FRB Order No. 2015-15
June 3, 2015

FEDERAL RESERVE SYSTEM

BB&T Corporation
Winston-Salem, North Carolina

Order Approving the Acquisition of a Bank Holding Company

BB&T Corporation ("BB&T"), Winston-Salem, North Carolina, has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act")[1] to merge with The Bank of Kentucky Financial Corporation ("Kentucky Financial") and thereby acquire The Bank of Kentucky, Inc. ("Kentucky Bank"), both of Crestview Hills, Kentucky. Following the proposed acquisition, Kentucky Bank, a nonmember bank, would be merged into BB&T's subsidiary nonmember bank, Branch Banking and Trust Company ("Branch Bank"), also of Winston-Salem.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (79 Federal Register 62141 (2014)).[3] 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.

BB&T, with consolidated assets of approximately $186.8 billion, is the 18th largest insured depository organization in the United States, controlling approximately $129.0 billion in consolidated deposits, which represent approximately 1.1 percent of the total amount of deposits of insured depository institutions in the United

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[1] 12 U.S.C. § 1842.

[2] The merger of Kentucky 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 bank merger on February 6, 2015.

[3] 12 CFR 262.3(b).

States. BB&T controls Branch Bank, which operates in Alabama, Florida, Georgia, Indiana, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia. Branch Bank is the third largest insured depository institution in North Carolina, controlling approximately $54.6 billion in deposits, and the fourth largest insured depository institution in Kentucky, controlling approximately $4.1 billion in deposits, which represent 16.1 and 5.8 percent, respectively, of the total deposits of insured depository institutions in those states.[4]

Kentucky Financial, with consolidated assets of approximately $1.9 billion, is the 395th largest depository organization in the United States, controlling approximately $1.6 billion in deposits, which represent less than 1 percent of nationwide deposits. Kentucky Financial controls Kentucky Bank, which operates in Kentucky and Ohio. Kentucky Bank is the 10th largest insured depository institution in Kentucky, controlling approximately $1.5 billion in deposits, which represent 2.2 percent of the total deposits of insured depository institutions in that state. In Ohio, Kentucky Bank is the 227th largest insured depository institution, controlling approximately $30.5 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, BB&T would remain the 18th largest depository organization in the United States, with consolidated assets of approximately $188.7 billion, which represent 0.9 percent of the total amount of assets of insured depository institutions in the United States. BB&T would control total deposits of approximately $130.7 billion, which represent 1.1 percent of the total amount of deposits of insured depository institutions in the United States. In Kentucky, BB&T would become the second largest depository organization, controlling deposits of approximately $5.7 billion, which represent 8 percent of the total deposits of insured depository institutions in that state.

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[4] National asset and deposit data are as of December 31, 2014. State deposit data are as of June 30, 2014. In this context, insured depository institutions include commercial banks, savings banks, and savings and loan associations.

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.[5] 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 not been in existence for the lesser of the state statutory minimum period of time or five years.[6] 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 in the target bank's home state or in any state in which the acquirer and target have overlapping banking operations.[7]

For purposes of the BHC Act, the home state of BB&T is North Carolina, and Kentucky Financial's home state is Kentucky.[8] Kentucky Bank is also located in Ohio. BB&T is well capitalized and well managed under applicable law and has a

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[5] 12 U.S.C. § 1842(d)(1)(A).

[6] 12 U.S.C. § 1842(d)(1)(B).

[7] 12 U.S.C. § 1842(d)(2)(A), (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).

[8] 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.

satisfactory Community Reinvestment Act ("CRA") rating.[9] Kentucky has a five-year age requirement,[10] Ohio has no minimum age requirement,[11] and Kentucky Bank has been in existence for more than five years.

On consummation of the proposed transactions, BB&T would control 1.1 percent of the total amount of deposits in insured depository institutions in the United States. In addition, the combined organization would control approximately 8 percent of the total amount of deposits of insured depository institutions in Kentucky Financial's home state, Kentucky.[12] There are no other states in which BB&T and Kentucky Financial have overlapping banking operations. 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.[13]

Branch Bank and Kentucky Bank do not compete directly in any banking market. Based on all of the facts of record, the Board concludes that consummation of

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[9] 12 U.S.C. §§ 2901-2908. There are no state community reinvestment laws applicable to this case.

[10] Ky. Rev. Stat. Ann. § 286.3-920.

[11] Ohio Rev. Code Ann. § 1115.05.

[12] Kentucky imposes a 15-percent limit on the total amount of in-state deposits that a single banking organization may control. Ky. Rev. Stat. Ann. § 286.3-900.

[13] 12 U.S.C. § 1842(c)(1).

the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any 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 the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved. In its evaluation of 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.[14] The asset quality, earnings, and liquidity of Branch Bank and Kentucky 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 prospects are

[14] As part of the proposed transaction, each share of Kentucky Financial 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.

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, Kentucky Financial, 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, Kentucky Financial, and their subsidiary depository institutions 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 also has 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 Kentucky Financial'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 Kentucky Financial's existing management and personnel in a manner that augments BB&T's management.[15]

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[15] For instance, in order to provide BB&T's existing management with further insight into serving the needs of the communities currently served by Kentucky Financial,

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 Kentucky Financial 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 must consider the effects of the proposal on 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 there is a reasonable basis to conclude that 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.[16] The Board also considers the banks' overall compliance record and recent fair lending examinations, the supervisory views of examiners, other supervisory information, and comments received on the proposal. Other information the Board may consider includes the institution's business model, the institution's marketing and outreach plans, the development and monitoring of business goals and initiatives, and the organization's plans following consummation.

The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in

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BB&T would invite certain representatives from Kentucky Financial to serve on two new advisory bodies: a regional advisory board and a Northern Kentucky Community Development Committee.

[16] 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

which they operate, consistent with their safe and sound operation,[17] and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods.[18] In addition to complying with the requirements of the CRA, 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 other prohibited bases.

The Board also considered information provided by the public during the comment period. The Board received one comment from a commenter who objected to the proposal on the basis of Branch Bank's and Kentucky Bank's lending records to LMI and minority borrowers, based on 2013 data reported by the banks under the Home Mortgage Disclosure Act ("HMDA"), for Branch Bank in the Louisville, KY-IN ("Louisville") Multi-State Metropolitan Statistical Area ("MSA"), Dallas-Plano-Irving ("Dallas") MSA, and Houston-Sugarland-Bay Town ("Houston") MSA assessment areas; and for Kentucky Bank in the Cincinnati-Middletown ("Cincinnati") Multi-State MSA assessment area. The commenter also criticized Branch Bank's branch distribution in LMI areas in the Dallas MSA and Houston MSA assessment areas.

HMDA data reflecting certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in local areas can raise concern about the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly and equitably. However, other information critical to an institution's credit decisions is not available from HMDA data.[19]

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[17] 12 U.S.C. § 2901(b).

[18] 12 U.S.C. § 2903.

[19] Other data relevant to a fair lending analysis could include, for example, information on credit history problems, debt-to-income ratios, and loan-to-value ratios. Moreover, HMDA data do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of any applicant's creditworthiness.

Consequently, HMDA disparities must be evaluated in the context of other information regarding the lending record of an institution.

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.[20] 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.[21] 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 of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

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 Evaluation").[22] Branch Bank received "Outstanding" ratings for the Investment Test and

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[20] See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

[21] 12 U.S.C. § 2906.

[22] The Branch Bank Evaluation was released to the public on June 1, 2015, and 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 was as of December 31, 2013. The Branch Bank Evaluation covered Branch Bank's 108 assessment areas located in 11 states and five multi-state MSAs: North Carolina, Alabama, Georgia, Florida, Kentucky, Maryland, South Carolina, Tennessee, Texas, Virginia, West Virginia, the Charlotte, NC-SC ("Charlotte") Multi-State MSA, the Columbus, GA-AL ("Columbus") Multi-State MSA, the Kingsport-Bristol, TN-VA ("Kingsport") Multi-State MSA, the Louisville Multi-State MSA, and the Washington, DC-MD-VA-WV ("Washington DC") Multi-State MSA. The Branch Bank Evaluation included a full-scope review of 48 of

the 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 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 the Louisville Multi-State MSA assessment area, an area on which the commenter focused, examiners rated Branch Bank's Lending Test performance as "Outstanding," noting that its lending levels reflected excellent responsiveness to assessment area credit needs. The geographic distribution of the bank's home mortgage and small business lending was good. Branch Bank's borrower distribution among retail customers of different income levels was excellent and among businesses of different sizes was good. Examiners noted that the bank made extensive use of innovative and

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these assessment areas, including all five multi-state MSAs, which captured approximately 70 percent or more of the total lending and deposit activity for each state.

flexible lending practices, and that Branch Bank was a leader in making community development loans in the assessment area.

In Texas, another area on which the commenter focused, Branch Bank was assigned an overall "Satisfactory" rating by the FDIC. In the Dallas MSA assessment area, examiners noted that Branch Bank's lending reflected good responsiveness to assessment area credit needs. The geographic distribution of the bank's home mortgage lending was good, and its small business loans reflected excellent penetration throughout the assessment area. Branch Bank's distribution of HMDA loans among individuals of different income levels and among businesses of different sizes was adequate. Examiners noted that the bank made extensive use of innovative and flexible lending practices and that Branch Bank originated a relatively high level of community development loans in the assessment area. Branch Bank also funded a small-business retail facility in a low-income census tract, providing for economic development and job creation. In the Houston MSA assessment area, examiners noted that Branch Bank's lending reflected adequate responsiveness to assessment area credit needs. The geographic distribution of the bank's home mortgage and small business lending was adequate. Examiners noted that the bank made extensive use of innovative and flexible lending practices and that Branch Bank originated a relatively high level of community development loans in the assessment area.

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 multi-state MSAs, and its performance was rated "High Satisfactory" in

several others.[23] Examiners also found the bank to be a leader in affordable housing tax credit investments and that the bank provided innovative investments that exhibited excellent responsiveness to assessment area needs. Examiners also noted that Branch Bank's level of qualified investments relative to its operations in the Houston MSA and Louisville Multi-State MSA assessment areas was excellent and good, respectively.

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.[24] Examiners further 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.

In the Dallas MSA assessment area, an area on which the commenter focused, Branch Bank operates five of its 25 branches in LMI tracts, and an additional 12 branches are adjacent to or within one mile of an LMI tract. Seven of those branches

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[23] 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 in the multi-state 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 in the multi-state MSAs of Washington DC, Charlotte, and Louisville.

[24] Examiners noted that Branch Bank demonstrated an "Outstanding" record regarding the Service Test in the Louisville Multi-State MSA, among other state and multi-state 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.

are located in tracts in which a majority of the population are minority individuals ("majority minority tracts"). Of the 13 branches Branch Bank operates in the Houston MSA assessment area, three are located in an LMI tract, and an additional five branches are located adjacent to or within one mile of an LMI tract. Six of those branches are located in majority minority tracts. In the Louisville Multi-State MSA assessment area, eight of the 27 Branch Bank branches are located in an LMI tract, and an additional nine branches are adjacent to or within one mile of an LMI tract. Five of those branches are located in majority minority tracts.

In addition, Branch Bank asserted that it has a strong record of community development lending and investment to meet community reinvestment needs. Branch Bank stated that it continued to make a high level of community development loans and qualified community development investments to the communities it serves. In addition, Branch Bank indicated that its associates have provided more than 1,850 qualified community development service activities within their local communities and that it has employed community development specialists to serve as liaisons between the community and the bank to facility community development loans, services, and investment opportunities throughout its footprint.

CRA Performance of Kentucky Bank

Kentucky Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the FDIC in November 2013 ("Kentucky Bank Evaluation"). Kentucky Bank received a "High Satisfactory" rating for the Lending Test and "Low Satisfactory" ratings for both the Investment Test and the Service Test.[25]

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[25] The Kentucky Bank Evaluation was prepared using the interagency evaluation procedures for large institutions. The Lending Test included a review of all home mortgage loans and small business loans reported under regulatory requirements for 2011 and 2012 and a review of all community development loans from May 23, 2011, through November 18, 2013. The Investment Test and the Service Test covered the period from May 23, 2011, through November 18, 2013. The Kentucky Bank Evaluation included a full-scope review of the Cincinnati Multi-State MSA, including Boone, Campbell, Kenton, Grant, Gallatin, and Pendleton counties, all of Kentucky, and Hamilton County, Ohio.

In evaluating Kentucky Bank's performance under the Lending Test, examiners concluded that Kentucky Bank's lending levels reflected good responsiveness to its assessment area's credit needs. Examiners found that a high percentage of Kentucky Bank's loans were originated in its assessment area, and the geographic distribution of its loans reflected good penetration throughout its assessment area. Examiners noted that Kentucky Bank's distribution of borrowers reflected good penetration among retail customers of different income levels and business customers of different sizes. Examiners also found that Kentucky Bank made a relatively high level of community development loans and that it made use of innovative and flexible lending practices in order to serve the credit needs of its assessment area.

In evaluating Kentucky Bank's performance under the Investment Test, examiners found that Kentucky Bank had an adequate level of qualified community development investments and grants. Examiners noted that Kentucky Bank exhibited adequate responsiveness to credit and community economic development needs.

In evaluating Kentucky Bank's performance under the Service Test, examiners noted that Kentucky Bank's delivery systems were reasonably accessible to essentially all portions of its assessment area and were not adversely affected by the opening and closing of branches. Examiners also noted that Kentucky Bank provided an adequate level of community development services throughout its assessment area, and that services do not vary in a way that inconveniences portions of its assessment area, particularly LMI geographies and individuals.

BB&T's Fair Lending Program

The Board has consulted with the FDIC, which is the appropriate federal banking agency for Branch Bank, regarding its evaluation of compliance with fair lending laws and regulations by Branch Bank. In January 2015, the FDIC approved an application by Bank Branch to acquire 42 Citibank branches in Texas under the Bank Merger Act. The commenter in this case raised similar allegations in that application, criticizing BB&T's lending record and branch distribution in the Dallas and Houston

MSAs. As a result of that comment, the FDIC investigated BB&T's lending activity and branch distribution in the Dallas and Houston MSAs as part of its review of BB&T. During their investigation of those MSAs, FDIC examiners reviewed BB&T's policies and procedures, conducted an analysis of the HMDA and commercial lending data, and conducted a comparative file review. Following its review, the FDIC approved the acquisition of the 42 Citibank branches on January 30, 2015. In connection with the approval, the FDIC directed Branch Bank to develop and submit a strategic plan. Branch Bank submitted a strategic plan to the FDIC, which provided for a semi-annual review of Branch Bank's enterprise-wide branching strategy, lending distributions, and marketing efforts.[26] The FDIC deemed the plan acceptable on February 3, 2015, and, subsequently, approved the merger of Kentucky Bank into Branch Bank.

BB&T has established policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations. BB&T's Fair Lending Compliance Group is responsible for engaging in an ongoing risk evaluation for 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. BB&T provides online fair lending training for staff, including, but not limited to, underwriters, loan officers, and customer service and collection personnel, with information related to the various aspects and nuances of current fair lending legislation.

BB&T reviews its marketing programs and campaigns for appropriate coverage and inclusion for minority as well as non-minority oriented media and geographies. Prior to issuance, BB&T requires a fair lending review and signoff of all advertising and marketing programs and material to confirm compliance with applicable federal and state fair lending laws. BB&T's Fair Lending Compliance Risk Managers

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[26] As required by the FDIC, the plan was developed 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.

conduct annual monitoring for each lending line of business. BB&T performs additional reviews for products, promotions, and other bank operations to confirm fair lending compliance. BB&T performs regular fair lending analyses, including transactional and pricing regression, minority penetration, and population data.

Branch Bank argues that, in the Louisville Multi-State MSA assessment area, the percentage of mortgage loan applications received from and originated to minority borrowers significantly exceeds those of aggregate lenders in 2013.[27] Branch Bank stated that it is a recent entrant to both the Dallas and Houston banking markets and received relatively few applications for mortgage loans. Branch Bank represents that it has developed plans to increase outreach efforts to strengthen mortgage loan activity to LMI and minority borrowers and communities in the Dallas MSA and Houston MSA assessment areas and would also do so in the Cincinnati Multi-State MSA, the banking market served by Kentucky Bank. Branch Bank stated that to assist a broader scope of borrowers to gain access to mortgage credit, it offers mortgage loans with flexible features. Branch Bank also states that it is an active small business lender throughout the Louisville Multi-State MSA, Dallas MSA, and Houston MSA assessment areas.

Additional Information on Convenience and Needs of Communities 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 the proposal would benefit customers of all profiles in the communities it serves by offering an increased number of products and services. Branch Bank offers various products that are unavailable through Kentucky Bank, such as deposit products designed for youth and senior citizens, prepaid accounts with debit cards, community checking for civic and nonprofit organizations, and

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[27] The lending data of the aggregate lenders represent the cumulative lending for all financial institutions that have reported HMDA data in a particular MSA or metropolitan division. In this context, aggregate lending is considered an indicator of the lending opportunities in the geographic area in which the bank is located.

online loan applications and loan fulfilment, among other products. Additionally, Kentucky Bank customers would have access to these additional financial products through a significantly larger network of financial centers and ATMs.

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, confidential supervisory information, and the public comment on the proposal. Based on its consideration of that information, the Board believes that there is a reasonable basis on which to conclude that BB&T is helping to meet the credit needs of the communities it serves and that the proposal would result in public benefits, and 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 risk to the stability of the United States banking or financial system."[28]

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

[28] Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 123 Stat. 1376, 1601, 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.[29] 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.[30]

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. The proposal involves the acquisition of approximately $1.9 billion in total assets. Upon consummation, BB&T would have $188.7 billion in total assets and would not be likely to pose systemic risks. The Board generally presumes that a proposal that involves an acquisition of less than $2 billion in assets, or that results in a firm with less than $25 billion in consolidated assets, will 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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[29] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

[30] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012).

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[31] 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 15th calendar day after the effective date of this Order or later than three months thereafter, unless such period is

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[31] The commenter requested that the Board hold public hearings on the proposal. Section 3(b) of the BHC Act does not require that the Board hold a public hearing on an application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

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,[32] effective June 3, 2015.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

[32] Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.