.[12]

A. Certain Banking Markets without Divestitures

Consummation of the proposal without divestitures would be consistent with Board precedent and within the thresholds in the DOJ Guidelines in eighteen banking markets.[13] After consummation of the proposal, one banking

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[11] Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is considered unconcentrated if the post-merger HHI is less than 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if 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.

[12] With respect to each market in which BB&T has committed to divest offices to mitigate the anticompetitive effects of the proposal, BB&T will 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 after consummation of the proposal. BB&T also has committed that, if it is unsuccessful in completing any divestiture within 180 days after consummation, it will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch(es) promptly to one or more alternative purchasers acceptable to the Board. See BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991). In addition, BB&T has committed to submit to the Board, before consummation of the proposal, an executed trust agreement acceptable to the Board stating the terms of the divestitures.

[13] Market data for these banking markets are provided in Appendix B.

market would remain unconcentrated, as measured by the HHI, ten markets would remain moderately concentrated, and seven markets would remain highly concentrated, but with only modest increases in concentration.

B. Certain Banking Markets with Divestitures

To mitigate the potential for adverse effects on competition in five banking markets, BB&T has committed to divest to an out-of-market commercial banking organization branches that control sufficient deposits to make the proposal consistent with Board precedent and within the thresholds in the DOJ Guidelines.[14] After consummation, and accounting for the proposed divestitures, concentration in the Sussex and Surry banking markets would not increase, and the increases in concentration in the Farmville, Tazewell, and Roanoke (as redefined) banking markets would not exceed the threshold levels in the DOJ Guidelines.[15]

C. Remaining Banking Markets

Consummation of the proposal would exceed the threshold levels in the DOJ Guidelines in the following markets: Alleghany,[16] Franklin City, and

[14] The Board has redefined one of these banking markets, the Roanoke banking market to include Franklin County. In taking this action, the Board considered worker patterns as indicated by commuting data; newspaper circulation; information provided by the Franklin County Chamber of Commerce, the County Administration Office, and the Economic Development Board; and other relevant data.

[15] Market data for these banking markets are provided in Appendix C.

[16] The Board also has redefined the Alleghany banking market to include Bath County, which formerly was designated as a separate banking market. In taking this action, the Board considered worker commuting patterns (as indicated by

Shenandoah, all with proposed divestitures; and Warren, Fredericksburg, and Bluefield,[17] all without proposed divestitures. In each of these markets, the Board has carefully considered 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 market.[18]

Alleghany. BB&T operates the largest depository institution in the market, controlling deposits of $144.9 million, representing approximately 34 percent of market deposits. First Virginia operates the second largest depository institution in the market, controlling deposits of $126 million, representing approximately 29.5 percent of market deposits. To reduce the potential for adverse competitive effects in this banking market, BB&T has committed to divest two branches in the market, with deposits totaling $90.9 million, and representing approximately 21.3 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, BB&T would remain the largest depository institution

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census data), shopping patterns, and other indicia of economic integration, including relevant banking data from local chambers of commerce and banks.

[17] The Board divided the former Bluefield banking market into the Bluefield and the Tazewell banking markets as redefined in Appendix A. In taking this action, the Board reviewed worker data, including commuting data for Bluefield, Virginia, and the remainder of Tazewell County; shopping patterns; newspaper circulation; and data from local institutions and other information related to the availability of banking services.

[18] The Board previously has indicated that the number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of concentration and size of the increase in market concentration. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

in the market, controlling deposits of approximately $179.9 million, representing 42.2 percent of market deposits. The HHI would increase by 208 points to 2636.

Certain factors indicate that the increase in market concentration in the Alleghany banking market, as measured by the HHI, does not reflect a significantly adverse effect on competition. On consummation of the proposed merger and divestiture, four of the seven commercial banking organizations that would compete with BB&T each would control more than 10 percent of market deposits, including a competitor that would control more than 21 percent of market deposits and a large multistate bank holding company that would control more than 11 percent of market deposits.

The attractiveness of the Alleghany banking market for entry has been demonstrated by the de novo entry of two competitors to the market since 2002.[19] In addition, the Alleghany banking market exceeds the average for non-Metropolitan Statistical Area ("MSA") counties in Virginia with respect to deposits per banking office and per capita income.[20]

Franklin City. BB&T operates the largest depository institution in the market, controlling deposits of $94.2 million, representing approximately 37.5 percent of market deposits. First Virginia operates the fifth largest depository institution in the market, controlling deposits of $33.3 million,

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[19] As of June 30, 2002, a branch that opened in the market in February 2002 already controlled $8.9 million in deposits, representing 2.1 percent of market deposits. A third competitor is expected to enter the market through a de novo branch in the fourth quarter of 2003.

[20] The average amount of deposits per banking office for non-MSA counties in Virginia is $23 million, compared with $35.6 million for the Alleghany banking market. Per capita income in the Alleghany market exceeds that of non-MSA counties in Virginia by $2,916.

representing approximately 13.2 percent of market deposits. To reduce the potential for adverse competitive effects in this banking market, BB&T has committed to divest one branch, with $20.1 million in deposits, representing approximately 8 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, BB&T would remain the largest depository institution in the market, controlling deposits of approximately $107.3 million, representing 42.7 percent of market deposits. The HHI would increase by 308 points to 2712.

In reviewing the competitive effects of the proposal in the Franklin City banking market and the adequacy of the proposed divestiture, the Board also has taken into account the structure of the market. After consummation of the proposal, four of BB&T's bank competitors would operate in the market. Three of these competitors each would control 13 percent or more of market deposits, including two large multistate banking organizations that would control 18.7 percent and 13.3 percent of market deposits.

The Board also has considered that the market has a large and active credit union that offers a full range of retail banking products. This credit union has street-level branches accessible to the public and its membership is open to a substantial majority of the population of the market.[21] The Board concludes that this credit union exerts a competitive influence that mitigates, in part, the potential anticompetitive effects of the proposal.

Shenandoah. BB&T operates the third largest depository institution in the market, controlling deposits of $48.2 million, representing approximately 12.8 percent of market deposits. First Virginia operates the largest depository

[21] This credit union accounts for 15.4 percent of total deposits in the market.

institution in the market, controlling deposits of $102.1 million, representing approximately 27.1 percent of market deposits. To reduce the potential for adverse competitive effects in this banking market, BB&T has committed to divest one branch with $12.1 million in deposits, representing approximately 3.2 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, BB&T would operate the largest depository institution in the market, controlling deposits of $138.2 million, representing 36.7 percent of market deposits. The HHI would increase by 458 points to 1970.

The Board believes that certain factors mitigate the potential anticompetitive effects of the proposal in the Shenandoah banking market. Two thrift institutions operating in the market offer a full range of banking products and services, including commercial loans. Based on a review of their activities, the Board has concluded that deposits controlled by these institutions should be weighted at 100 percent in considering the proposal's competitive effects.[22] In this light, BB&T would control 34 percent of market deposits and the HHI would

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[22] The Board previously has indicated that it may consider the competitiveness of a thrift institution at a level greater than 50 percent of the savings association's deposits, if appropriate. See, e.g., Banknorth Group, Inc., 84 Federal Reserve Bulletin 489 (1998). One thrift is the largest thrift in the market, has a 10.7 percent ratio of commercial and industrial loans to assets, and is actively expanding its commercial lending activities. See Wells Fargo & Company, 88 Federal Reserve Bulletin 103, 107 n.34 (2002). The other thrift also is aggressively increasing its commercial lending activities. Since June 2000, this thrift has more than quadrupled the size of its commercial loan portfolio and has more than doubled its ratio of commercial and industrial loans to assets to 5.9 percent. Id.

increase 394 points to 1782, which is within the threshold levels in the DOJ Guidelines.[23]

Warren. BB&T operates the largest depository institution in the market, controlling deposits of $75.2 million, representing approximately 24.8 percent of market deposits. First Virginia operates the sixth largest depository institution in the market, controlling deposits of $22.5 million, representing approximately 7.4 percent of market deposits. After the proposed merger, BB&T would remain the largest depository institution in the market, controlling deposits of $97.8 million, representing 32.2 percent of market deposits. The HHI would increase by 368 points to 1900.

A number of factors indicate that the increase in market concentration in the Warren banking market, as measured by the HHI, does not reflect a significantly adverse effect on competition. In particular, the two thrifts discussed above also compete in the Warren market, and their deposits likewise been weighted at 100 percent. In this light, BB&T would control 29.4 percent of market deposits and the HHI would increase 306 points to 1701, which is within the threshold levels in the DOJ Guidelines. In addition, four of the seven depository institution competitors of BB&T each would control more than 10 percent of market deposits, including a large multistate commercial banking organization that would control more than 20 percent.

Fredericksburg. BB&T operates the second largest depository institution in the market, controlling deposits of $375.6 million, representing

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[23] In addition, the characteristics of the Shenandoah banking market indicate that it is attractive for entry. Per capita income, deposits per banking office, and increases in population in the market exceed the average increases in these statistical categories for non-MSA counties in Virginia.

approximately 19.3 percent of market deposits. First Virginia operates the third largest depository institution in the market, controlling deposits of $252.6 million, representing approximately 13 percent of market deposits. After the proposed merger, BB&T would operate the largest depository institution in the market, controlling deposits of $628.2 million, representing 32.3 percent of market deposits. The HHI would increase by 501 points to 1841.

Although the increase in concentration, as measured by the HHI, would be sizeable, the Board believes that several factors mitigate the potential anticompetitive effects of the transaction. After consummation of this proposal, fourteen competitors besides BB&T would compete in the market, including three large multistate commercial banking organizations. Moreover, BB&T's largest competitor in the market would control more than 20 percent of market deposits, and another competitor would control approximately 13 percent.

In addition, the attractiveness of the Fredericksburg banking market has been indicated by the entry since 1998 of three commercial banks and one savings bank through de novo branching. Other factors also confirm that the market is attractive for entry. For example, from 1998 to 2001, the population growth rate in the Fredericksburg banking market was 4.1 percent, which is more than twice the average for MSAs in Virginia. In addition, population per banking office in Fredericksburg exceeds the Virginia MSA average.

Bluefield. BB&T operates the second largest depository institution in the market, controlling deposits of $262.6 million, representing approximately 25.7 percent of market deposits. First Virginia operates the fifth largest depository institution in the market, controlling deposits of $40.6 million, representing approximately 4 percent of market deposits. After the proposed merger, BB&T would remain the second largest depository institution in the market, controlling deposits of $303.2 million, representing 29.7 percent of market deposits. The HHI would increase by 204 points to 2705.

Certain factors suggest that the increase in market concentration, as measured by the HHI, in the Bluefield banking market does not reflect a significantly adverse effect on competition. After consummation of this proposal, five commercial banking organizations besides BB&T would compete in the market. The largest competitor in the market would control more than 37 percent of market deposits, and two other competitors each would control more than 11 percent. Moreover, the only two competitors in the market with market shares below 11 percent are commercial banking organizations that entered the market in the second half of 2001 through de novo branching.

D. Views of Other Agencies and Conclusion

The Department of Justice also has conducted a detailed review of the competitive effects of the proposal. The Department has advised the Board that in light of the proposed divestitures, consummation of the proposal would not have a significantly adverse effect on competition in any relevant banking market. The Federal Deposit Insurance Corporation ("FDIC") has been afforded an opportunity to comment and has not objected to consummation of the proposal.

After carefully reviewing all the facts of record and for the reasons discussed in the order and appendices, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition or on the concentration of banking resources in any of the twenty-nine markets in which BB&T and First Virginia both compete or in any other relevant banking market. Accordingly, based on all the facts of record and subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

Other Factors

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 other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including public comments, reports of examination and other confidential supervisory information assessing the financial and managerial resources of the two organizations, and other information provided by BB&T.

The Board notes that BB&T would remain well capitalized on consummation of the proposal. The Board also has carefully reviewed reports of examination and other material related to the management record and resources of BB&T.

In light of all the facts of record, the Board concludes that the financial and managerial resources and future prospects of the organizations involved in this proposal are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of 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 ("CRA"), are consistent with approval.[24]

[24] 12 U.S.C. § 2901 et seq. BB&T's subsidiary depository institutions received the following CRA performance evaluation ratings from the FDIC as of the dates indicated: Branch Banking and Trust Company, Winston-Salem, North Carolina (outstanding) (March 1, 2002); Branch Banking and Trust Company of

Nonbanking Activities

BB&T also has filed a notice under section 4(c)(8) and (j) of the BHC Act (12 U.S.C. § 1843(c)(8) and (j)) to acquire certain nonbanking subsidiaries of First Virginia.[25] The leasing, credit-related insurance, and community development activities that BB&T proposes to engage in are permissible for bank holding companies under Regulation Y.[26] BB&T has committed to conduct these nonbanking activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations.

In order to approve this notice, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the performance of the proposed nonbanking activities by BB&T "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as

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South Carolina, Greenville, South Carolina (satisfactory) (February 1, 2002); Branch Banking and Trust Company of Virginia, Richmond, Virginia (satisfactory) (February 1, 2002); and BB&T Bankcard Corporation, Columbus, Georgia (satisfactory) (September 1, 2000). In addition, each of First Virginia's subsidiary banks received satisfactory ratings at their most recent CRA performance evaluations from the Federal Reserve System.

[25] BB&T proposes to acquire First Virginia Life Insurance Company and First General Leasing Company, both in Falls Church, and the following community-welfare limited partnership interests: 28.3 percent in Northampton Partners L.P.; 23.8 percent in Monticello Vista Associates L.P.; 33.6 percent in Linweaver L.P.; 9.7 percent in Housing Equity Fund of Virginia II L.P.; and 11.7 percent in Housing Equity Fund of Virginia III L.P.

[26] See 12 C.F.R. 225.28(b)(3), (11)(i), and (12).

undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[27]

As part of its evaluation of these factors, the Board considers the financial and managerial resources of BB&T, its subsidiaries, and the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of BB&T's proposed acquisition of the nonbanking subsidiaries of First Virginia in light of all the facts of record. The markets for the credit-related insurance activities vary from local to national in scope. The record in this case indicates that in each relevant market there are numerous providers of insurance services and that the markets for this nonbanking service are unconcentrated. For these reasons, and based on all the facts of record, the Board expects that consummation of the proposal would have a de minimis effect on competition in the markets for the proposed services.[28] Based on all the facts of record, the Board concludes that it is unlikely that significantly adverse competitive effects would result from the nonbanking acquisitions proposed in this transaction.

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[27] 12 U.S.C. § 1843(j)(2)(A).

[28] First Virginia's leasing subsidiary, First General Leasing Company, also in Falls Church, has been inactive since 1999. As a result, the acquisition of First General Leasing Company by BB&T would not have any impact on the competition for leasing services in any relevant market. Also, BB&T's acquisition of First Virginia's interests in community-welfare limited partnerships would not have anticompetitive effects in any relevant market.

BB&T has indicated that consummation of this proposal would give it an opportunity to offer an expanded array of insurance products and services to individuals in seven banking markets in Virginia and Maryland in which BB&T did not previously compete for insurance business. BB&T states that current customers of First Virginia's insurance services would benefit from the enhanced selection of insurance products and services that they would receive from BB&T's extensive insurance operations.[29]

The Board also concludes that the conduct of the proposed nonbanking activities within the framework of Regulation Y and Board precedent is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public interests factors that the Board must consider under section 4(j)(2)(A) of the BHC Act is favorable and consistent with approval of this proposal.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application and notices should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance by BB&T with all commitments made in connection with the proposal, including the divestiture commitments discussed in the order. For purposes of this action, the commitments and conditions referred to in this order are deemed to be conditions

[29] For example, BB&T reports that BB&T Insurance Services, Inc., Raleigh, North Carolina, is the nation's tenth largest insurance agency.

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 banking acquisitions may not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated 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,[30] effective May 13, 2003.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

[30] Voting for this action: Chairman Greenspan and Governors Gramlich, Bies, Olson, Bernanke, and Kohn. Absent and not voting: Vice Chairman Ferguson.

APPENDIX A

Banking Markets in which BB&T and First Virginia Compete Directly

Virginia Banking Markets

Abingdon
Washington County, excluding the Johnson City/Kingsport/Bristol, Tennessee/Virginia, Ranally Metropolitan Area ("RMA") portion.

Alleghany
Alleghany and Bath Counties.

Bluefield
Mercer County, West Virginia, and the area north of and including Bluefield, Virginia.

Charlottesville
The Charlottesville RMA; the City of Charlottesville; the non-RMA portion of Albemarle County; the Town of Louisa in Louisa County; and Fluvanna, Greene, and Nelson Counties.

Culpeper
Culpeper County.

Danville
The Danville RMA, the City of Danville, and the non-RMA portion of Pittsylvania County, excluding the small area around Hurt.

Farmville
Cumberland and Prince Edward Counties.

Franklin City
The City of Franklin and Southampton County.

Fredericksburg
The City of Fredericksburg; Caroline, King George, Spotsylvania, and Stafford Counties, excluding the Washington, D.C., RMA portion; and the Towns of Lake Anna, Colonial Beach, Leedstown, Oak Grove, and Potomac Beach.

Galax
City of Galax and Grayson and Carroll Counties, excluding the Mount Airy, North Carolina/Virginia, banking market portion.

Harrisonburg
The City of Harrisonburg and Rockingham County.

Lynchburg
The Lynchburg RMA, the City of Lynchburg, and the non-RMA portions of Amherst and Campbell Counties.

Mecklenburg
Mecklenburg County.

Newport News-Hampton
The Newport News-Hampton RMA; the Cities of Newport News, Hampton, Poquoson, and Williamsburg; the non-RMA portion of James City County; and Mathews County.

Norfolk-Portsmouth
The Norfolk-Portsmouth RMA; the Cities of Norfolk, Portsmouth, Chesapeake, Suffolk, and Virginia Beach; and Currituck County, North Carolina.

Orange
Orange County.

Richmond
The Richmond RMA; the Cities of Richmond, Colonial Heights, Hopewell, and Petersburg; Amelia, Charles City, King and Queen, King William, and New Kent Counties; the non-RMA portions of Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, Powhatan, and Prince George Counties; and the Town of Mineral in Louisa County.

Roanoke
The Roanoke RMA, the Cities of Roanoke and Salem, and the non-RMA portions of Botetourt, Franklin, and Roanoke Counties.

Russell
Russell County.

Shenandoah
Shenandoah County, excluding the Town of Strasburg.

Staunton
The Cities of Staunton and Waynesboro and August County.

Surry
Surry County.

Sussex
Sussex County.

Tazewell
Tazewell County, excluding Bluefield, Virginia, and the area north of it.

Warren
Warren County.

Winchester
The City of Winchester; Clarke and Frederick Counties, Virginia, and Hampshire County, West Virginia; and the Town of Strasburg.

<u>Maryland Banking Markets</u>

Annapolis
The Annapolis RMA, including the City of Annapolis.

Baltimore
The Baltimore RMA; the City of Baltimore; the non-RMA portion of Harford County; and Carroll County, excluding the Washington, D.C., RMA portion.

Washington, D.C., Banking Market

The Washington, D.C., RMA; the Cities of Alexandria, Fairfax, Falls Church, and Manassas, all in Virginia; the non-RMA portions of Calvert, Charles, Frederick, and St. Mary's Counties, all in Maryland, and Fauquier and Loudoun Counties, both in Virginia; and Jefferson County, West Virginia.

APPENDIX B

Certain Banking Markets without Divestitutures

Abingdon, Virginia
BB&T operates the seventh largest depository institution in the market, controlling deposits of $17.8 million, representing approximately 2.7 percent of market deposits. First Virginia operates the fifth largest depository institution in the market, controlling deposits of $45.6 million, representing approximately 7 percent of market deposits. After the proposed merger, BB&T would operate the fifth largest depository institution in the market, controlling deposits of $63.4 million, representing approximately 9.8 percent of market deposits. The HHI would increase by 38 points to 2111.

Annapolis, Maryland
BB&T operates the ninth largest depository institution in the market, controlling deposits of $116.4 million, representing approximately 5.6 percent of market deposits. First Virginia operates the second largest depository institution in the market, controlling deposits of $310 million, representing approximately 14.8 percent of market deposits. After the proposed merger, BB&T would operate the largest depository institution in the market, controlling deposits of approximately $426.5 million, representing 20.4 percent of market deposits. The HHI would increase by 165 points to 1172.

Baltimore, Maryland/Pennsylvania
BB&T operates the seventh largest depository institution in the market, controlling deposits of $949.4 million, representing approximately 3.2 percent of market deposits. First Virginia operates the twelfth largest depository institution in the market, controlling deposits of $390.9 million, representing approximately 1.3 percent of market deposits. After the proposed merger, BB&T would operate the sixth largest depository institution in the market, controlling deposits of $1.3 billion, representing 4.5 percent of market deposits. The HHI would increase by 8 points to 1155.

Charlottesville, Virginia

BB&T operates the third largest depository institution in the market, controlling deposits of $302.8 million, representing approximately 13.3 percent of market deposits. First Virginia operates the seventh largest depository institution in the market, controlling deposits of $95.7 million, representing approximately 4.2 percent of market deposits. After the proposed merger, BB&T would remain the third largest depository institution in the market, controlling deposits of $398.5 million, representing 17.5 percent of market deposits. The HHI would increase by 111 points to 1791.

Culpeper, Virginia

BB&T operates the sixth largest depository institution in the market, controlling deposits of $8.9 million, representing approximately 1.9 percent of market deposits. First Virginia operates the fifth largest depository institution in the market, controlling deposits of $11.2 million, representing approximately 2.4 percent of market deposits. After the proposed merger, BB&T would operate the fourth largest depository institution in the market, controlling deposits of $20.1 million, representing 4.3 percent of market deposits. The HHI would increase by 9 points to 3479.

Danville, Virginia/North Carolina

BB&T operates the seventh largest depository institution in the market, controlling deposits of $67.3 million, representing approximately 4.9 percent of market deposits. First Virginia operates the sixth largest depository institution in the market, controlling deposits of $97.3 million, representing approximately 7 percent of market deposits. After the proposed merger, BB&T would operate the fourth largest depository institution in the market, controlling deposits of approximately $164.7 million, representing 11.9 percent of market deposits. The HHI would increase by 68 points to 1762.

Galax, Virginia

BB&T operates the fifth largest depository institution in the market, controlling deposits of $53.2 million, representing approximately 8.2 percent of market deposits. First Virginia operates the sixth largest depository institution in the market, controlling deposits of $38.7 million, representing approximately 6 percent of market deposits. After the proposed merger, BB&T would operate the third largest depository institution in the market, controlling deposits of $91.9 million, representing 14.2 percent of market deposits. The HHI would increase by 99 points to 2068.

Harrisonburg, Virginia
BB&T operates the second largest depository institution in the market, controlling deposits of $204.8 million, representing approximately 15.9 percent of market deposits. First Virginia operates the seventh largest depository institution in the market, controlling deposits of $104.4 million, representing approximately 8.1 percent of market deposits. After the proposed merger, BB&T would operate the largest depository institution in the market, controlling deposits of $309.2 million, representing 24 percent of market deposits. The HHI would increase by 257 points to 1498.

Lynchburg, Virginia
BB&T operates the second largest depository institution in the market, controlling deposits of $507.2 million, representing approximately 20.3 percent of market deposits. First Virginia operates the sixth largest depository institution in the market, controlling deposits of $108.5 million, representing approximately 4.4 percent of market deposits. After the proposed merger, BB&T would remain the second largest depository institution in the market, controlling deposits of $615.7 million, representing 24.7 percent of market deposits. The HHI would increase by 177 points to 2181.

Mecklenburg, Virginia
BB&T operates the seventh largest depository institution in the market, controlling deposits of $46.3 million, representing approximately 8.1 percent of market deposits. First Virginia operates the fourth largest depository institution in the market, controlling deposits of $54 million, representing approximately 9.5 percent of market deposits. After the proposed merger, BB&T would operate the third largest depository institution in the market, controlling deposits of $100.3 million, representing 17.6 percent of market deposits. The HHI would increase by 155 points to 1796.

Newport News-Hampton, Virginia
BB&T operates the fifth largest depository institution in the market, controlling deposits of $296.9 million, representing approximately 8.4 percent of market deposits. First Virginia operates the sixth largest depository institution in the market, controlling deposits of $200.1 million, representing approximately 5.7 percent of market deposits. After the proposed merger, BB&T would operate the fourth largest depository institution in the market, controlling deposits of

$497 million, representing 14.1 percent of market deposits. The HHI would increase by 95 points to 1425.

Norfolk-Portsmouth, Virginia
BB&T operates the second largest depository institution in the market, controlling deposits of $1.5 billion, representing approximately 16.6 percent of market deposits. First Virginia operates the seventh largest depository institution in the market, controlling deposits of $513.9 million, representing approximately 5.8 percent of market deposits. After the proposed merger, BB&T would operate the largest depository institution in the market, controlling deposits of $2 billion, representing 22.4 percent of market deposits. The HHI would increase by 193 points to 1437.

Orange, Virginia
BB&T operates the seventh largest depository institution in the market, controlling deposits of $11.3 million, representing approximately 4 percent of market deposits. First Virginia operates the sixth largest depository institution in the market, controlling deposits of $21.5 million, representing approximately 7.6 percent of market deposits. After the proposed merger, BB&T would operate the fifth largest depository institution in the market, controlling deposits of $32.8 million, representing approximately 11.5 percent of market deposits. The HHI would increase by 60 points to 1901.

Richmond, Virginia
BB&T operates the fifth largest depository institution in the market, controlling deposits of $1.6 billion, representing approximately 8.3 percent of market deposits. First Virginia operates the seventh largest depository institution in the market, controlling deposits of $650.5 million, representing approximately 3.3 percent of market deposits. After the proposed merger, BB&T would remain the fifth largest depository institution in the market, controlling deposits of $2.3 billion, representing 11.6 percent of market deposits. The HHI would increase by 55 points to 1516.

Russell, Virginia
BB&T operates the seventh largest depository institution in the market, controlling deposits of $6 million, representing approximately 1.9 percent of market deposits. First Virginia operates the fourth largest depository institution in the market, controlling deposits of $42.5 million, representing approximately 13.2 percent of market deposits. After the proposed merger, BB&T would

operate the fourth largest depository institution in the market, controlling deposits of approximately $48.6 million, representing approximately 15 percent of market deposits. The HHI would increase by 49 points to 2289.

Staunton, Virginia
BB&T operates the eighth largest depository institution in the market, controlling deposits of $37 million, representing approximately 3.8 percent of market deposits. First Virginia operates the fifth largest depository institution in the market, controlling deposits of $81 million, representing approximately 8.3 percent of market deposits. After the proposed merger, BB&T would operate the second largest depository institution in the market, controlling deposits of approximately $117.9 million, representing 12.1 percent of market deposits. The HHI would increase by 63 points to 2107.

Washington, D.C./Maryland/Virginia/West Virginia
BB&T operates the fifth largest depository institution in the market, controlling deposits of $4.5 billion, representing approximately 5.6 percent of market deposits. First Virginia operates the eighth largest depository institution in the market, controlling deposits of $3.7 billion, representing approximately 4.7 percent of market deposits. After the proposed merger, BB&T would operate the fourth largest depository institution in the market, controlling deposits of approximately $8.1 billion, representing 10.3 percent of market deposits. The HHI would increase by 52 points to 813.

Winchester, Virginia
BB&T operates the largest depository institution in the market, controlling deposits of $441 million, representing approximately 26.5 percent of market deposits. First Virginia operates the ninth largest depository institution in the market, controlling deposits of $75.3 million, representing approximately 4.5 percent of market deposits. After the proposed merger, BB&T would remain the largest depository institution in the market, controlling deposits of $516.3 million, representing approximately 31.1 percent of market deposits. The HHI would increase by 240 points to 1645.

APPENDIX C

Certain Banking Markets with Divestitures

Farmville, Virginia
BB&T operates the fourth largest depository institution in the market, controlling deposits of $41.3 million, representing approximately 12.6 percent of market deposits. First Virginia operates the third largest depository institution in the market, controlling deposits of $55.4 million, representing approximately 16.9 percent of market deposits. BB&T has committed to divest one branch with $13.3 million in deposits, representing approximately 4.1 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, BB&T would operate the largest depository institution in the market, controlling deposits of $83.4 million, representing approximately 25.5 percent of market deposits. The HHI would increase by 221 points to 1781.

Roanoke, Virginia
BB&T operates the sixth largest depository institution in the market, controlling deposits of $367.7 million, representing approximately 8.5 percent of market deposits. First Virginia operates the fifth largest depository institution in the market, controlling deposits of $370.4 million, representing approximately 8.6 percent of market deposits. BB&T has committed to divest one branch with $78.2 million in deposits, representing approximately 1.8 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, BB&T would operate the second largest depository institution in the market, controlling deposits of approximately $659.8 million, representing 15.3 percent of market deposits. The HHI would increase by 90 points to 1241.

Sussex, Virginia
BB&T operates the third largest depository institution in the market, controlling deposits of $33.3 million, representing approximately 26.8 percent of market deposits. First Virginia operates the second largest depository institution in the market, controlling deposits of $41.1 million, representing approximately 33.1 percent of market deposits. BB&T has committed to divest one branch with $33.7 million in deposits, representing approximately 27.1 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, BB&T would operate the second largest

depository institution in the market, controlling deposits of $40.7 million, representing 32.8 percent of market deposits. The HHI would decrease by 4 points to 3418.

Surry, Virginia
BB&T operates the second largest depository institution in the market, controlling deposits of $7.7 million, representing approximately 30.3 percent of market deposits. First Virginia operates the largest depository institution in the market, controlling deposits of $17.8 million, representing approximately 69.7 percent of market deposits. BB&T has committed to divest First Virginia's only branch in the market. After the proposed merger and divestiture, BB&T would remain the second largest depository institution in the market and the HHI would remain unchanged at 5779.

Tazewell, Virginia
BB&T operates the sixth largest depository institution in the market, controlling deposits of $38.4 million, representing approximately 7.4 percent of market deposits. First Virginia operates the largest depository institution in the market, controlling deposits of $158.2 million, representing approximately 30.3 percent of market deposits. BB&T has committed to divest two branches, with deposits totaling $23.8 million, and representing approximately 4.6 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, BB&T would operate the largest depository institution in the market, controlling deposits of $172.8 million, representing 33.1 percent of market deposits. The HHI would increase by 144 points to 1841.