FEDERAL RESERVE SYSTEM

The PNC Financial Services Group, Inc.
Pittsburgh, Pennsylvania

PNC Bank Delaware
Wilmington, Delaware

Order Approving the Mergers of Bank Holding Companies
and Banks and the Establishment of a Branch

The PNC Financial Services Group, Inc. ("PNC"), a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act to merge with Sterling Financial Corporation ("Sterling"),[1] Lancaster, Pennsylvania, and acquire Sterling's two subsidiary banks, BLC Bank, National Association ("BLC NA"), Strasburg, Pennsylvania; and Delaware Sterling Bank & Trust Company ("DE Sterling Bank"), Christiana, Delaware.

In addition, PNC Bank Delaware ("PNC Bank DE"), Wilmington, Delaware, a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act[2] ("Bank Merger Act") to merge with DE Sterling Bank, with PNC Bank DE as the surviving entity. PNC Bank DE also has applied under section 9 of the Federal Reserve Act ("FRA") to retain and operate a branch at the main office of DE Sterling Bank.[3]

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[1] 12 U.S.C. § 1842. PNC proposes to acquire the nonbanking subsidiaries of Sterling in accordance with section 4(k) of the BHC Act, 12 U.S.C. § 1843(k).

[2] 12 U.S.C. § 1828(c).

[3] 12 U.S.C. § 321. The office is at 630 Churchmans Road, Suite #204, Christiana.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with relevant statutes and the Board's Rules of Procedure (72 Federal Register 45,426 (2007)).[4] As required by the Bank Merger Act, a report on the competitive effects of the bank merger was requested from the United States Attorney General, and a copy of the request was provided to the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the BHC Act, the Bank Merger Act, and the FRA.

PNC, with total consolidated assets of approximately $125.7 billion, is the 20th largest depository organization in the United States, controlling deposits of approximately $74.4 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[5] PNC operates three subsidiary insured depository institutions in nine states and the District of Columbia[6] and engages in numerous nonbanking activities that are permissible under the BHC Act. PNC is the largest depository organization in Pennsylvania, controlling deposits of approximately $35.2 billion. In Delaware,

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[4] 12 CFR 262.3(b).

[5] National asset, deposit, and ranking data are as of June 30, 2007. Statewide deposit and deposit ranking data are as of June 30, 2007, and reflect merger activity through January 9, 2008. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

[6] PNC's largest subsidiary bank, PNC Bank National Association ("PNC Bank"), Pittsburgh, Pennsylvania, operates branches in Delaware, Florida, Indiana, Kentucky, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, and the District of Columbia. PNC Bank DE operates in Delaware and Pennsylvania. On October 26, 2007, PNC acquired Yardville National Bancorp, Hamilton, New Jersey, and its subsidiary bank, Yardville National Bank, which operates in New Jersey and Pennsylvania.

PNC is the eighth largest depository organization, controlling deposits of approximately $2.6 billion.

Sterling has total consolidated assets of $3.2 billion, and its subsidiary banks operate in Delaware, Maryland, and Pennsylvania. In Pennsylvania, Sterling is the 22nd largest depository organization, controlling state deposits of approximately $2.3 billion. In Delaware, Sterling is the 27th largest depository organization, controlling deposits of approximately $45.6 million.

On consummation of the proposal, PNC would become the 18th largest depository institution in the United States, with total consolidated assets of approximately $128.9 billion. PNC would control deposits of approximately $77 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Pennsylvania, PNC would remain the largest depository organization, controlling deposits of approximately $37.5 billion, which represent approximately 14.5 percent of the total amount of deposits of insured depository institutions in the state ("state deposits"). In Delaware, PNC would remain the eighth largest depository organization, controlling deposits of approximately $2.6 billion, which represent approximately 1.6 percent of state deposits.

<u>Interstate Analysis</u>

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of PNC is Pennsylvania,[7] and Sterling is located in Delaware, Maryland, and Pennsylvania.[8]

Based on a review of all the facts of record, including the relevant state statutes, the Board finds that the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.[9] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act and the Bank Merger Act prohibit 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 banking market. Both statutes also prohibit the Board from approving a bank acquisition

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[7] A bank holding company's home state is the state in which the total deposits of all subsidiary banks of the company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

[8] For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and (d)(2)(B).

[9] 12 U.S.C. §§ 1842(d)(1)(A)-(B) and 1842(d)(2)-(3). PNC is adequately capitalized and adequately managed, as defined by applicable law. There are no minimum periods of time for which Sterling's subsidiary banks are required to have been in existence under any relevant state law. On consummation of the proposal, PNC would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. 12 U.S.C. § 1842(d)(2)(A). In addition, PNC would control less than 30 percent, or the applicable percentage established under state law, of the total amount of deposits of insured depository institutions in Maryland and Delaware. See 12 U.S.C. § 1842(d)(2)(B)-(C); MD. FIN. INST. § 5-905. All other requirements of section 3(d) of the BHC Act would be met on consummation of the 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.[10]

PNC and Sterling have subsidiary depository institutions that compete directly in six banking markets: Wilmington in Delaware and Maryland; Baltimore, Maryland; Harrisburg, Lancaster, and York, Pennsylvania; and Philadelphia in Pennsylvania and New Jersey. The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the markets, the relative shares of total deposits in depository institutions in the markets ("market deposits") controlled by PNC and Sterling,[11] the concentration level of market deposits and the increase in that level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[12] and other characteristics of the markets.

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[10] 12 U.S.C. § 1842(c)(1).

[11] Deposit and market share data are as of June 30, 2007, adjusted to reflect mergers and acquisitions through January 14, 2008, 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 of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386, 387 (1989); National City Corporation, 70 Federal Reserve Bulletin 743, 744 (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, 55 (1991).

[12] Under the DOJ 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

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Guidelines in each of the six banking markets.[13] On consummation of the proposal, one market would remain concentrated, four markets would remain moderately concentrated and one market would remain highly concentrated, as measured by the HHI. The change in the HHI's measure of concentration would be less than 100 points in each market, and numerous competitors would remain in all six banking markets.

The DOJ has conducted a detailed review of the potential competitive effects of the proposal and has advised the Board that consummation of the transaction 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 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 any of the banking markets where PNC and Sterling compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

HHI exceeds 1800. The Department of Justice ("DOJ") has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The DOJ has stated that the higher-than-normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognize the competitive effects of limited-purpose and other nondepository financial entities.

[13] Those banking markets and the effects of the proposal on their concentrations of banking resources are described in Appendix A.

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act and the Bank Merger Act require the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has considered these factors in light of all the facts of record, including confidential reports of examination and other supervisory information received from the relevant federal and state supervisors of the organizations involved in the proposal, and publicly reported and other financial information, including information provided by PNC.

In evaluating financial factors in expansion proposals by banking organizations, 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' nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has considered the proposal carefully under the financial factors. PNC and its subsidiary depository institutions are well capitalized. PNC has represented that it will merge BLC NA into PNC Bank after consummation of this acquisition. On consummation of the proposed mergers of the parent companies and banks, PNC and its subsidiary banks would remain well capitalized. Based on its review of the record, the Board finds that PNC has sufficient financial resources to effect the proposal. The proposed transaction is structured as a combination share exchange and cash purchase, and PNC will use existing resources to fund the cash portion of the purchase.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of PNC, Sterling, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking law, including anti-money laundering laws. PNC and its subsidiary depository institutions are considered to be well managed. The Board also has considered PNC's plans for implementing the proposal, including the proposed management after consummation.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors under the BHC Act and the Bank Merger Act.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act and the Bank Merger Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").[14] The CRA requires the federal financial supervisory

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[14] 12 U.S.C. § 2901 et seq.; 12 U.S.C. § 1842(c)(2).

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, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[15]

The Board has considered carefully all the facts of record, including reports of examination of the CRA performance records of the subsidiary banks of PNC and Sterling, data reported by PNC and Sterling under the Home Mortgage Disclosure Act ("HMDA"),[16] as well as small business lending data reported under the CRA, other information provided by PNC, confidential supervisory information, and public comments received on the proposal. A commenter criticized the CRA-related activities of PNC and Sterling and alleged that their banks' mortgage lending to LMI minority families in the New York-New Jersey-Pennsylvania regional area ("Tri-State Region") was insufficient. In addition, the commenter criticized PNC's and Sterling's general records of home mortgage lending to minorities in the Tri-State Region.[17]

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[15] 12 U.S.C. § 2903.

[16] 12 U.S.C. § 2801 et seq.

[17] The commenter also urged the Board to require PNC to provide specific CRA pledges or plans or to require it to take certain actions in the future. The Board consistently has stated that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organization and that the enforceability of any such third-party pledges, initiatives, or agreements are matters outside the CRA. See, e.g., Wachovia Corporation, 91 Federal Reserve Bulletin 77 (2005). Instead, the Board focuses on the existing CRA performance record of an applicant and the programs that an applicant has in place to serve the credit needs of its assessment areas at the time the Board reviews a proposal under the convenience and needs factor.

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the insured depository institutions of PNC and Sterling. 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.[18]

PNC Bank received an "outstanding" rating at its most recent CRA performance evaluation by the Office of the Comptroller of the Currency ("OCC"), as of May 16, 2006 ("PNC 2006 Evaluation"). PNC Bank DE also received an "outstanding" rating at its most recent CRA evaluation.[19]

BLC NA, Sterling's largest bank based on both assets and deposits, was formed in 2007 by the consolidation of four Sterling subsidiary banks, including its largest bank at that time, Bank of Lancaster County, National Association ("Lancaster Bank").[20] The CRA performance of BLC NA has not

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[18] See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 at 36,640 (2001).

[19] PNC Bank DE's most recent evaluation was as of January 21, 2003, by the FDIC. In 2006, PNC Bank DE became a member of the Federal Reserve System and has not been examined since its membership. Yardville National Bank received a "satisfactory" rating at its most recent performance evaluation by the OCC, as of January 3, 2006.

[20] On May 25, 2007, the OCC approved the consolidation of the four depository institutions into BLC NA. In addition to Lancaster Bank, Sterling's other subsidiary banks in the consolidation were Bank of Hanover and Trust Company, Pennsylvania State Bank, and Bay First Bank, National Association. The most recent CRA performance ratings of those four banks before consolidation are in Appendix B.

yet been evaluated. The Board's analysis takes into consideration the CRA performance record of all of Sterling's unconsolidated CRA-reporting depository institutions and focuses on Lancaster Bank's record of performance as the largest of the four banks. Lancaster Bank received an "outstanding" rating at its most recent performance evaluation by the OCC, as of June 13, 2005 ("Sterling 2005 Evaluation"). DE Sterling Bank also received a "satisfactory" rating at its most recent performance evaluation by the FDIC, as of November 6, 2006. PNC has represented that it will implement its program for managing community reinvestment activities at Sterling's subsidiary banks on consummation of the proposal.

CRA Performance of PNC Bank. In addition to PNC Bank's overall "outstanding" rating in the PNC 2006 Evaluation,[21] the bank received an overall "outstanding" in the Pennsylvania and Multi-State MA assessment areas and "high satisfactory" ratings in each of the lending, service, and investment tests in its New Jersey assessment area. Examiners reported that PNC Bank's overall lending performance was good, as reflected by the bank's loan volume and loan distribution by geography and borrower income. They further noted that

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[21] Examiners considered the performance of certain relevant PNC subsidiaries in the PNC 2006 Evaluation. References to PNC Bank in the Board's convenience and needs analysis incorporate these entities. The PNC 2006 Evaluation focused on PNC Bank's performance in assessment areas in Pennsylvania and New Jersey and the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Area ("Multi-State MA"), which together represented approximately 83 percent of the bank's deposits. Examiners considered PNC's HMDA-reportable loans and small loans to businesses for the period of January 1, 2002, through December 31, 2005. "Small loans to businesses" are loans with original amounts of $1 million or less that are either secured by nonfarm, nonresidential properties or classified as commercial and industrial loans. PNC Bank's community development loans, investments, and services were evaluated for the period beginning April 1, 2002, through April 30, 2006.

PNC Bank's overall community development lending was strong and had a significant positive impact on the bank's overall lending test.

Examiners reported that the bank's overall distribution of loans in the Multi-State MA to borrowers of different income levels and businesses of different sizes and the geographic distribution of those loans was excellent. They noted that the bank's percentage of small loans to businesses represented a significant percentage of the bank's lending to businesses in each year of the evaluation period. Examiners noted that in the Multi-State MA, PNC Bank focused such lending on affordable housing and that the bank also made a significant volume of community development loans for revitalization and stabilization of LMI areas.

In the PNC 2006 Evaluation, examiners also commended PNC Bank's overall level of qualified investments and concluded that the bank's performance under the investment test in the Multi-State MA assessment area was outstanding. They noted that the bank's level of qualifying investments represented excellent responsiveness to the needs of the Multi-State MA community, particularly for affordable housing.

Examiners also concluded that the bank's delivery systems overall were accessible to all customers. In the Multi-State MA assessment area, examiners rated PNC Bank's performance under the service test as "high satisfactory" and reported that the bank offered an excellent level of community development services that benefited LMI individuals. They noted that PNC employees provided community development services to approximately 200 different organizations and groups and in educational settings, including financial-literacy assistance to LMI individuals.

CRA Performance of Lancaster Bank. As noted, Lancaster Bank received an overall "outstanding" rating in the Sterling 2005 Evaluation.[22] Under the lending test, Lancaster Bank also received an "outstanding" rating, and examiners reported that the bank's distribution of loans in its assessment areas reflected a good penetration among retail customers and an excellent distribution among retail customers of different income levels and business customers of varying sizes. They stated that the bank's lending levels reflected excellent responsiveness to community credit needs.

Examiners reported that Lancaster Bank's community development lending was responsive to the Lancaster AA's need for affordable housing in LMI geographies, to the credit needs of LMI individuals in the assessment area, and to the revitalization needs of distressed communities. They also commended the bank's performance for originating small loans to businesses, despite strong competition from five large lenders in the Lancaster AA.

Examiners rated Lancaster Bank's community development investment activities as "high satisfactory" under the investment test and reported that Lancaster Bank's qualified investments reflected a good responsiveness to community revitalization needs. During the exam's evaluation period, Lancaster Bank made investments and donations totaling $1.4 million in the Lancaster AA. They also noted that Lancaster Bank had good investment performance despite limited investment opportunities in the Lancaster AA. For instance, the bank took the initiative to form Sterling Community Development Corporation LLC to help meet the affordable housing needs of LMI individuals.

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[22] Of Lancaster Bank's three assessment areas, examiners focused on the Lancaster assessment area ("Lancaster AA") in the Sterling 2005 Evaluation. Lancaster Bank obtained the majority of its deposits from, and originated most of its loans in, the Lancaster AA. The evaluation period was from January 1, 2002, to June 13, 2005, for the lending, investment, and service tests.

In the Sterling 2005 Evaluation, Lancaster Bank received a "high satisfactory" rating on the service test. Examiners found that the bank's services were accessible to all portions of the Lancaster AA, including LMI geographies, and they noted that Lancaster Bank provided Spanish language services, including services for Latino LMI customers. They reported that the bank's employees provided a high level of community services in the bank's assessment areas. Examiners also commended Lancaster Bank for providing technical and financial expertise to qualified community organizations involved in activities that included assisting with support services and skill training targeted to LMI individuals; addressing redevelopment issues, urban revitalization, and property rehabilitation; assisting start-up businesses; and helping families gain access to affordable housing.

B. HMDA and Fair Lending Record

The Board has carefully considered the fair lending records and HMDA data of PNC and Sterling in light of public comments received on the proposal. A commenter alleged that in the Tri-State region, PNC and Sterling provided an insufficient number of home mortgage loans to African American and Hispanic borrowers or otherwise engaged in disparate treatment of those minority individuals in home mortgage lending. The Board has focused its analysis on the 2005 and 2006 HMDA data reported by PNC Bank and Sterling's predecessor banks.[23]

[23] The Board reviewed the HMDA data reported by PNC in its assessment areas in New Jersey and Pennsylvania, the Pittsburgh Metropolitan Statistical Area ("MSA"), and the Philadelphia-Camden Metropolitan District ("MD"), as well as the New Jersey portion of the New York-White Plains-Wayne MD. In addition, the Board reviewed the 2005 and 2006 HMDA data reported by Sterling's institutions in their assessment areas in Pennsylvania and the Lancaster MSA.

Although the HMDA data might reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, they provide an insufficient basis by themselves on which to conclude whether or not PNC or Sterling is excluding or imposing higher costs on any group on a prohibited basis. The Board recognizes that HMDA data alone, even with the recent addition of pricing information, provide only limited information about the covered loans.[24] HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or ethnicity. Because of the limitations of HMDA data, the Board has considered these data carefully and taken into account other information, including examination reports that provide on-site evaluations of compliance with fair lending laws by PNC, Sterling, and their subsidiaries. The Board also has consulted with the OCC about the fair-lending compliance record of PNC Bank.

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[24] The data, for example, 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 whether an applicant who was denied credit was, in fact, creditworthy. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

The record of this proposal, including confidential supervisory information, indicates that PNC and Sterling have taken steps to ensure compliance with fair lending and other consumer protection laws. PNC has a fair-lending compliance program that includes a second review process to identify any discriminatory practices with respect to the company's home mortgage lending. In addition, PNC has a process for resolving fair lending complaints and conducts periodic internal audits of its fair lending program. PNC requires its employees to complete fair-lending training sessions.

Sterling's compliance program is handled by a consulting firm that provides services regarding regulatory changes and that is responsible for overseeing the implementation of regulatory changes. The firm monitors bank initiatives and products, including a review of all marketing and advertising. In addition, the firm performs compliance monitoring, prepares risk assessments, and oversees compliance training.

PNC has represented that after the conversion of relevant Sterling financial systems to PNC systems, PNC's policies, procedures, processing systems, and personnel will be used to ensure regulatory compliance, and PNC plans to employ its lending system and processes across its expanded network of branches. In addition, Sterling employees will receive PNC's fair lending and compliance training.

The Board also has considered the HMDA data in light of other information, including the CRA-related small business lending, and the overall performance records of the subsidiary banks of PNC and Sterling under the CRA. These established efforts and records demonstrate that the institutions are active in helping to meet the credit needs of their entire communities.

C. Conclusion on Convenience and Needs and CRA Performance

The Board has considered carefully all of the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by PNC, the comment received on the proposal, and confidential supervisory information. PNC represented that the proposal will result in greater convenience for PNC and Sterling customers by enabling PNC to provide additional products and services more efficiently through an enhanced distribution system. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance records of the relevant insured depository institutions are consistent with approval.

Establishment of a Branch

As noted, PNC Bank DE also has applied under section 9 of the FRA to establish a branch at DE Sterling Bank's main office. The Board has assessed the factors it is required to consider when reviewing an application under section 9 of the FRA and the Board's Regulation H and finds those factors to be consistent with approval.[25]

Conclusion

Based on the foregoing and all facts of record, the Board has determined that the applications should be, and hereby are, 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, the Bank Merger Act, and the FRA. The Board's approval is specifically conditioned on compliance by PNC and PNC Bank DE with the conditions imposed in this order, the commitments made to the Board in connection with the applications, and receipt

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[25] 12 U.S.C. § 322; 12 CFR 208.6(b).

of all other regulatory approvals. 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 after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors,[26] effective January 25, 2008.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

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[26] Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.

Appendix A

Banking Markets Consistent with Board Precedent and DOJ Guidelines

Deposit data are as of June 30, 2007, and include mergers as of January 14, 2008. Deposit amounts are unweighted. Rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.

Delaware/Maryland Banking Markets

Wilmington – New Castle County, Delaware; and Cecil County, Maryland.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
PNC Pre-Consummation	3	$2.0 bil.	6.5	3580	+ 7	21
Sterling	13	$169.1 mil.	0.6			
PNC Post-Consummation	3	$2.1 bil.	7.1			

Baltimore – The Baltimore Ranally Metro Area ("RMA") and the non-RMA portions of Harford and Carroll Counties in Maryland (except that part in the Washington DC RMA).

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
PNC Pre-Consummation	2	$4.8 bil.	12.1	1214	+ 7	74
Sterling	34	$110.3 mil.	0.3			
PNC Post-Consummation	2	$4.9 bil.	12.4			

Pennsylvania Banking Markets

Harrisburg – Cumberland, Dauphin, Juniata, Lebanon, and Perry Counties.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
PNC Pre-Consummation	4	$968.2 mil.	9.8	765	+ 55	31
Sterling	11	$274.1 mil.	2.8			
PNC Post-Consummation	2	$1.2 bil.	12.6			

Lancaster – Lancaster County.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
PNC Pre-Consummation	14	$55.3 mil.	0.7	1422	+ 23	18
Sterling	3	$1.3 bil.	16.5			
PNC Post-Consummation	3	$1.4 bil.	17.2			

York – Includes Adams and York Counties, excluding the Baltimore RMA.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
PNC Pre-Consummation	10	$273.4 mil.	4.3	1170	+ 94	13
Sterling	3	$675.9 mil.	10.8			
PNC Post-Consummation	2	$949.3 mil.	15.1			

Philadelphia Banking Market in Pennsylvania and New Jersey						
Philadelphia/South Jersey – Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in Pennsylvania; Burlington, Camden, Gloucester, and Salem Counties in New Jersey; and the City of Trenton and Ewing, Hamilton, and Lawrence townships in Mercer County, New Jersey.						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
PNC Pre-Consummation	4	$9.8 bil.	9.0	1075	+1	121
Sterling	91	$45.6 mil.	0.1			
PNC Post-Consummation	4	$9.8 bil.	9.1			

Appendix B

CRA Performance Evaluations of the Sterling Banks
Consolidated to Form BLC Bank, National Association

	Bank	CRA Rating	Date	Supervisor
1.	Bank of Hanover and Trust Company, Hanover, Pennsylvania	Satisfactory	11/06/06	FDIC
2.	Pennsylvania State Bank, Camp Hill, Pennsylvania	Satisfactory	06/06/05	FRB
3.	Bay First Bank, National Association, North East, Maryland	Satisfactory	02/22/02	OCC
4.	Bank of Lancaster County, National Association, Strasburg, Pennsylvania	Outstanding	06/13/05	OCC