FRB Order No. 2015-35
December 23, 2015

FEDERAL RESERVE SYSTEM

BB&T Corporation
Winston-Salem, North Carolina

Order Approving the Merger of Bank Holding Companies

BB&T Corporation ("BB&T"), Winston-Salem, North Carolina, a financial holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to merge with National Penn Bancshares, Inc. ("National Penn"), and thereby indirectly acquire National Penn Bank, both of Allentown, Pennsylvania. Following the proposed acquisition, National Penn Bank would be merged into BB&T's subsidiary bank, Branch Banking and Trust Company ("Branch Bank"), also of Winston-Salem.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (80 Federal Register 58731 (September 30, 2015)).[4] The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

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[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] The merger of National Penn 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.

[4] 12 CFR 262.3(b).

BB&T, with consolidated assets of approximately $209.7 billion, is the 17th largest insured depository organization in the United States, controlling approximately $146.8 billion in consolidated deposits, which represent approximately 1.1 percent of the total amount of deposits of insured depository institutions in the United States.[5] BB&T controls Branch Bank, which operates in Alabama, Florida, Georgia, Indiana, Kentucky, Maryland, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia. Branch Bank is the 10th largest depository institution in Pennsylvania, controlling deposits of approximately $9.7 billion, which represent 2.7 percent of the total deposits of insured depository institutions in that state.[6] Branch Bank is the fifth largest depository institution in Maryland, controlling deposits of approximately $10.1 billion, which represent 7.7 percent of the total deposits of insured depository institutions in that state. Branch Bank is the 25th largest depository institution in New Jersey, controlling deposits of approximately $1.7 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

National Penn, with consolidated assets of approximately $9.6 billion, is the 120th largest insured depository organization in the United States, controlling approximately $6.7 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. National Penn controls National Penn Bank, which operates in Maryland, New Jersey, and Pennsylvania. National Penn Bank is the 12th largest depository institution in Pennsylvania, controlling deposits of approximately $6.7 billion, which represent 1.9 percent of the total deposits of insured depository institutions in that state. In addition, National Penn Bank is the 89th and 95th largest depository institution in New

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[5] National asset and deposit data are as of June 30, 2015, unless otherwise noted and reflect the acquisition of Susquehanna Bancshares, Inc.

[6] State deposit data are as of June 30, 2015, unless otherwise noted and reflect the acquisition of Susquehanna Bancshares, Inc. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

Jersey and in Maryland, respectively, controlling deposits of approximately $207.5 million and $28.9 million, which represent less than 1 percent of the total deposits of insured depository institutions in those states.

On consummation of this proposal, BB&T would remain the 17th largest insured depository organization in the United States, with consolidated assets of approximately $219.3 billion, which represent 1.0 percent of the total amount of assets of insured depository institutions in the United States. BB&T would control consolidated deposits of approximately $153.5 billion, which represent 1.2 percent of the total deposits of insured depository institutions in the United States. BB&T would become the fifth largest depository organization in Pennsylvania, controlling deposits of approximately $16.4 billion, which represent 4.6 percent of the total amount of deposits of insured depository institutions in that state. BB&T would remain the fifth largest depository organization in Maryland, controlling deposits of approximately $10.1 billion, which represent 7.7 percent of the total amount of deposits of insured depository institutions in that state. In addition, BB&T would become the 23rd largest depository organization in New Jersey, controlling deposits of approximately $1.9 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.[7] 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.[8] In addition, the Board may not approve an interstate application if the bank holding

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[7] 12 U.S.C. § 1842(d)(1)(A).

[8] 12 U.S.C. § 1842(d)(1)(B).

company controls or would upon consummation of the proposed transaction 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.[9]

For purposes of the BHC Act, the home state of BB&T is North Carolina, and National Penn Bank's home state is Pennsylvania.[10] National Penn Bank also operates in Maryland and New Jersey. BB&T is well capitalized and well managed under applicable law and has a satisfactory Community Reinvestment Act ("CRA")[11] rating. Maryland, New Jersey, and Pennsylvania do not have minimum age requirements,[12] and National Penn Bank has been in existence for more than five years.

On consummation of the proposed transaction, BB&T would control 1.2 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Maryland and New Jersey impose a 30 percent limit on the total amount of in-state deposits that a single banking organization may control.[13]

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[9] 12 U.S.C. § 1842(d)(2)(A) and (B). The acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

[10] 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.

[11] 12 U.S.C. § 2901 et seq.

[12] See Md. Code Ann., Fin. Inst. §§ 5-901 to 5-910; N.J. Stat. Ann. § 17:9A-133.1; 7 Pa. Stat. Ann. §§ 1601–1610.

[13] Md. Code Ann., Fin. Inst. § 5-905(b); N.J. Stat. Ann. § 17:9A-133.1(b). Pennsylvania does not impose a limit on the total amount of in-state deposits that a single banking organization may control.

The combined organization would control approximately 7.7 percent and less than 1 percent of the total amount of deposits of insured depository institutions in Maryland and New Jersey, respectively. Accordingly, in light of all the facts of record, the Board may approve 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 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 banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.[14]

BB&T and National Penn have subsidiary banks that compete directly in seven banking markets in Maryland, New Jersey, and Pennsylvania. The Board has considered the competitive effects of the proposal in the light of all the facts of record. 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 BB&T would control;[15] the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Bank Merger

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[14] 12 U.S.C. § 1842(c)(1).

[15] Deposit and market share data are as of June 30, 2014, and 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 included thrift deposits in the market share calculation on a 50-percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

Competitive Review guidelines ("DOJ Bank Merger Guidelines");[16] and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in all relevant banking markets. On consummation, the Lancaster, Pennsylvania, banking market would become highly concentrated; the Philadelphia, Pennsylvania, banking market would become moderately concentrated; and all other overlapping banking markets would remain moderately concentrated, as measured by the HHI. The change in the HHI in these markets generally would be small, consistent with Board precedent, and within the thresholds in the DOJ Bank Merger Guidelines. In addition, numerous competitors would remain in all relevant banking markets.[17]

The Department of Justice has advised the Board that consummation of the transaction would not likely have a significantly adverse effect on competition in any relevant market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the seven banking markets in which BB&T and

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[16] Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice ("DOJ") has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

[17] These seven banking markets and the competitive effects of the proposal in these markets are described in the appendix.

National Penn compete directly or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and 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 combined 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 and to complete effectively 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 their 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.[18] The asset quality, earnings, and liquidity of both BB&T and National Penn are consistent with approval, and BB&T appears to have adequate resources to absorb the costs of the proposal and to

[18] As part of the proposed transaction, each share of National Penn 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.

complete the integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

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, National Penn, 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, consumer protection, and anti-money-laundering laws.

BB&T, National Penn, 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 address all aspects of the post-integration process for this proposal. BB&T would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, BB&T's and National Penn's management have the experience and resources to ensure that the combined organization operates in a safe and sound manner, and BB&T plans to integrate National Penn's existing management and personnel in a manner that augments BB&T's management.[19]

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[19] BB&T represents that it will establish a new community banking region, which will have its headquarters in Allentown, Pennsylvania, and be led by a current National Penn

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 National Penn 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.[20] 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 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,[21] 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.[22]

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to

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executive. In addition, BB&T will invite the members of the boards of directors of National Penn and National Penn Bank to serve for three years as members of one or more regional advisory boards established by BB&T.

[20] 12 U.S.C. § 1842(c)(2).

[21] 12 U.S.C. § 2901(b).

[22] 12 U.S.C. § 2903.

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, and information provided by the applicant. The Board also may consider the institution's business model, its marketing and outreach 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 Branch Bank and National Penn Bank; the fair lending and compliance records of both banks; the supervisory views of the FDIC, the Office of the Comptroller of the Currency ("OCC"), the Consumer Financial Protection Bureau ("CFPB"); confidential supervisory information; and information provided by BB&T.[23]

Records of Performance under the CRA

As indicated above, in evaluating the convenience and needs factor and CRA performance, the Board evaluates an institution's performance in light of examinations and other supervisory information and information and views provided by the appropriate federal supervisors.[24]

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.[25] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site

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[23] The Board recently reviewed the CRA and fair lending records of Branch Bank in connection with its approvals of BB&T's acquisitions of The Bank of Kentucky Financial Corporation and Susquehanna Bancshares, Inc. See BB&T Corporation, FRB Order No. 2015-15 (June 3, 2015); BB&T Corporation, FRB Order No. 2015-18 (July 7, 2015).

[24] See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (March 11, 2010).

[25] 12 U.S.C. § 2906.

evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"), [26] in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on the number and amount of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas; the geographic distribution of such loans, including the proportion and dispersion of the institution's lending in its assessment areas and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies; the distribution of such loans based on borrower characteristics, including the number and amount of home mortgage loans to low-, moderate-, middle-, and upper-income individuals;[27] the institution's community development lending, including the number and amount of community development loans and their complexity and innovativeness; and the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

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[26] 12 U.S.C. § 2801 et seq.

[27] 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).

CRA Performance of Branch Bank

Branch Bank was assigned an overall "Outstanding" rating at its most recent CRA performance evaluation by the FDIC, as of May 19, 2014 ("Branch Bank Evaluation").[28] Branch Bank received a "High Satisfactory" rating for the Lending Test and "Outstanding" ratings for the Investment Test and Service Test. Examiners found that Branch Bank made an excellent level of qualified investments and made extensive use of innovative investments to support community development initiatives. The Board has consulted with the FDIC regarding the Branch Bank Evaluation.

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. According to examiners, the bank's geographic distribution of loans reflected adequate penetration throughout the bank's assessment areas. 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

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

assessment areas, low-income 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 state-wide lending consortiums. In addition, examiners noted that Branch Bank offered affordable housing loans through several federal and state government programs.

Examiners found that Branch Bank had an excellent level of qualified community development loan investments and grants, and its volume of qualified investments was significant. The bank extended qualified investments, often in a leadership position and not routinely provided by private investors, at a high level throughout its assessment areas. Examiners noted that Branch Bank's investment test performance was "Outstanding" throughout a significant number of states and multistate MSAs, and its performance was rated "High Satisfactory" in several others.[29] 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 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

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[29] Examiners found that the bank's performance under the Investment Test was "Outstanding" in Alabama, Florida, Georgia, North Carolina, South Carolina, Texas, Virginia, and West Virginia, as well as in the Columbus and Kingsport MSAs. Examiners also noted Branch Bank's investment test performance was "High Satisfactory" in Kentucky, Maryland, and Tennessee, as well as in the Charlotte, Louisville, and Washington D.C. MSAs.

excellent accessibility to LMI areas.[30] 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.

BB&T's Efforts Since the 2014 CRA Evaluation

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

In 2015, Branch Bank opened branches in certain moderate-income and majority African American census tracts and has made enhanced investments in mortgage and small business advertising in minority communities. The bank also is working to complete two additional branches in Baltimore and has identified locations for

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[30] Examiners noted that Branch Bank demonstrated an "Outstanding" record regarding the Service Test in Florida, Georgia, North Carolina, Virginia, and West Virginia, and in several multistate MSAs. As of December 31, 2013, the bank operated 870 branches in Florida, North Carolina, and Virginia, which together accounted for approximately 48 percent of the bank's branches. Consequently, examiners placed more weight on the institution's performance in Florida, North Carolina, and Virginia.

the establishment of new branches in LMI and minority areas in Miami, Florida, and in Austin, Dallas, and Houston, all in Texas. Branch Bank continued to work with agencies involved in homebuyer education and financial literacy and with organizations addressing affordable housing in its assessment areas. In addition, the bank has hosted or participated in several community outreach activities centered on first-time home buying, financial literacy, credit awareness and counseling, budget planning, and business development in minority and LMI communities. Branch Bank has increased its marketing efforts in African American and Hispanic census tracts in the Atlanta, Baltimore, Dallas, and Houston markets. Similarly, Branch Bank has taken steps to enhance its community outreach to minority-owned businesses within its Atlanta, Baltimore, Dallas, and Houston markets.

CRA Performance of National Penn Bank

National Penn Bank was assigned an overall "Outstanding" rating at its most recent CRA performance evaluation by the OCC, as of June 3, 2013 ("National Penn Bank Evaluation").[31] National Penn Bank received "Outstanding" ratings for the Lending Test and Service Test and a "High Satisfactory" rating for the Investment Test.[32]

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[31] The National Penn Bank Evaluation was conducted using Large Bank CRA Examination Procedures. The evaluation period for the Lending Test was from January 1, 2010, to December 31, 2012, except for community development loans, which had an evaluation period from April 6, 2010, to June 3, 2013. The evaluation period for the Investment Test and the Service Test was from April 6, 2010, through June 3, 2013. Examiners also considered investments made by National Penn Investment Company, a wholly owned subsidiary of National Penn.

[32] The National Penn Bank Evaluation included a full-scope review of the following assessment areas: the Philadelphia, Pennsylvania, Metropolitan Division ("MD"); the Allentown–Bethlehem–Easton, Pennsylvania–New Jersey, MSA; and the Reading, Pennsylvania, MSA. A limited-scope review was performed in the Wilmington, Delaware–Maryland–New Jersey, MD; the Lancaster, Pennsylvania, MSA; the Scranton–Wilkes-Barre, Pennsylvania, MSA; the State College, Pennsylvania, MSA; and the Schuylkill County and Monroe County assessment areas, both in Pennsylvania. The York–Hanover, Pennsylvania, MSA was only reviewed during the evaluation period using 2000 census data. National Penn Bank's sole office in this MSA was closed in 2012, eliminating it as an assessment area.

Examiners noted that National Penn Bank's lending levels reflected excellent responsiveness to community credit needs, and the distribution of loans to borrowers reflected excellent penetration among retail customers of different income levels and business customers of different sizes. Examiners also noted that National Penn Bank was a leader in providing community development services.

Examiners noted that National Penn Bank's overall lending levels reflected excellent responsiveness to assessment area credit needs in Pennsylvania and good responsiveness in the Philadelphia–Camden–Wilmington, Pennsylvania–New Jersey–Delaware–Maryland, MSA. Examiners found that a substantial majority of home mortgage loans and small business loans were originated within the bank's combined assessment areas. Examiners also found that the bank's geographic distribution of loans reflected good penetration throughout the bank's assessment areas and excellent penetration among retail customers of different income levels and businesses of different sizes in Pennsylvania. Examiners noted that the bank's community development lending had a positive impact on the Lending Test rating.

Examiners observed that the bank had a significant level of qualified community development investments, donations, and grants throughout its assessment areas. The bank's investments supported community development financial institutions and were also used to purchase Government National Mortgage Association issued mortgage-backed securities with the underlying collateral consisting of loans to LMI borrowers.

Examiners found that the bank was a leader in providing community development services. Examiners also found that the bank's delivery systems were readily accessible to individuals of different income levels in the assessment areas.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Branch Bank represents that it will apply the bank's CRA lending, investment, and service programs to the operations and activities of National Penn Bank in the communities it serves. BB&T represents that as a result of the proposal, existing customers of National Penn would have access to a complement of products and services that is more expansive than that currently available at National Penn, including Small Business Administration products, prepaid accounts with debit cards, overdraft lines of credit, credit cards, securities brokerage services, fee-based financial planning and investment management services, retirement and institutional services, and corporate trust services. Moreover, BB&T asserts that customers of both institutions would benefit from a more expansive branch and ATM network.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions involved under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, consultations with the FDIC, OCC, and CFPB, confidential supervisory information, information provided by BB&T, 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."[33]

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

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[33] Dodd-Frank Act § 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601 (2010), codified at 12 U.S.C. § 1842(c)(7).

the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[34] 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.[35]

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. Both the acquirer and the target are predominately engaged in retail commercial banking activities.[36] The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the

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[34] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

[35] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

[36] BB&T primarily accepts retail deposits and engages in mortgage lending, loan servicing, small business lending, other consumer lending, wealth management, asset management, and capital markets services. To a much lesser extent, BB&T engages in insurance agency and wholesale insurance brokerage activities, and securities brokerage services. National Penn accepts retail deposits and engages in mortgage lending, other consumer lending, and business loans. To a much lesser extent, National Penn offers fiduciary, investment advisory, asset management, and retirement plan services, as well as securities and insurance brokerage, risk management, and real estate title and settlement services. In each of its activities, BB&T has, and as a result of the proposal would continue to have, a small share on a nationwide basis, and numerous competitors would remain.

organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

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

Conclusion

Based on the foregoing and all the facts of record, the Board 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 BB&T with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this Order, or later than three months thereafter unless such 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,[37] effective December 23, 2015.

Robert deV. Frierson (signed)

Robert deV. Frierson
Secretary of the Board

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

Appendix

BB&T/National Penn Banking Markets in Pennsylvania,
Consistent with Board Precedent and DOJ Bank Merger Guidelines

Data are as of June 30, 2014. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.

Lancaster, Pennsylvania– Lancaster County, Pennsylvania.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
BB&T Pre-Consummation	1	$2.6B	26.2	1845	164	18
National Penn	6	$311.5M	3.1			
BB&T Post-Consummation	1	$2.9B	29.4			

Lehigh Valley, Pennsylvania – Phillipsburg town, Alpha borough, and Pohatcong township in Warren County, New Jersey; Carbon, Lehigh and Northampton counties, both in Pennsylvania; and Chestnuthill, Eldred, Hamilton, Jackson, Polk, Ross, Tobyhanna, and Tunkhannock townships in Monroe County, Pennsylvania.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
BB&T Pre-Consummation	16	$245.5M	1.7	1164	56	27
National Penn	2	$2.3B	16.3			
BB&T Post-Consummation	2	$2.5B	18.1			

Philadelphia, Pennsylvania – Camden, Cumberland, Gloucester and Salem counties, all in New Jersey; Beverly, Bordentown, and Burlington cities, Fieldsboro, Palmyra, and Riverton boroughs, and Bordentown, Burlington, Chesterfield, Cinnaminson, Delanco, Delran, Eastampton, Edgewater Park, Evesham, Florence, Hainesport, Lumberton, Mansfield, Maple Shade, Medford, Moorestown, Mount Holly, Mount Laurel, Riverside, Springfield, and Willingboro townships in Burlington County, New Jersey; Trenton city and Hamilton township in Mercer County, New Jersey; and Bucks, Chester, Delaware, Montgomery and Philadelphia counties, all in Pennsylvania.						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
BB&T Pre-Consummation	7	$3.6B	2.8	1006	11	103
National Penn	9	$2.5B	1.9			
BB&T Post-Consummation	6	$6.1B	4.7			
Reading, Pennsylvania – Berks County, Pennsylvania						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
BB&T Pre-Consummation	8	$430.4M	4.6	1372	89	17
National Penn	4	$904.3M	9.7			
BB&T Post-Consummation	4	$1.3B	14.3			
Schuylkill, Pennsylvania – Schuylkill County, Pennsylvania.						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
BB&T Pre-Consummation	4	$195.5M	9.9	1292	91	13
National Penn	8	$91.2M	4.6			
BB&T Post-Consummation	3	$286.7M	14.5			

Scranton/Wilkes-Barre, Pennsylvania – Lackawanna and Wyoming counties, both in Pennsylvania; Luzerne County, Pennsylvania (minus the cities of East Berwick and Nescopeck); Auburn, Clifford, Dimock, Gibson, Harford, Herrick, Lathrop, Lenox, Rush, and Springville townships in Susquehanna County, Pennsylvania; and Bethany, Forest City, Honesdale, Hop Bottom, Prompton, Starrucca, Union Dale, and Waymart boroughs, Ararat, Bridgewater, Brooklyn, Buckingham, Canaan, Cherry Ridge, Clinton, Dyberry, Jessup, Lake, Lehigh, Montrose, Mount Pleasant, Preston, Scott, South Canaan, and Texas townships in Wayne County, Pennsylvania.

	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
BB&T Pre-Consummation	17	$152M	1.2	1021	6	22
National Penn	12	$328.6M	0.2			
BB&T Post-Consummation	11	$480.6M	3.8			

State College, Pennsylvania – Centre County, Pennsylvania; and Beech Creek and Loganton boroughs, Breech Creek, Greene, Logan, and Porter townships in Clinton County, Pennsylvania.

	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
BB&T Pre-Consummation	10	$85.1M	3.3	1197	78	17
National Penn	3	$310.4M	11.9			
BB&T Post-Consummation	3	$395.5M	15.2			