

FEDERAL RESERVE SYSTEM

First Citizens BancShares, Inc.  
Raleigh, North Carolina

Order Approving the Acquisition of Additional Shares of a Bank

First Citizens BancShares, Inc. (“First Citizens”), Raleigh, North Carolina, a financial holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),<sup>1</sup> has requested the Board’s approval under section 3 of the BHC Act<sup>2</sup> to increase its ownership interest from 4.9 percent to 9.0 percent of the voting shares of Carter Bank & Trust (“Carter Bank”), Martinsville, Virginia.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (81 Federal Register 48421 (July 25, 2016)).<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.

First Citizens, which is part of the Holding F&L Family Chain,<sup>4</sup> has consolidated assets of approximately \$32.2 billion and is the 54th largest insured depository organization in the United States, controlling approximately \$27.3 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1842.

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

<sup>4</sup> In addition to First Citizens, the Holding F&L Family Chain controls two other bank holding companies, Southern BancShares (N.C.), Inc. (“Southern”), Mount Olive, and Fidelity BancShares (N.C.), Inc. (“Fidelity”), Fuquay-Varina, both of North Carolina.

of insured depository institutions in the United States.<sup>5</sup> First Citizens controls First-Citizens Bank & Trust Company (“First Citizens Bank”), which operates in Arizona, California, Colorado, Florida, Georgia, Kansas, Maryland, Missouri, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia, and the District of Columbia. First Citizens Bank is the fourth largest insured depository institution in North Carolina, controlling deposits of approximately \$14.0 billion, which represent 4.0 percent of the total deposits of insured depository institutions in that state.<sup>6</sup> First Citizens Bank also is the 15th largest insured depository institution in Virginia, controlling deposits of approximately \$1.4 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

Carter Bank, with total assets of approximately \$4.9 billion, is the 204th largest insured depository organization in the United States, controlling approximately \$4.5 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Carter Bank operates in North Carolina and Virginia. Carter Bank is the tenth largest insured depository institution in Virginia, controlling deposits of approximately \$3.9 billion, which represent 1.4 percent of the total deposits of insured depository institutions in that state. Carter Bank also is the 35th largest insured depository institution in North Carolina, controlling deposits of approximately \$488.4 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

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<sup>5</sup> National asset and deposit data are as of June 30, 2016, and state deposit data are as of June 30, 2015, unless otherwise noted.

<sup>6</sup> In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

## Noncontrolling Investment

First Citizens currently owns approximately 4.9 percent of the voting shares of Carter Bank and proposes to increase its ownership interest up to 9.0 percent of Carter Bank's voting shares. First Citizens has represented that it does not propose to control or exercise a controlling influence over Carter Bank as a result of this proposal.<sup>7</sup>

To help ensure it would not control Carter Bank for purposes of the BHC Act, First Citizens provided the Board with commitments that are intended to ensure that First Citizens would not exercise or seek to exercise a controlling influence over Carter Bank for purposes of the BHC Act ("Passivity Commitments").<sup>8</sup> For example, First Citizens has committed not to exercise or attempt to exercise a controlling influence over the management or policies of Carter Bank; not to have or seek to have any employee or representative of First Citizens or its affiliates serve as an officer, agent, or employee of Carter Bank; and not to seek or accept representation on the board of directors of Carter Bank. First Citizens also has committed not to enter into any agreement with Carter Bank that substantially limits the discretion of Carter Bank's management over major policies or decisions. In addition, First Citizens has committed not to acquire, or seek to acquire, confidential or nonpublic financial information from or about Carter Bank.

Based on these considerations and all the facts of record, the Board concludes that First Citizens would not acquire control of, or have the ability to exercise a controlling influence over, Carter Bank. The Board notes that the BHC Act requires First Citizens to receive the Board's approval before directly or indirectly acquiring any

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<sup>7</sup> The Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank. See, e.g., Penn Bancshares, Inc., 92 Federal Reserve Bulletin C37 (2006) (acquiring up to 24.89 percent of the voting shares of a bank); Sun Banks, Inc., 71 Federal Reserve Bulletin 243 (1985) (acquiring up to 15 percent of the voting shares of a bank).

<sup>8</sup> The commitments made by First Citizens are set forth in Appendix A.

additional shares of Carter Bank or attempting to exercise a controlling influence over Carter Bank.<sup>9</sup>

### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the anti-competitive 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 communities to be served.<sup>10</sup>

First Citizens Bank, its affiliates, and Carter Bank compete directly in 32 banking markets in North Carolina and Virginia.<sup>11</sup> The Board has considered the competitive effects of the proposal in the banking markets in which First Citizens Bank, its affiliates, and Carter 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”) that First Citizens, its affiliates, and Carter Bank would control;<sup>12</sup> the concentration levels of

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<sup>9</sup> See 12 U.S.C. § 1842(a)(3).

<sup>10</sup> 12 U.S.C. § 1842(c)(1).

<sup>11</sup> For purposes of its competitive analysis, the Board aggregates affiliate holding companies as if they were a single holding company. See, e.g., First National Bank Shares, Ltd., 80 Federal Reserve Bulletin 159 (1994). Accordingly, First Citizens is aggregated with Southern and Fidelity, the other two bank holding companies that are part of the Holding F&L Family Chain, for purposes of examining the competitive effects of the proposed investment in Carter Bank.

<sup>12</sup> Deposit and market share data are as of June 30, 2015, and unless otherwise noted, are based on 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

market deposits and the increase 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>13</sup> other characteristics of the markets; and, as discussed below, the noncontrolling nature of the proposed investment, as well as the Passivity Commitments First Citizens made to the Board with respect to Carter Bank.

*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 28 banking markets. On consummation, 11 banking markets would remain highly concentrated; 15 banking markets would remain moderately concentrated; and two banking markets would remain unconcentrated, as measured by the HHI. The change in the HHI in these markets from a full merger between First Citizens and Carter Bank would be small, consistent with Board precedent, and within the thresholds in the DOJ Bank Merger Guidelines. In addition, numerous competitors would remain in most of these banking markets.<sup>14</sup>

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included thrift deposits in market share calculations on a 50 percent weighted basis. See, e.g., *First Hawaiian, Inc.*, 77 Federal Reserve Bulletin 52 (1991).

<sup>13</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 anti-competitive 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. See Press Release, Department of Justice (August 19, 2010), [www.justice.gov/opa/pr/2010/August/10-at-938.html](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>14</sup> These banking markets and the competitive effects of the proposal in these markets are described in Appendix B.

*Banking Markets Warranting Special Scrutiny*

The structural effects that consummation of the proposal would have in the Galax, Martinsville, and Mecklenburg banking markets, all in Virginia, and the Danville, Virginia–North Carolina, banking market warrant a detailed review. In these markets, the concentration levels if First Citizens and Carter Bank were considered a combined organization on consummation, would exceed the thresholds in the DOJ Bank Merger Guidelines and would result in the market deposit share of First Citizens, its affiliates, and Carter Bank equaling or exceeding 35 percent when using initial competitive screening data.

The Board previously has stated that noncontrolling interests in directly competing depository institutions may raise competitive issues under the BHC Act. The Board has noted that a company need not acquire control of another company to lessen competition between them substantially and has recognized that a significant reduction in competition can result from the sharing of nonpublic financial information between two organizations that are not under common control.<sup>15</sup> Accordingly, the Board examines the specific facts of each case to determine whether a minority investment in a competitor would result in significant adverse competitive effects in a banking market.<sup>16</sup>

Danville, Virginia–North Carolina, Banking Market. First Citizens Bank and its affiliate, Fidelity, would be the third largest depository institution in the Danville banking market, controlling approximately \$225.4 million in deposits, which represent 12.5 percent of market deposits.<sup>17</sup> Carter Bank is the second largest depository institution

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<sup>15</sup> See, e.g., City Holding Company, 96 Federal Reserve Bulletin B21 (2010); SunTrust Banks, Inc., 76 Federal Reserve Bulletin 542 (1990).

<sup>16</sup> See, e.g., City Holding Company, 96 Federal Reserve Bulletin B21 (2010); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); BOK Financial Corp., 81 Federal Reserve Bulletin 1052 (1995); Mansura Bancshares, Inc. 79 Federal Reserve Bulletin 37 (1993); SunBanks, Inc., 71 Federal Reserve Bulletin 243 (1985).

<sup>17</sup> The Danville banking market is defined as the independent city of Danville, Virginia; Pittsylvania County, Virginia; and the Dan River, Milton, Pelham, and Yanceyville townships in Caswell County, North Carolina.

in the market, controlling approximately \$534.8 million in deposits, which represent 29.6 percent of market deposits. If considered a combined organization on consummation of the proposal, First Citizens Bank and Carter Bank would be the largest depository institution in the Danville banking market, controlling approximately \$760.2 million in deposits, which would represent approximately 42.1 percent of market deposits. The HHI in this market would increase 740 points, from 2194 to 2934.

Three credit unions exert a competitive influence in the Danville 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>18</sup> In addition to First Citizens Bank and Carter Bank, eight other depository institutions compete in the Danville market, including one competitor with more than 30 percent of market deposits.

Galax, Virginia, Banking Market. First Citizens Bank is the sixth largest depository institution in the Galax banking market, controlling approximately \$30.3 million in deposits, which represent 3.6 percent of market deposits.<sup>19</sup> Carter Bank

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<sup>18</sup> The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., BB&T Corporation, FRB Order No. 2015-18 (July 7, 2015); Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Old National Bancorp, FRB Order No. 2012-9 (August 30, 2012); United Bankshares, Inc., (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). Here, URW Community Federal Credit Union, Beacon Credit Union, and Piedmont Credit Union control approximately \$92.0 million in deposits in that market that, on a 50 percent weighted basis, represent approximately 4.9 percent of market deposits. After inclusion of these deposits, First Citizens would control approximately 40.1 percent of market deposits, and the HHI would increase by 670 points to 2667.

<sup>19</sup> The Galax banking market is defined as the independent city of Galax, Grayson County, and the portion of Carroll County north of the Blue Ridge Parkway, all in Virginia.

is the largest depository institution in the market, controlling approximately \$286.2 million in deposits, which represent 34.4 percent of market deposits. If considered a combined organization on consummation of the proposal, First Citizens Bank and Carter Bank would be the largest depository institution in the Galax banking market, controlling approximately \$316.5 million in deposits, which would represent approximately 38.1 percent of market deposits. The HHI in this market would increase 251 points, from 2490 to 2741.

One credit union exerts a competitive influence in the Galax banking market. The 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>20</sup> In addition to First Citizens Bank and Carter Bank, seven other depository institutions would compete in the Galax market, including two competitors with more than 15 percent of market deposits.

Martinsville, Virginia–North Carolina, Banking Market. First Citizens' affiliate, Fidelity, is the sixth largest depository institution in the Martinsville banking market, controlling approximately \$50.4 million in deposits, which represent 3.3 percent of market deposits.<sup>21</sup> Carter Bank is the largest depository institution in the market, controlling approximately \$660.8 million in deposits, which represent 43.6 percent of market deposits. If considered a combined organization on consummation of the proposal, Fidelity and Carter Bank would be the largest depository institution in the Martinsville banking market, controlling approximately \$711.2 million in deposits, which

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<sup>20</sup> Self-Help Credit Union controls approximately \$14.8 million in deposits in that market that, on a 50 percent weighted basis, represent approximately 1.8 percent of market deposits. After inclusion of these deposits, First Citizens would control approximately 37.4 percent of market deposits, and the HHI would increase by 242 points to 2649.

<sup>21</sup> The Martinsville banking market is defined as the independent city of Martinsville, Virginia; Henry County, Virginia; and Patrick County, Virginia (excluding the Dan River District).



would represent approximately 46.9 percent of market deposits. The HHI in this market would increase 290 points, from 2691 to 2981.

One credit union exerts a competitive influence in the Martinsville banking market. This institution also 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> In addition to Fidelity and Carter Bank, nine other depository institutions would compete in the Martinsville market, including two competitors with more than 12 percent of market deposits.

Mecklenburg, Virginia, Banking Market. First Citizens Bank is the largest depository institution in the Mecklenburg banking market, controlling approximately \$274.8 million in deposits, which represent 28.6 percent of market deposits.<sup>23</sup> Carter Bank is the fifth largest depository institution in the market, controlling approximately \$90.3 million in deposits, which represent 9.4 percent of market deposits. If considered a combined organization on consummation of the proposal, First Citizens Bank and Carter Bank would be the largest depository institution in the Mecklenburg banking market, controlling approximately \$365.1 million in deposits, which would represent approximately 38.0 percent of market deposits. The HHI in this market would increase 538 points, from 1839 to 2377. In addition to First Citizens Bank and Carter Bank, six other depository institutions would compete in the Mecklenburg market, including three competitors with more than 10 percent of market deposits.

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<sup>22</sup> ValleyStar Credit Union controls approximately \$77.7 million in deposits in that market that, on a 50 percent weighted basis, represent approximately 4.9 percent of market deposits. After inclusion of these deposits, First Citizens would control approximately 44.6 percent of market deposits, and the HHI would increase by 262 points to 2721.

<sup>23</sup> The Mecklenburg banking market is defined as Mecklenburg, Lunenburg and Brunswick Counties, all in Virginia.

### *Additional Considerations Regarding Competition*

After considering the competitive influence of certain credit unions and accounting for other competitors in the Danville, Galax, Martinsville, and Mecklenburg banking markets, First Citizens' proposal continues to exceed the DOJ Bank Merger Guidelines. However, the Board has considered additional factors that, in this case, indicate that the proposal is not likely to have a significantly adverse effect on competition in the Danville, Galax, Martinsville, and Mecklenburg banking markets.<sup>24</sup> First Citizens' investment in Carter Bank is limited to less than 10 percent of Carter Bank's voting shares, and Carter Bank's directors and executive officers, including the bank's long-tenured chief executive officer, own 24.9 percent of Carter Bank's common stock. As noted, First Citizens also has provided the Board with Passivity Commitments that are designed to limit the ability of First Citizens to use its investment in Carter Bank to exert a controlling or anti-competitive influence over Carter Bank.

While the Board previously and consistently has found that a noncontrolling relationship may still raise competitive issues under the BHC Act, it is significant that, in this case, First Citizens has provided additional commitments that help ameliorate the potential that this proposal will allow collusion or other anti-competitive behavior. In particular, First Citizens has committed not to acquire, or seek to acquire, any confidential or nonpublic financial information about or from Carter Bank. Further, there are no officer or director interlocks between the institutions through which First Citizens could acquire confidential or other nonpublic information about Carter Bank. These limitations restricting First Citizens' access to confidential information, when combined with the other restrictions on First Citizens' ability to exercise a controlling influence over Carter Bank, significantly reduce the potential that First Citizens may

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<sup>24</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).

engage in anti-competitive or collusive behavior in any relevant banking market. Thus First Citizens has mitigated the potential that it may influence the behavior of Carter Bank and the potential that First Citizens may change its own behavior in an anti-competitive way based on advance or confidential knowledge about the plans, operations, or policies of Carter Bank. These restrictions, combined with the other limitations described above, mitigate the concerns that this proposal would likely have significantly adverse effects on competition in the Danville, Galax, Martinsville, and Mecklenburg banking markets.

The DOJ also conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any 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, including the limited nature of First Citizens' investment, the Passivity Commitments, and First Citizens' commitment not to acquire, or seek to acquire, confidential or nonpublic financial information about or from Carter Bank, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the banking markets in which First Citizens, its affiliates, and Carter Bank compete directly or in any other relevant banking market. Thus, the Board finds competitive considerations to be 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 the future prospects of the institutions involved. In its evaluation of the financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and

supervisory information regarding capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the organization, including its capital position, asset quality, liquidity, 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. 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 their financial and managerial resources.

First Citizens and First Citizens Bank are both well capitalized and would remain so on consummation of the proposal. The proposed transaction would be funded from First Citizens' existing cash reserves. The asset quality, earnings, and liquidity of First Citizens is consistent with approval, and First Citizens appears to have adequate resources to absorb the costs of the proposal. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved. The Board has reviewed the examination records of First Citizens, First Citizens Bank, and Carter Bank, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by First Citizens, 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, consumer protection, and anti-money-laundering laws.

First Citizens and First Citizens Bank are each considered to be well managed. First Citizens' directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and its risk-management program appears consistent with approval of this expansionary proposal.

Based on all the facts of record, including First Citizens' supervisory record and managerial and operational resources, 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 First Citizens and Carter Bank 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 effects of the proposal on the convenience and needs of the communities to be served.<sup>25</sup> In its evaluation of the effects 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, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”). 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>26</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>27</sup>

In addition, the Board considers the banks’ overall compliance record and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution’s business model, its marketing and outreach

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<sup>25</sup> 12 U.S.C. § 1842(c)(2).

<sup>26</sup> 12 U.S.C. § 2901(b).

<sup>27</sup> 12 U.S.C. § 2903.

plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of First Citizens Bank and Carter Bank, the fair lending and compliance records of both banks, confidential supervisory information, and information provided by First Citizens.

*Records of Performance under the CRA*

In evaluating the convenience and needs factor and CRA performance, 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, as well as information and views provided by the appropriate federal supervisors.<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 helping to meet 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

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<sup>28</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

<sup>29</sup> 12 U.S.C. § 2906.

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 Mortgage Disclosure Act of 1975,<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 a variety of factors, including (1) the number and amount of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas; (2) the geographic distribution of the company's lending, 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; (3) the distribution of 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> (4) the institution's community development lending, including the number and amount of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

*CRA Performance of First Citizens Bank*

First Citizens Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Federal Deposit Insurance Corporation

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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).

(“FDIC”), as of May 28, 2013 (“First Citizens Bank Evaluation”).<sup>32</sup> First Citizens Bank received a “High Satisfactory” rating for each of the Lending, Investment, and Service Tests.

Examiners found that First Citizens Bank’s lending levels reflected good responsiveness to community credit needs. According to examiners, the bank’s geographic distribution of loans reflected good penetration throughout the bank’s assessment areas. Examiners also found that the First Citizens Bank’s lending to borrowers reflected a good distribution among businesses of different sizes and an adequate distribution among retail customers of different incomes. Examiners noted that First Citizens Bank used flexible lending practices in order to serve assessment area credit needs. Examiners also found that First Citizens Bank originated a relatively high level of community development loans and that both the number and dollar volume of community development loans increased from First Citizens Bank’s previous CRA evaluation.

Examiners found that First Citizens Bank had an excellent level of qualified community development investments, grants, and donations. Examiners noted that the bank exhibited good responsiveness to credit and community economic development needs and that each of the bank’s investments was responsive to an identified need,

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<sup>32</sup> The First Citizens Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed home mortgage lending data, other CRA data (small loans to businesses and farms), community development loans, community development investments and services, and delivery systems for the bank’s products and services from October 19, 2009, through May 28, 2013. The First Citizens Bank Evaluation covered First Citizens Bank’s 59 assessment areas located in 15 states and two multistate metropolitan statistical areas (“MSAs”): Arizona; California; Colorado; Florida; Georgia; Maryland; New Mexico; North Carolina; Oklahoma; Oregon; Tennessee; Texas; Virginia; Washington; West Virginia; the Kansas City, Missouri–Kansas, MSA; and the Washington–Arlington–Alexandria, District of Columbia–Virginia–Maryland–West Virginia, MSA. The First Citizens Bank Evaluation included a full-scope review of 33 of these assessment areas, including both multistate MSAs. A limited-scope review was conducted in the remaining 26 assessment areas. The First Citizens Bank Evaluation was released in June 2014.



particularly those involving the bank's position in the Community Affordable Housing Equity Corporation. The bank also used innovative and complex investments to support community development initiatives.

Examiners also noted that First Citizens Bank's delivery systems were accessible to the bank's assessment areas. Examiners further noted that the services and business hours offered by First Citizens Bank did not vary in a way that inconvenienced its assessment areas, particularly LMI geographies or individuals. Examiners noted that the bank provided a relatively high level of community development services that benefited organizations throughout its assessment areas, including for organizations that focus on economic development and revitalization, affordable housing, small business development, financial education, services for at-risk youth, and basic human needs for LMI individuals and areas.

*First Citizens Bank's Efforts Since the First Citizens Bank Evaluation*

First Citizens represents that First Citizens Bank has continued its commitment to serve the needs of LMI individuals and geographies and small businesses in its communities. First Citizens asserts that First Citizens Bank offers a variety of products and services designed to meet the needs of LMI and minority borrowers. In particular, First Citizens represents that First Citizens Bank has made a number of home mortgage loans and products available to LMI and first-time homebuyers. In addition, First Citizens represents that First Citizens Bank has remained active in community development and small business lending. First Citizens also notes that First Citizens Bank has continued its participation in community development investments and that the bank provides a high level of community development services, including by providing time and expertise to various community organizations and for homebuyer and financial literacy seminars.

*CRA Performance of Carter Bank*

Carter Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of December 15, 2014 ("Carter Bank

Evaluation”).<sup>33</sup> Carter Bank received “High Satisfactory” ratings for the Lending Test and Service Test and a “Low Satisfactory” rating for the Investment Test.<sup>34</sup>

Examiners noted that Carter Bank’s overall lending activity reflected good responsiveness to its assessment area credit needs. Examiners also found that the bank’s geographic distribution of loans showed good penetration throughout its assessment areas. Examiners noted that the bank’s lending to borrowers reflected a good distribution among businesses of different sizes and retail customers of different incomes. Examiners also found that the bank originated a relatively high level of community development loans.

Examiners noted that Carter Bank had an adequate level of qualified community development investments and grants. Examiners also found that the bank exhibited adequate responsiveness to credit and community economic development needs through its investments and contributions. Examiners noted that Carter Bank occasionally used innovative and/or complex investments to support community development initiatives in its assessment areas.

Examiners found that the bank’s delivery systems were readily accessible to essentially all portions of the bank’s assessment areas. Examiners also noted the

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<sup>33</sup> The Carter Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed home mortgage lending data, other CRA data (small loans to businesses and farms), and qualified investments from December 27, 2011, through December 14, 2014.

<sup>34</sup> The Carter Bank Evaluation included a full-scope assessment review of the bank’s assessment areas in the following geographies: the Danville, Virginia, MSA; the Lynchburg, Virginia, MSA; the Roanoke, Virginia, MSA; the Virginia Non-MSA; the Durham-Chapel Hill, North Carolina, MSA; the Greensboro-High Point, North Carolina, MSA; and the North Carolina Non-MSA. A limited-scope review was performed in the Blacksburg-Christiansburg-Radford, Virginia, MSA; Charlottesville, Virginia, MSA; the Harrisonburg, Virginia, MSA; the Kingsport-Bristol-Bristol, Tennessee-Virginia, MSA; the Washington-Arlington-Alexandria, District of Columbia-Virginia-Maryland-West Virginia, Metropolitan Division; the Burlington, North Carolina, MSA; the Fayetteville, North Carolina, MSA; the Goldsboro, North Carolina, MSA; the Greenville, North Carolina, MSA; the Hickory-Lenoir-Morganton, North Carolina MSA; the Raleigh, North Carolina, MSA; and the Winston-Salem, North Carolina, MSA.

bank's services and business hours did not vary in a way that inconvenienced its assessment areas, particularly LMI geographies or individuals. Examiners found that the bank provided a relatively high level of community development services that benefit organizations throughout its assessment areas, including for economic development and revitalization, affordable housing, small business development, financial education, services for at-risk youth, and basic human needs for LMI individuals and areas.

*Conclusion on Convenience and Needs Considerations*

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by First Citizens, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

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>35</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

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<sup>35</sup> Dodd-Frank Act § 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601 (2010), codified at 12 U.S.C. § 1842(c)(7).

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>36</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>37</sup>

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. In this case, the proposed acquisition of a noncontrolling interest in Carter Bank is not a significant expansion by First Citizens and would have a de minimis impact on First Citizens's systemic footprint. The value of the additional shares that First Citizens proposes to purchase is approximately \$14.0 million. The Board generally presumes that an acquisition of less than \$2 billion in assets would not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction.

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.

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<sup>36</sup> Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

<sup>37</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

## Conclusion

Based on the foregoing and all the facts of record, the Board determines 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 First Citizens 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 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>38</sup> effective January 11, 2017.

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Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>38</sup> Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

## Appendix A

First Citizens BancShares, Inc. (“First Citizens”), Raleigh, together with Southern Bancshares (N.C.), Inc. (“Southern”), Mount Olive, and Fidelity Bancshares (N.C.), Inc. (“Fidelity”), Fuquay-Varina, all of North Carolina, and their subsidiaries and affiliates (each a “First Citizens Acquirer” and collectively, the “First Citizens Acquirer Group”), will not, without the prior approval of the Board of Governors of the Federal Reserve System (the “Board”) or its staff, directly or indirectly:

1. Exercise or attempt to exercise a controlling influence over the management or policies of Carter Bank & Trust (“Carter Bank”), Martinsville, Virginia, or any of its subsidiaries;
2. Have or seek to have a representative of the First Citizens Acquirer Group serve on the board of directors of Carter Bank or any of its subsidiaries;
3. Have or seek to have any employee or representative of the First Citizens Acquirer Group serve as an officer, agent, or employee of Carter Bank or any of its subsidiaries;
4. Take any action that would cause Carter Bank or any of its subsidiaries to become a subsidiary of the First Citizens Acquirer Group;
5. Own, control, or hold with power to vote securities that (when aggregated with securities that the executive officers and directors of the First Citizens Acquirer Group own, control, or hold with power to vote) represent 15.0 percent or more of any class of voting securities of Carter Bank or any of its subsidiaries, but First Citizens will not own, control, or hold with power to vote securities that represent more than 9.0 percent of any class of voting securities of Carter Bank or any of its subsidiaries;
6. Own or control equity interests that would result in the combined voting and nonvoting equity interests of the First Citizens Acquirer Group and its executive officers and directors to equal or exceed 15.0 percent of the total equity capital of Carter Bank or any of its subsidiaries, but First Citizens will not own or control equity interests that would result in the combined voting and nonvoting equity interests of First Citizens that exceed 9.0 percent of the total equity capital of Carter Bank or any of its subsidiaries;
7. Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Carter Bank or any of its subsidiaries;
8. Enter into any agreement with Carter Bank or any of its subsidiaries that substantially limits the discretion of Carter Bank’s management over major policies and decisions, including but not limited to, policies or decisions about employing and compensating executive officers; engaging in new business lines; raising additional debt

or equity capital; merging or consolidating with another firm; or acquiring, selling, leasing, transferring, or disposing of material assets, subsidiaries, or other entities;

9. Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Carter Bank or any of its subsidiaries;

10. Dispose or threaten to dispose (explicitly or implicitly) of equity interests of Carter Bank or any of its subsidiaries in any manner as a condition or inducement of specific action or non-action by Carter Bank or any of its subsidiaries; or

11. Enter into any other banking or nonbanking transactions with Carter Bank or any of its subsidiaries, except that the First Citizens Acquirer Group may establish and maintain deposit accounts with Carter Bank, provided that the aggregate balance of all such deposit accounts does not exceed \$500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Carter Bank.

12. Acquire, or seek to acquire, any confidential or nonpublic financial information of Carter Bank or any of its subsidiaries. The First Citizens Acquirer Group also confirms that there are no legal, contractual, or statutory provisions that would allow it or its subsidiaries to have any access to financial information of Carter Bank or its subsidiaries beyond the information available to all shareholders.

Each First Citizens Acquirer understands that these commitments constitute conditions imposed in writing in connection with the Board's findings and decisions in First Citizens' application to acquire up to 9.0 percent of Carter Bank, pursuant to section 3 of the Bank Holding Company Act of 1956, as amended ("BHC Act"), and the Board's Regulation Y, and as such, may be enforced in proceedings under applicable law. Nothing in these commitments releases the First Citizens Acquirer Group from compliance with the BHC Act and the Board's regulations thereunder for any subsequent acquisition or increase in the percentage ownership of any class of voting shares of Carter Bank.

Appendix B

<b>First Citizens Bank/Carter Bank Banking Markets Consistent with Board Precedent and DOJ Bank Merger Guidelines</b>						
Data are as of June 30, 2015. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent. The remaining number of competitors noted in each market includes thrift institutions.						
<b>Washington, DC – District of Columbia–Maryland–Virginia–West Virginia</b> – Washington, DC; Charles, Calvert, Frederick, Montgomery, and Prince George’s Counties all in Maryland; District 7 in Anne Arundel County, Maryland; the Clarksville and Savage districts in Howard County, Maryland; Arlington, Culpeper, Fairfax, Fauquier, Loudoun, Prince William, Rappahannock, Stafford, and Warren Counties all in Virginia; the Virginia cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park; and Jefferson County, West Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	56	\$64.1M	0.0	993	0	80
<i>Carter Bank</i>	44	\$171.0M	0.1			
<i>First Citizens Post-Consummation</i>	38	\$235.1M	0.1			
<b>Charlotte, North Carolina–South Carolina**</b> – Anson, Cabarrus, Gaston, Lincoln, Mecklenburg, and Union Counties, all in North Carolina; Lancaster and York Counties, both in South Carolina; the city of Mooresville and the townships of Davidson and Coddle Creek in Iredell County, North Carolina; the townships of Atwell and China Grove in Rowan County, North Carolina; and the King’s Mountain township in Cleveland County, North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	5	\$2.0B	0.9	5829	0	41
<i>Carter Bank</i>	37	\$27.1M	0.0			
<i>First Citizens Post-Consummation</i>	5	\$2.0B	0.9			
<b>Durham–Chapel Hill, North Carolina**</b> –Chatham, Durham, Orange, and Person Counties, all in North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	6	\$469.2M	4.2	1819	4	17
<i>Carter Bank</i>	15	\$48.8M	0.4			
<i>First Citizens Post-Consummation</i>	6	\$518.0M	4.7			



<b>Fayetteville, North Carolina**</b> – Cumberland and Hoke Counties, both in North Carolina; and the Anderson Creek, Barbeque, Johnsonville, and Stewarts Creek townships in Harnett County, North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	2	\$533.2M	17.4	1940	17	13
<i>Carter Bank</i>	10	\$15.2M	0.5			
<i>First Citizens Post-Consummation</i>	2	\$548.4M	17.9			
<b>Goldsboro, North Carolina*</b> –Wayne County, North Carolina; and the Faison, Wolfscrape, Glisson, and Albertson townships in Duplin County, North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	2	\$377.7M	26.2	2538	13	9
<i>Carter Bank</i>	9	\$3.7M	0.3			
<i>First Citizens Post-Consummation</i>	2	\$381.4M	26.5			
<b>Greensboro–High Point, North Carolina**</b> – Davidson, Guilford, Randolph, and Rockingham Counties, all in North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	7	\$849.2M	5.9	1078	16	21
<i>Carter Bank</i>	15	\$195.8M	1.4			
<i>First Citizens Post-Consummation</i>	7	\$1.0B	7.3			
<b>Greenville, North Carolina*</b> – Pitt, Beaufort, and Greene (excluding the Shine, Jason, and Hookerton townships) Counties, all in North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	1	\$641.2M	21.9	1536	6	14
<i>Carter Bank</i>	13	\$3.7M	0.1			
<i>First Citizens Post-Consummation</i>	1	\$644.9M	22.0			

<b>Hickory, North Carolina</b> –Alexander, Burke, Caldwell, and Catawba Counties, all in North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	3	\$613.1M	15.4	1591	39	15
<i>Carter Bank</i>	9	\$50.8M	1.3			
<i>First Citizens Post-Consummation</i>	3	\$663.9M	16.7			
<b>Mount Airy, North Carolina–Virginia</b> – Surry County, North Carolina; the Dan River district in Patrick County, Virginia; and the portion of Carroll County, Virginia, south of the Blue Ridge Parkway.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	5	\$98.5M	8.0	1651	47	9
<i>Carter Bank</i>	9	\$35.9M	2.9			
<i>First Citizens Post-Consummation</i>	4	\$134.4M	11.0			
<b>Raleigh, North Carolina***</b> –Franklin, Granville, Johnston, Wake, and Harnett (excluding the Anderson Creek, Barbeque, Johnsonville, and Stewarts Creek townships), Counties, all in North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	3	\$3.3B	12.9	1372	1	31
<i>Carter Bank</i>	27	\$12.1M	0.1			
<i>First Citizens Post-Consummation</i>	3	\$3.3B	13.0			
<b>Rutherford County, North Carolina</b> – Rutherford County, North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	3	\$97.3M	14.6	2058	35	10
<i>Carter Bank</i>	10	\$8.1M	1.2			
<i>First Citizens Post-Consummation</i>	3	\$105.4M	15.8			

<b>Sanford, North Carolina** – Lee County, North Carolina.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	3	\$108.1M	14.3	1951	45	8
<i>Carter Bank</i>	8	\$11.8M	1.5			
<i>First Citizens Post-Consummation</i>	3	\$120.0M	15.9			
<b>Henderson, North Carolina** – Vance and Warren Counties, both in North Carolina.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	2	\$112.4M	22.8	2362	119	8
<i>Carter Bank</i>	6	\$12.9M	2.6			
<i>First Citizens Post-Consummation</i>	2	\$125.3M	25.4			
<b>Wilkes County, North Carolina – Wilkes County, North Carolina.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	4	\$87.2M	12.3	1554	33	10
<i>Carter Bank</i>	10	\$9.2M	1.3			
<i>First Citizens Post-Consummation</i>	2	\$96.3M	13.6			
<b>Winston-Salem, North Carolina** – Davie, Forsyth, Stokes, and Yadkin Counties, all in North Carolina.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	4	\$586.1M	1.9	6741	0	17
<i>Carter Bank</i>	15	\$21.6M	0.1			
<i>First Citizens Post-Consummation</i>	3	\$607.6M	1.9			

<b>Wilson, North Carolina* – Wilson County, North Carolina.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	2	\$196.6M	18.8	3010	36	7
<i>Carter Bank</i>	8	\$10.1M	1.0			
<i>First Citizens Post-Consummation</i>	2	\$206.7M	19.7			
<b>Johnson City–Bristol, Tennessee –Virginia –Carter, Sullivan, Unicoi, and Washington Counties, all in Tennessee; Scott County, Virginia; the towns of Church Hill, Kingsport, Mount Carmel, and Holston in Hawkins County, Tennessee; the independent city of Bristol, Virginia; and the towns of Benhams, Green Valley, Burson Place, Wallace, Wyndale, and Scenic Park in Washington County, Virginia.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	30	\$8.2M	0.1	889	0	32
<i>Carter Bank</i>	22	\$34.0M	0.6			
<i>First Citizens Post-Consummation</i>	21	\$42.3M	0.7			
<b>Alleghany, Virginia – Alleghany and Bath Counties; and the independent city of Covington, all in Virginia.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	7	\$32.3M	6.4	1792	6	8
<i>Carter Bank</i>	9	\$2.6M	0.5			
<i>First Citizens Post-Consummation</i>	7	\$34.9M	6.9			
<b>Charlottesville, Virginia – the independent city of Charlottesville, Virginia, Albemarle; Buckingham, Fluvanna, Greene, Madison, and Nelson Counties, all in Virginia; districts 1, 2, and 3 in Orange County, Virginia.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	11	\$69.4M	1.4	1374	2	19
<i>Carter Bank</i>	15	\$24.8M	0.5			
<i>First Citizens Post-Consummation</i>	10	\$94.2M	1.9			

<b>Emporia, Virginia</b> – the independent city of Emporia, Virginia; and Greensville County, Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	5	\$29.1M	12.0	2163	170	5
<i>Carter Bank</i>	6	\$17.0M	7.0			
<i>First Citizens Post-Consummation</i>	3	\$46.1M	19.1			
<b>Fredericksburg, Virginia</b> – the independent city of Fredericksburg, Virginia; Caroline, King George, and Spotsylvania Counties, all in Virginia; Districts 4 and 5 in Orange County, Virginia, and the Washington District in Westmoreland County, Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	12	\$19.8M	0.7	1784	3	16
<i>Carter Bank</i>	8	\$67.1M	2.3			
<i>First Citizens Post-Consummation</i>	8	\$86.8M	3.0			
<b>Harrisonburg, Virginia–West Virginia</b> –the independent city of Harrisonburg, Virginia; and Rockingham and Page Counties, both in Virginia; and Pendleton County, West Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	15	\$27.0M	1.0	1029	6	17
<i>Carter Bank</i>	12	\$77.2M	2.9			
<i>First Citizens Post-Consummation</i>	11	\$104.2M	3.9			
<b>Lynchburg, Virginia</b> – the independent city of Lynchburg, Virginia; Amherst, Appomattox, and Campbell Counties, all in Virginia; and the portion of Bedford County east of Route 43 (excluding the independent city of Bedford, Virginia), Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	10	\$69.4M	1.7	1366	30	15
<i>Carter Bank</i>	5	\$370.5M	8.9			
<i>First Citizens Post-Consummation</i>	4	\$439.9M	10.6			

<b>Blacksburg, Virginia</b> – the independent city of Radford, Virginia; and Floyd, Giles, Montgomery, and Pulaski Counties, all in Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	12	\$21.4M	0.7	1491	14	13
<i>Carter Bank</i>	4	\$287.6M	9.8			
<i>First Citizens Post-Consummation</i>	4	\$309.0M	10.5			
<b>Roanoke, Virginia**</b> – the independent cities of Bedford, Roanoke, and Salem, all in Virginia; Botetourt, Craig, Franklin, and Roanoke Counties, all in Virginia; and the portion of Bedford County west of Route 43, in Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	6	\$325.9M	4.2	1515	76	18
<i>Carter Bank</i>	4	\$712.2M	9.1			
<i>First Citizens Post-Consummation</i>	3	\$1.0B	13.3			
<b>Staunton, Virginia</b> – the independent cities of Staunton and Waynesboro, both in Virginia; and Augusta and Highland Counties, both in Virginia.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>First Citizens</i>	12	\$42.8M	2.8	1263	24	14
<i>Carter Bank</i>	9	\$66.3M	4.3			
<i>First Citizens Post-Consummation</i>	5	\$109.1M	7.1			
<b>Burlington, North Carolina</b> – Alamance and Caswell Counties (excluding the Dan River, Milton, Pelham, and Yanceyville townships), in North Carolina.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Fidelity</i>	12	\$30.7M	1.6	1355	3	15
<i>Carter Bank</i>	14	\$17.7M	0.9			
<i>First Citizens Post-Consummation</i>	9	\$48.4M	2.5			

<b>Shelby, North Carolina – Cleveland County (excluding King's Mountain Township), North Carolina.</b>						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Fidelity</i>	4	\$95.3M	11.6	2130	6	9
<i>Carter Bank</i>	10	\$1.9M	0.2			
<i>First Citizens Post-Consummation</i>	4	\$97.2M	11.8			

\* Data reflect inclusion of Southern’s banking operations in the market.

\*\* Data reflect inclusion of Fidelity’s banking operations in the market.

\*\*\* Data reflects inclusion of both Southern’s and Fidelity’s banking operations in the market.