

FEDERAL RESERVE SYSTEM

BB&T Corporation  
Winston-Salem, North Carolina

Order Approving the Merger of Bank Holding Companies

BB&T Corporation (“BB&T”), Winston-Salem, North Carolina, a financial holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act<sup>1</sup> to merge with Susquehanna Bancshares, Inc. (“Susquehanna”), and thereby indirectly acquire Susquehanna Bank, both of Lititz, Pennsylvania. Following the proposed acquisition, Susquehanna Bank, a state member bank, would be merged into BB&T’s subsidiary nonmember bank, Branch Banking and Trust Company (“Branch Bank”), also of Winston-Salem.<sup>2</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (80 Federal Register 226 (January 5, 2015)).<sup>3</sup> The time for submitting 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.

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> The merger of Susquehanna Bank into Branch Bank is subject to the approval of the Federal Deposit Insurance Corporation (“FDIC”) pursuant to section 18(c) of the Federal Deposit Insurance Act (the “Bank Merger Act”). 12 U.S.C. § 1828(c). The FDIC approved the merger on April 17, 2015.

<sup>3</sup> 12 CFR 262.3(b).

BB&T, with consolidated assets of approximately \$188.8 billion, is the 18th largest insured depository organization in the United States, controlling approximately \$130.6 billion in consolidated deposits, which represent approximately 1.1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>4</sup> BB&T controls Branch Bank, which operates in Alabama, Florida, Georgia, Indiana, Kentucky, Maryland, North Carolina, Ohio, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia. Branch Bank is the seventh largest depository institution in Maryland, controlling deposits of approximately \$7.1 billion, which represent 5.7 percent of the total deposits of insured depository institutions in that state. In addition, Branch Bank is the largest depository institution in West Virginia, controlling deposits of approximately \$5.1 billion, which represent 16.5 percent of the total deposits of insured depository institutions in that state.

Susquehanna, with consolidated assets of \$18.7 billion, is the 79th largest insured depository organization in the United States, controlling approximately \$13.3 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Susquehanna controls Susquehanna Bank, which operates in Maryland, New Jersey, Pennsylvania, and West Virginia. Susquehanna Bank is the ninth largest depository institution in Maryland, controlling deposits of approximately \$2.6 billion, which represent 2.1 percent of the total deposits of insured depository institutions in that state.<sup>5</sup> In addition, Susquehanna Bank is the 51st largest depository institution in West Virginia, controlling deposits of approximately \$107.6 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

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<sup>4</sup> National asset and deposit data are as of December 31, 2014, unless otherwise noted. BB&T asset and deposit data reflect the acquisition of The Bank of Kentucky Financial Corporation, Crestview Hills, Kentucky, and 41 branches of Citibank, National Association, in Texas.

<sup>5</sup> State deposit data are as of June 30, 2014, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

On consummation of this proposal, BB&T would become the 17th largest insured depository organization in the United States, with consolidated assets of approximately \$207.5 billion, which represent 1.0 percent of the total amount of assets of insured depository institutions in the United States. BB&T would control total consolidated deposits of approximately \$143.9 billion, which represent 1.2 percent of the total deposits of insured depository institutions in the United States. BB&T would become the fifth largest depository organization in Maryland, controlling deposits of approximately \$9.6 billion, which represent 7.8 percent of the total amount of deposits of insured depository institutions in that state. BB&T would remain the largest depository organization in West Virginia, controlling deposits of approximately \$5.2 billion, which represent 16.8 percent of the total amount of deposits of insured depository institutions in that state.

#### Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company to acquire control of a bank in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.<sup>6</sup> Under this section, the Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the bank has been in existence for the lesser of the state statutory minimum period of time or five years.<sup>7</sup> In addition, the Board may not approve an interstate acquisition if the bank holding company controls or would control more than 10 percent of the total deposits of insured depository institutions in the United States or 30 percent or more of the total deposits of insured depository institutions

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<sup>6</sup> 12 U.S.C. § 1842(d)(1)(A).

<sup>7</sup> 12 U.S.C. § 1842(d)(1)(B).

in the target bank's home state or in any state in which the acquirer and target have overlapping banking operations.<sup>8</sup>

For purposes of the BHC Act, the home state of BB&T is North Carolina, and Susquehanna Bank's home state is Pennsylvania.<sup>9</sup> Susquehanna Bank also operates in Maryland, New Jersey, and West Virginia. BB&T is well capitalized and well managed under applicable law and has a satisfactory Community Reinvestment Act ("CRA")<sup>10</sup> rating. Maryland, New Jersey, Pennsylvania, and West Virginia do not have minimum age requirements,<sup>11</sup> and Susquehanna Bank has been in existence for more than five years.

On consummation of the proposed transaction, BB&T would control 1.2 percent of the total amount of consolidated deposits in insured depository institutions in the United States. In addition, Maryland imposes a 30 percent limit on the total amount of in-state deposits that a single banking organization may control,<sup>12</sup> and West Virginia imposes a 25 percent limit.<sup>13</sup> The combined organization would control approximately 7.8 percent and 16.8 percent of the total amount of deposits of insured

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<sup>8</sup> 12 U.S.C. § 1842(d)(2)(A) and (B). The acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. 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 or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

<sup>9</sup> See 12 U.S.C. § 1841(o)(4). 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. A state bank's home state is the state in which the bank is chartered.

<sup>10</sup> 12 U.S.C. § 2901 et seq.

<sup>11</sup> See Md. Code Ann., Fin. Inst. §§ 5-901 to 5-910; N.J. Stat. Ann. § 17:9A-133.1; 7 Pa. Stat. Ann. §§ 1601–1610; W. Va. Code § 31A-8A-5(b).

<sup>12</sup> Md. Code Ann., Fin. Inst. § 5-905(b).

<sup>13</sup> W. Va. Code § 31A-2-12a(c).

depository institutions in Maryland and West Virginia, respectively. Accordingly, in light of all the facts of record, the Board is not prohibited from approving 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 any attempt to monopolize the business of banking in any relevant market. The BHC Act 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 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>14</sup>

BB&T and Susquehanna have subsidiary banks that compete directly in the Annapolis, Baltimore, and Worcester banking markets, all in Maryland; the Martinsburg, West Virginia banking market (“Martinsburg banking market”);<sup>15</sup> and the Cumberland, Maryland-West Virginia multistate banking market (“Cumberland banking market”).<sup>16</sup>

#### A. Competitive Effects in Banking Markets

The Board has reviewed the competitive effects of the proposal in the banking markets in which Branch Bank and Susquehanna Bank compete. In particular, the Board has considered the number of competitors that would remain in the banking markets; the relative shares of total deposits in insured depository institutions in the markets (“market deposits”) controlled by BB&T and Susquehanna;<sup>17</sup> the concentration

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<sup>14</sup> 12 U.S.C. § 1842(c)(1).

<sup>15</sup> The Martinsburg banking market is defined as Berkeley County and districts 2 and 3 in Morgan County, all in West Virginia.

<sup>16</sup> The Cumberland banking market is defined as Allegany County, Maryland, and Mineral County, West Virginia.

<sup>17</sup> Deposit and market share data are based on data reported by insured depository institutions in the summary of deposits data as of June 30, 2014, and are based on

levels of market deposits and the increases in these levels, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>18</sup> other characteristics of the markets; and, as discussed below, commitments made by BB&T to divest two branches in the Martinsburg banking market.

*Banking Markets Within Established Guidelines*

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Annapolis, Baltimore, and Worcester, Maryland banking markets. On consummation, all three markets would remain moderately concentrated, as measured by the HHI. The change in the HHI in these markets would be small, consistent with Board precedent, and within the thresholds in the DOJ Bank Merger Guidelines. In addition, numerous competitors would remain in all three banking markets.<sup>19</sup>

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calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to 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 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).

<sup>18</sup> Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would 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. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. Press Release, Department of Justice (August 19, 2010), available at [www.justice.gov/opa/pr/2010/August/10-at-938.html](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>19</sup> These three banking markets and the competitive effects of the proposal in these markets are described in the appendix.

*Banking Markets in which Special Scrutiny is Appropriate*

The structural effects that consummation of the proposal would have in the Martinsburg banking market and the Cumberland banking market warrant a detailed review because the concentration levels on consummation would exceed the thresholds in the DOJ Bank Merger Guidelines. Based on initial competitive screening data, the increases in the Martinsburg and Cumberland banking markets' HHIs would be, respectively, 430 and 510 points to 1910 and 2697.

*Martinsburg, West Virginia Banking Market.* In the Martinsburg banking market, Branch Bank is the largest depository institution, controlling approximately \$368.8 million in deposits, which represent approximately 27.1 percent of market deposits. Susquehanna Bank is the sixth largest depository institution in that market, controlling approximately \$107.6 million in deposits, which represent approximately 7.9 percent of market deposits. To mitigate the potentially adverse competitive effects of the proposal in the Martinsburg banking market, BB&T has committed to divest two branches to a competitively suitable institution in that market.<sup>20</sup>

After the divestiture, the proposal would be consistent with Board precedent and the DOJ Bank Merger Guidelines in the Martinsburg banking market. Branch Bank would remain the largest depository institution in the Martinsburg banking market, controlling approximately \$413.3 million in deposits, which represent

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<sup>20</sup> As a condition of consummation of the proposed merger, BB&T has committed that it will execute, before consummation of the proposed merger, a sales agreement with a competitively suitable banking organization. In addition, BB&T has provided a similar commitment to the DOJ. BB&T also has committed to complete the divestiture within 180 days after consummation of the proposed transaction. In addition, BB&T has committed that if the proposed divestiture is not completed within the 180-day period, BB&T would transfer the unsold branches to an independent trustee, who will be instructed to sell them to an alternate purchaser or purchasers in accordance with the terms of this order and without regard to price. Both the trustee and any alternate purchaser must be deemed acceptable to the Board. See, e.g., BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991).

approximately 30.4 percent of deposits in that market. The HHI would increase 286 points, from 1480 to 1766. Nine other insured depository institutions would remain in that market.

*Cumberland, Maryland-West Virginia Banking Market.* Using initial screening data, Branch Bank is the fourth largest depository institution in the Cumberland banking market, controlling approximately \$71.2 million in deposits, which represent approximately 7.9 percent of market deposits. Susquehanna Bank is the largest depository institution in the market, controlling approximately \$289.3 million in deposits, which represent approximately 32.2 percent of deposits in that market. On consummation, Branch Bank would be the largest depository institution in the Cumberland banking market, controlling approximately \$360.5 million in deposits, which would represent approximately 40.1 percent of market deposits. As noted above, the HHI in this market would increase by 510 points, from 2187 to 2697.

The Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Cumberland banking market.<sup>21</sup> Factors indicate that the increase in concentration in the Cumberland banking market, as measured by the above HHI and market share, overstates the potential competitive effects of the proposal in the market. In particular, six community credit unions exert a competitive influence in the Cumberland banking market. Each institution offers a wide range of consumer banking products, operates street-level branches, and has broad membership criteria that include almost all of the residents in the relevant banking market.<sup>22</sup> The Board finds that these circumstances warrant including the deposits of

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<sup>21</sup> The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

<sup>22</sup> The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Old National Bancorp, FRB Order

these credit unions at a 50-percent weight in estimating market influence. This weighting takes into account the limited lending done by these credit unions to small businesses relative to commercial banks' lending levels.

This adjustment suggests that the resulting market concentration in the Cumberland banking market is less significant than would appear from the initial competitive screening data, which focused on commercial bank and thrift competitors. After consummation, and adjusting to reflect competition from credit unions in the market, the market concentration level in the Cumberland banking market as measured by the HHI would increase by 283 points, from 1410 to 1693, and the market share of BB&T would increase from 5.9 percent to 29.9 percent. In addition to the six credit unions, six other insured depository institutions would remain in the market, including two insured depository institutions with market shares more than 20 percent.

#### B. Views of Other Agencies and Conclusion on Competitive Considerations

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal with the proposed divestiture of branches in the Martinsburg banking market as discussed above would not likely have a significantly adverse effect on competition in that market. The DOJ also concluded that the transaction would not have a significantly adverse effect in the Cumberland banking market or any other relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the

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No. 2012-9 (August 30, 2012); United Bankshares, Inc., (order dated June 20, 2011), 97 Federal Reserve Bulletin 19 (2d Quar. 2011); The PNC Financial Services Group, Inc., 94 Federal Reserve Bulletin C38 (2008); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); and Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

concentration of resources in the five banking markets in which BB&T and Susquehanna compete directly or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

#### Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and future prospects of the institutions involved. In its evaluation of the financial factors, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of the financial and managerial resources and the proposed business plan.

BB&T and Branch Bank are both well capitalized and would remain so on consummation of the proposed acquisition. The proposed transaction is a bank holding company merger that is structured as a cash and share exchange.<sup>23</sup> The asset quality, earnings, and liquidity of both Branch Bank and Susquehanna Bank are consistent with approval, and BB&T appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. In addition, future

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<sup>23</sup> As part of the proposed transaction, each share of Susquehanna common stock would be converted into a right to receive cash and BB&T common stock based on an exchange ratio. BB&T has the financial resources to fund the transaction.

prospects are considered consistent with approval. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of BB&T, Susquehanna, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by BB&T, the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations, and the organizations' records of compliance with applicable banking and anti-money-laundering laws.

BB&T and Branch Bank are each considered to be well managed. BB&T's existing risk-management program and its directorate and senior management are considered to be satisfactory. The directors and senior executive officers of BB&T have substantial knowledge of and experience in the banking and financial services sectors.

The Board has also considered BB&T's plans for implementing the proposal. BB&T has a demonstrated record of successfully integrating organizations into its operations and risk-management systems following acquisitions. BB&T has conducted comprehensive due diligence and is devoting significant financial and other resources to develop a detailed integration plan and timeline for this proposal. BB&T would implement its existing compliance and risk-management systems and programs at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, BB&T's and Susquehanna's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and BB&T plans to integrate Susquehanna's existing management and personnel in a manner that augments BB&T's management.

Based on all the facts of record, including BB&T's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal,

as well as the records of effectiveness of BB&T and Susquehanna in combatting money-laundering activities, are consistent with approval.

### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the convenience and needs of the communities to be served. In its evaluation of the effect of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and whether the proposal would result in public benefits. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA.<sup>24</sup> In addition, the Board considers the banks' overall compliance record, the results of recent fair lending examinations, and other supervisory assessments; the supervisory views of examiners; and other supervisory information. The Board also may consider the applicant institution's business model, marketing and outreach plans, plans following consummation, and any other information the Board deems relevant.

The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,<sup>25</sup> and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.<sup>26</sup> In addition, fair lending and other consumer protection laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics.

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<sup>24</sup> 12 U.S.C. § 1842(c)(2).

<sup>25</sup> 12 U.S.C. § 2901(b).

<sup>26</sup> 12 U.S.C. § 2903.

The Board has considered all the facts of record, including reports of examination of the CRA performance of Branch Bank and Susquehanna Bank, the fair lending and compliance records of both banks, the supervisory views of the FDIC, confidential supervisory information, and information provided by BB&T.<sup>27</sup>

A. Records of Performance Under the CRA

The Board evaluates an institution's performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.<sup>28</sup> The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.<sup>29</sup> An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under the Home

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<sup>27</sup> The Board recently reviewed the CRA and fair lending record of Branch Bank in connection with its approval of BB&T's acquisition of The Bank of Kentucky Financial Corporation. This review included consideration of a comment that objected to Branch Bank's lending record in certain markets. See BB&T Corporation, FRB Order No. 2015-15 (June 3, 2015).

<sup>28</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (March 11, 2010).

<sup>29</sup> 12 U.S.C. § 2906.

Mortgage Disclosure Act of 1975 (“HMDA”),<sup>30</sup> in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution’s lending activities with respect to borrowers and geographies of different income levels. The institution’s lending performance is based on the number and amount of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution’s assessment areas; the geographic distribution of such loans, including the proportion and dispersion of the institution’s lending in its assessment areas and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies; the distribution of such loans based on borrower characteristics, including the number and amount of home mortgage loans to low-, moderate-, middle-, and upper-income individuals;<sup>31</sup> the institution’s community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and the institution’s use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies. Consequently, the Board considers the overall CRA rating and the rating on the lending test to be important indicators, when taken into consideration with other factors, in determining whether a depository institution is helping to meet the credit needs of its communities.

*CRA Performance of Branch Bank*

Branch Bank was assigned an overall “Outstanding” rating by the FDIC at its most recent CRA performance evaluation, as of May 19, 2014 (“Branch Bank

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<sup>30</sup> 12 U.S.C. § 2801 et seq.

<sup>31</sup> Examiners also consider the number and amount of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less; small business and small farm loans by loan amount at origination; and consumer loans, if applicable, to low-, moderate-, middle-, and upper income individuals. See, e.g., 12 CFR 228.22(b)(3).

Evaluation”).<sup>32</sup> Branch Bank received “Outstanding” ratings for the Investment Test and Service Test and a “High Satisfactory” rating for the Lending Test. Examiners found that Branch Bank made an excellent level of qualified investments and extensive use of innovative investments to support community development initiatives. The Board has consulted with the FDIC regarding the Branch Bank Evaluation.

In evaluating the Lending Test, examiners found that Branch Bank’s overall lending levels reflected good responsiveness to assessment area credit needs and that Branch Bank made a high percentage of its loans within its assessment areas, reflecting adequate penetration. Examiners also found that the bank’s distribution of borrowers reflected good penetration among retail customers of different income levels and business customers of different sizes. Examiners noted that Branch Bank exhibited a good record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, LMI individuals, and very small businesses. Examiners also noted that the bank was a leader in making community development loans during the review period. Branch Bank’s community development loans were made for a variety of

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<sup>32</sup> The Branch Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed loans reported, pursuant to HMDA and CRA data collection requirements (geographic distribution and borrower distribution) in 2011, 2012, and 2013. The evaluation period for community development lending, innovative and flexible practices, qualified investments, and community development services was January 1, 2011, through December 31, 2013. The branch office distribution evaluation was as of December 31, 2013. The Branch Bank Evaluation covered Branch Bank’s 108 assessment areas located in 11 states and five multistate metropolitan statistical areas (“MSAs”): North Carolina, Alabama, Georgia, Florida, Kentucky, Maryland, South Carolina, Tennessee, Texas, Virginia, and West Virginia; the Charlotte, North Carolina-South Carolina (“Charlotte”) MSA; the Columbus, Georgia-Alabama (“Columbus”) MSA; the Kingsport-Bristol, Tennessee-Virginia (“Kingsport”) MSA; the Louisville, Kentucky-Indiana (“Louisville”) MSA; and the Washington, District of Columbia-Maryland-Virginia-West Virginia (“Washington DC”) MSA. The Branch Bank Evaluation included a full-scope review of 48 of these assessment areas, including all five multistate MSAs, which captured approximately 70 percent or more of the total lending and deposit activity for each state.

purposes, including financing affordable housing for LMI individuals, promoting economic development by partnering with community development organizations, and supporting various statewide lending consortiums. In addition, examiners noted that Branch Bank offered affordable housing loans through several federal and state government programs.

In evaluating the Investment Test, examiners found that Branch Bank had an excellent level of qualified community development loan investments and grants, and its volume of qualified investments was significant. The bank extended qualified investments, often in a leadership position and not routinely provided by private investors, at a high level throughout its assessment areas. Examiners noted that Branch Bank's investment test performance was "Outstanding" throughout a significant number of states and multistate MSAs, and its performance was rated "High Satisfactory" in several others.<sup>33</sup> Examiners also found the bank to be a leader in affordable housing tax credit investments and provided innovative investments that exhibited excellent responsiveness to assessment area needs.

In evaluating the Service Test, examiners noted that Branch Bank's overall branch distribution in Florida, Georgia, North Carolina, Tennessee, and Virginia provided a good level of accessibility to LMI individuals and areas and that its branch distribution in West Virginia provided excellent accessibility to LMI areas.<sup>34</sup> Examiners further

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<sup>33</sup> Examiners found that the bank's performance under the Investment Test was "Outstanding" in North Carolina, Virginia, Florida, South Carolina, Georgia, Texas, West Virginia, and Alabama, as well as the multistate MSAs of Kingsport and Columbus. Examiners also noted Branch Bank's investment test performance was "High Satisfactory" in Maryland, Tennessee, and Kentucky, as well as the multistate MSAs of Washington DC, Charlotte, and Louisville.

<sup>34</sup> Examiners noted that Branch Bank demonstrated an "Outstanding" record regarding the Service Test in the Louisville MSA, among other state and multistate MSAs. As of December 31, 2013, the bank operated 870 branches in North Carolina, Virginia, and Florida, together accounting for approximately 48 percent of the bank's branches. Consequently, examiners placed more weight on the institution's performance in North Carolina, Virginia, and Florida.

noted that in the substantial majority of the remaining assessment areas, the branch distribution, by geography, was at least adequate. Examiners also found that the bank offered several services designed to meet the convenience and needs of the assessment areas, particularly for LMI geographies and individuals. Examiners indicated that the bank was a leader in providing community development services throughout its assessment areas. Examiners noted that bank management and employees provided financial advice and assistance to many community development organizations.

#### *CRA Performance of Susquehanna Bank*

Susquehanna Bank was assigned an overall “Satisfactory” rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Philadelphia, as of May 6, 2013 (“Susquehanna Bank Evaluation”).<sup>35</sup> Susquehanna Bank received a “High Satisfactory” rating on each of the Lending Test, the Investment Test, and the Service Test.<sup>36</sup> Examiners noted that Susquehanna Bank’s geographic distribution of loans was excellent and that the bank’s community development lending performance was good.

For the Lending Test, examiners noted that Susquehanna Bank’s overall lending levels reflected good responsiveness to assessment area credit needs. Examiners found that the bank’s geographic distribution of loans reflected good penetration

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<sup>35</sup> The Susquehanna Bank Evaluation was conducted using Large Bank CRA Examination Procedures. The evaluation period for the Susquehanna Bank Evaluation was from March 15, 2011, through May 6, 2013.

<sup>36</sup> The Susquehanna Bank Evaluation included a full-scope assessment review of the following assessment areas: the Lancaster, Pennsylvania MSA; the York-Hanover-Gettysburg, Pennsylvania, Consolidated Statistical Area; the Philadelphia-Camden Multistate Assessment Area; the Hagerstown-Martinsburg Multistate Assessment Area; the Baltimore, Maryland Assessment Area; the Reading, Pennsylvania MSA; the Harrisburg, Pennsylvania Assessment Area; the South Central Pennsylvania Assessment Area; and the Atlantic City, New Jersey Assessment Area. A limited-scope review was performed in the Allentown, North Central Pennsylvania, Williamsport, Scranton, State College, and Lebanon assessment areas, all in Pennsylvania; the Garrett County, Allegany County, and Worchester County assessment areas, all in Maryland; and in the Vineland, New Jersey Assessment Area.

throughout the bank's assessment areas, and also among retail customers of different income levels and businesses of different sizes. Examiners noted that the bank had a good record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices. Examiners also found that Susquehanna Bank was a leader in making community development loans.

In evaluating the Investment Test, examiners observed that the bank had a significant level of qualified community development investments and grants throughout its assessment areas. The bank's investments primarily supported affordable housing initiatives in the bank's assessment areas.

In evaluating the Service Test, examiners found that the bank provided a significant level of community development services. Examiners noted that the bank's officers and employees were active in community development organizations across the assessment areas. Examiners found that the bank's delivery systems were reasonably accessible to essentially all portions of the assessment area, including LMI census tracts, and that Susquehanna offered deposit accounts that expanded access to banking services for LMI individuals and small businesses.

#### B. Fair Lending and Other Consumer Protection Laws

The Board has considered the records of Branch Bank and Susquehanna Bank in complying with fair lending and other consumer protection laws. As part of this consideration, the Board reviewed the Branch Bank and Susquehanna Bank Evaluations and considered the views of the FDIC and the Federal Reserve Bank of Philadelphia, respectively, on the fair lending performance of BB&T and Susquehanna. The Board also considered Branch Bank's fair lending policies and procedures and confidential supervisory information.

##### *BB&T's Fair Lending Program*

BB&T has established policies and procedures intended to help ensure compliance with all fair lending and other consumer protection laws and regulations.

Under these policies, BB&T's Fair Lending Compliance Group is responsible for engaging in an ongoing risk evaluation of BB&T's lending and operational lines of business. The Fair Lending Compliance Group's ongoing risk evaluation includes a list of risk indicators, such as the consideration of consumer and regulatory complaints. Also under these policies, BB&T provides online fair lending training for staff, including, but not limited to, underwriters, loan officers, customer service, and collection personnel, with information related to the various aspects and nuances of current fair lending legislation.

BB&T's policies provide for reviews of marketing programs and campaigns for appropriate coverage and inclusion of minority as well as nonminority-oriented media and geographies. BB&T requires a fair lending review and sign off of all advertising and marketing programs and material prior to issuance to ensure compliance with applicable federal and state fair lending laws. In addition, BB&T's Fair Lending Compliance Risk Managers are required to conduct annual monitoring for each lending line of business. BB&T asserts that it performs additional reviews for products, promotions, and other bank operations to ensure fair lending compliance. BB&T also maintains that it performs regular fair lending analyses, including transactional and pricing regression, minority penetration, and population data.<sup>37</sup>

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<sup>37</sup> As noted above, the FDIC has approved the merger of Susquehanna Bank into Branch Bank. In the first quarter of 2015, the FDIC also approved a proposal by Branch Bank to acquire 41 branches of Citibank, National Association, in Texas. In connection with that proposal, the FDIC directed Branch Bank to develop a CRA strategic plan. Branch Bank developed the plan in the context of available aggregate and peer data and demographics and safe and sound lending considerations and evaluated performance in majority-minority census tracts, as well as performance among individual racial and ethnic groups. Branch Bank submitted its strategic plan, which provided for a semiannual review of Branch Bank's enterprise-wide branching strategy, lending distributions, and marketing efforts, to the FDIC. The FDIC deemed the plan acceptable on February 3, 2015.

C. Additional Information on Convenience and Needs to be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits. BB&T represents that as a result of the proposal, existing customers of Susquehanna would have access to a complement of products and services that is more expansive than that currently available at Susquehanna, including prepaid accounts with debit cards, fee-based financial planning and investment management services, retirement and institutional services, and corporate trust services. Moreover, BB&T asserts that customers of both institutions would benefit from a more expansive branch and ATM network.

D. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, the approval by the FDIC of the underlying Bank Merger Act application and the FDIC's fair lending review of Branch Bank, information provided by BB&T, and confidential supervisory information. Based on that review, the Board believes that BB&T is helping to meet the credit needs of the communities it serves and that the proposal would result in public benefits. Accordingly, the Board concludes that the convenience and needs factor is consistent with approval of the application.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in

greater or more concentrated risks to the stability of the United States banking or financial system.”<sup>38</sup>

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.<sup>39</sup> These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.<sup>40</sup>

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. Both the acquirer and the target are predominately engaged in retail commercial banking activities.<sup>41</sup> The pro forma

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<sup>38</sup> Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, 1601 (2010), codified at 12 U.S.C. § 1842(c)(7).

<sup>39</sup> Many of the metrics considered by the Board measure an institution’s activities relative to the U.S. financial system.

<sup>40</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

<sup>41</sup> BB&T primarily accepts retail deposits and engages in mortgage lending, loan servicing, small business lending, other consumer lending, wealth management, asset management, and capital markets services. To a much lesser extent, BB&T engages in insurance agency and wholesale insurance brokerage activities, and securities brokerage services. Susquehanna accepts retail deposits and engages in mortgage lending, other

organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

### Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by BB&T with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this Order, or later than three months thereafter, unless such

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consumer lending, business loans and commercial leasing, insurance activities, wealth management, and investment management services. In each of its activities, BB&T has, and as a result of the proposal would continue to have, a small share on a nationwide basis, and numerous competitors would remain.

period is extended for good cause by the Board or the Federal Reserve Bank of Richmond, acting under delegated authority.

By order of the Board of Governors,<sup>42</sup> effective July 7, 2015.

*Robert deV. Frierson (signed)*

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Robert deV. Frierson  
Secretary of the Board

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<sup>42</sup> Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

Appendix

<b>BB&amp;T/Susquehanna Banking Markets in Maryland Consistent with Board Precedent and DOJ Bank Merger Guidelines</b>						
Data are as of June 30, 2014. All amounts of deposits are unweighted. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.						
<b>Annapolis, Maryland</b> – includes the Annapolis, Maryland Ranally Metro Area (“RMA”).						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>BB&amp;T Pre-Consummation</i>	2	\$686.4M	14.6	1286	17	19
<i>Susquehanna</i>	18	\$28.2M	0.6			
<i>BB&amp;T Post-Consummation</i>	2	\$714.6M	15.2			
<b>Baltimore, Maryland</b> – includes the Baltimore, Maryland-Pennsylvania RMA; the non-RMA portions of Harford and Carroll (minus the Washington, D.C.-Maryland-Virginia RMA portion) Counties, all in Maryland; and the independent city of Baltimore, Maryland.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>BB&amp;T Pre-Consummation</i>	5	\$2.9B	5.2	1677	28	58
<i>Susquehanna</i>	7	\$1.4B	2.7			
<i>BB&amp;T Post-Consummation</i>	5	\$4.3B	7.9			
<b>Worcester, Maryland</b> – includes Worcester County, Maryland (minus the area south of Routes 365 and 113, including the towns of Pocomoke City and Snow Hill).						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>BB&amp;T Pre-Consummation</i>	4	\$102.4M	9.2	1651	65	10
<i>Susquehanna</i>	8	\$39.2M	3.5			
<i>BB&amp;T Post-Consummation</i>	4	\$141.6M	12.7			