

FEDERAL RESERVE SYSTEM

The Royal Bank of Scotland Group plc
Edinburgh, Scotland

The Royal Bank of Scotland plc
Edinburgh, Scotland

RBSG International Holdings Ltd.
Edinburgh, Scotland

Citizens Financial Group, Inc.
Providence, Rhode Island

Order Approving the Acquisition of a Savings Association

The Royal Bank of Scotland Group plc (“RBS Group”), The Royal Bank of Scotland plc (“RBS”), RBSG International Holdings Ltd., and Citizens Financial Group, Inc. (“Citizens Financial”) (collectively, “Notificants”) have requested the Board’s approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and (j)) and section 225.24 of the Board’s Regulation Y (12 C.F.R. 225.24) to acquire all the voting shares of Thistle Group Holdings, Co. (“Thistle”) and thereby indirectly acquire all the voting shares of Thistle’s wholly owned subsidiary savings association, Roxborough-Manayunk Bank, (“Roxborough”), both in Philadelphia, Pennsylvania.

The proposed transaction is primarily a merger of Roxborough into Citizens Financial’s wholly owned subsidiary bank, Citizens Bank of Pennsylvania (“Citizens PA”), also in Philadelphia.¹ The merger transaction was approved by the Federal Deposit Insurance Corporation (“FDIC”) under the Bank Merger Act

¹ In addition, the Delaware branch of Roxborough would be sold to Citizens Bank, Wilmington, Delaware (“Citizens DE”), a subsidiary bank of Notificants.

(12 U.S.C. § 1828(c)) on December 15, 2003. The Board has consulted with the FDIC on its review of Citizens PA's proposal under the Bank Merger Act.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (68 Federal Register 62,080 (2003)), and the time for filing comments has expired. The Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.

RBS Group, with total consolidated assets equivalent to approximately \$663 billion, is the fifth largest banking organization in the world.² Citizens Financial, with total consolidated assets of approximately \$73 billion, is the nineteenth largest commercial banking organization in the United States.³ Citizens Financial operates subsidiary depository institutions in Rhode Island, Massachusetts, Connecticut, New Hampshire, Delaware, and Pennsylvania that control approximately \$53.6 billion in deposits, which represents approximately 1 percent of total deposits in insured depository institutions in the United States ("total U.S. insured deposits").⁴

Thistle has one subsidiary depository institution that operates in Pennsylvania and Delaware and controls \$822 million in deposits, which represents less than 1 percent of total U.S. insured deposits. On consummation of this proposal, Citizens Financial, with total consolidated assets of \$73 billion, would remain the nineteenth largest commercial banking organization in the United States, controlling deposits of \$54.4 billion. Citizens Financial would remain the third largest banking organization in Pennsylvania and fifteenth largest in Delaware, controlling deposits of \$18.6 billion and \$854 million, respectively.

² Global asset and ranking data are as of December 31, 2002.

³ Asset and domestic ranking data are as of September 30, 2003.

⁴ Deposit data are as of June 30, 2003, unless otherwise noted.

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.⁵ The Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y. Notificants have committed to conform all the activities of Thistle and Roxborough as required. Thistle also engages in printing and selling checks and related documents and in providing certain data processing services, which are activities that the Board has determined to be closely related to banking.⁶

In reviewing the proposal, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of Thistle, Roxborough, and Thistle's other subsidiaries by Notificants "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."⁷ As part of its evaluation of the proposal under these public interest factors, the Board reviews the financial and managerial resources of the companies involved, as well as the effect of the proposal on competition in the relevant markets.⁸ In acting on notices to acquire a savings association, the Board also reviews the records of performance of the relevant insured depository institutions under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*).⁹

⁵ 12 C.F.R. 225.28(b)(4)(ii).

⁶ 12 C.F.R. 225.28(b)(10)(ii) and (14).

⁷ 12 U.S.C. § 1843(j)(2)(A).

⁸ See 12 C.F.R. 225.26.

⁹ See, e.g., BancOne Corporation, 83 Federal Reserve Bulletin 602 (1997).

The Board has considered these factors in light of a record that includes information provided by Notificants, confidential supervisory and examination information, publicly reported financial and other information, and public comments submitted on the proposal. The Board also has consulted with, and considered information provided by, the primary home country supervisor of RBS Group and various federal and state supervisory agencies, including the FDIC, the Office of Thrift Supervision (“OTS”), the Massachusetts Division of Banks, and the Pennsylvania Department of Banking.

Competitive Considerations

As part of its consideration of the public interest factors under section 4 of the BHC Act, the Board has considered carefully the competitive effects of the proposal in light of all the facts of record.¹⁰ Notificants and Thistle compete directly in the Philadelphia, Pennsylvania, and Wilmington, Delaware, banking markets.¹¹ The Board has reviewed carefully the competitive effects of the proposal in both banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the relative share of total deposits in depository institutions controlled by Notificants and Thistle in the markets (“market deposits”),¹²

¹⁰ See First Hawaiian, Inc., 79 Federal Reserve Bulletin 966 (1993).

¹¹ These markets are described in Appendix A.

¹² Deposit and market share data are based on annual branch reports filed as of June 30, 2003, and on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously 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 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the calculation of market share on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991). Because the Board has analyzed the competitive factors in this case as if Notificants and Thistle were a combined entity, the deposits of Roxborough were included at

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the concentration levels of market deposits and the increases in this level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Guidelines (“DOJ Guidelines”),¹³ and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in each relevant banking market. In addition, no agency has indicated that competitive issues are raised by the proposal. After consummation of the proposal, one banking market would remain unconcentrated and the other would remain moderately concentrated, as measured by the HHI.¹⁴ Numerous competitors would remain in both banking markets. Based on these and all other facts of record, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the two banking markets noted above or any other relevant banking market.

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100 percent in the calculation of pro forma market share. See Norwest Corporation, 78 Federal Reserve Bulletin 452 (1992).

¹³ Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is considered unconcentrated if the post-merger HHI is under 1000 and moderately concentrated if the post-merger HHI is between 1000 and 1800. The 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 for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

¹⁴ In the Philadelphia banking market, the HHI would increase 12 points to 947, and the HHI would remain unchanged at 1793 in the Wilmington banking market. The effects of the proposal on the concentration of banking resources in these markets are detailed in Appendix B.

Financial and Managerial Factors

In reviewing the proposal under section 4 of the BHC Act, the Board has carefully considered the financial and managerial resources of Notificants and Thistle and their respective subsidiaries. The Board also has reviewed the effect the transaction would have on those resources in light of all the facts of record.¹⁵

The Board's review of these factors has considered, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations involved, publicly reported and other financial information provided by Notificants and Thistle, and public comments.¹⁶ In addition, the Board has consulted with the relevant supervisory agencies, including the FDIC, the OTS, and the relevant supervisory authorities in the United Kingdom.

¹⁵ See 12 C.F.R. 225.26.

¹⁶ One commenter opposing this proposal repeated allegations that the Board previously considered in its decisions to approve Notificants' applications to acquire Port Financial (the "Port Financial proposal") and Citizens PA and Citizens DE (the "Mellon proposal"), particularly that Notificants had inadequate records on human rights and the environment. The commenter's assertions were based on actions taken outside the United States; specifically, it was asserted that the activities of RBS Group and its affiliates in Indonesia ignored human rights concerns, damaged the environment, or caused other societal harm. The Board noted in its approvals of the Port Financial and Mellon proposals, and reaffirms in this case, that these contentions contained no allegations of illegality or of actions that would affect the safety and soundness of the institutions involved in the proposals, and that the allegations were outside the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act. See The Royal Bank of Scotland Group plc, 89 Federal Reserve Bulletin 386 (2003) ("RBS/Port Order"); The Royal Bank of Scotland Group plc, 88 Federal Reserve Bulletin 51 (2002) ("RBS/Mellon Order") (citing Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973)).

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important. The capital ratios of RBS would continue to exceed the minimum levels that would be required under the Basel Capital Accord, and RBS Group's capital levels are considered equivalent to those that would be required of a U.S. banking organization. The Board notes that Citizens Financial, its subsidiary depository institutions, and Roxborough are well capitalized and would remain well capitalized on consummation of the proposal.

The Board also has considered the managerial resources of Notificants and Thistle, particularly the supervisory experience and assessments of management by the various bank supervisory agencies and the organizations' records of compliance with applicable banking laws. The Board also has carefully reviewed the examination records of Citizens Financial and its subsidiary depository institutions, including assessments of their risk management systems and other policies. In addition, the Board has considered Citizens Financial's plans to implement the proposed acquisition, including its available managerial resources, and Citizens Financial's record of successfully integrating recently acquired institutions into its existing operations. Based on these and all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved in the proposal are consistent with approval under section 4 of the BHC Act.

Records of Performance Under the Community Reinvestment Act

As previously noted, the Board reviews the records of performance under the CRA of the relevant insured depository institutions when acting on a notice to acquire a savings association.¹⁷ The CRA requires the Board to assess each insured depository institution's record of meeting the credit needs of its entire community,

¹⁷ See, e.g., Northfork Bancorporation, Inc., 86 Federal Reserve Bulletin 767 (2000).

including low-and moderate-income (“LMI”) neighborhoods, consistent with the institution’s safe and sound operation, and to take this record into account in evaluating bank holding company notices.¹⁸

The Board has carefully considered the CRA performance records of each subsidiary insured depository institution of Citizens Financial and Thistle in light of all the facts of record, including comments received on the effect of the proposal on the communities to be served by the relevant insured depository institutions. The Board recently conducted a detailed review of the CRA performance records of the insured depository institutions controlled by Citizens Financial (the “Citizens Banks”) and found those records to be consistent with approval of a bank expansion proposal.¹⁹ The Board’s analysis of the CRA performance records of the Citizens Banks, as detailed in the Citizens/Port Order, is incorporated herein by reference.

Two commenters opposed the current proposal. One commenter expressed concern that Citizens Financial’s provision of loans and retail banking services in LMI areas in Philadelphia was not as extensive as the current array of products and services provided by Roxborough. The other commenter alleged, based on data submitted under the Home Mortgage Disclosure Act (“HMDA”),²⁰ that Citizens Financial and Roxborough engaged in disparate treatment of minority individuals in their assessment areas with respect to home mortgage lending.²¹ This

¹⁸ 12 U.S.C. § 2903.

¹⁹ See RBS/Port Order at 387-89.

²⁰ 12 U.S.C. § 2801 et seq.

²¹ The commenter also alleged that Citizens Financial engaged in discriminatory employment practices, citing a news report of a complaint filed with the Massachusetts Commission Against Discrimination (“MCAD”) by a former employee. These allegations are outside the limited statutory factors that the Board is authorized to consider when reviewing a notice under the BHC Act. See Western Bancshares,

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commenter also expressed concern about possible branch closings resulting from this proposal.²²

A. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations of the CRA performance records of the relevant insured depository institutions. 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.²³

Citizens MA and the other Citizens Financial subsidiary depository institutions that have been rated for CRA performance all received "outstanding" ratings at their most recent CRA performance examinations by the FDIC, as of

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480 F.2d at 752. The Board also notes that the Equal Employment Opportunity Commission has jurisdiction to determine whether banking organizations like Citizens Financial are in compliance with federal equal employment opportunity statutes under the regulations of the Department of Labor. In addition, matters related to private employment are governed by state law and, in this case, are being reviewed by MCAD.

²² The commenter also expressed concern about the small business lending of Citizens Bank of Massachusetts, Boston, Massachusetts ("Citizens MA"), in one county in the Boston metropolitan area, alleging that Citizens MA made few small business loans in LMI census tracts. The commenter also raised this issue in the Port Financial proposal. The Board carefully considered this comment and Notificants' response in light of all the facts of record in approving the proposal. See RBS/Port Order at 389. The commenter has not provided any new information that would warrant a different conclusion in this proposal, and the Board reaffirms its findings in the RBS/Port Order.

²³ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

December 2, 2002.²⁴ Roxborough received a “satisfactory” rating at its most recent CRA performance examination by the OTS, as of April 22, 2002.

Citizens PA and Citizens DE (together, the “Mid-Atlantic Banks”) are newly chartered and have not received ratings for performance under the CRA. Notificants have represented that the Mid-Atlantic Banks are subject to the same CRA and fair lending policies as the New England Banks. Accordingly, the Board has particularly considered the 2002 performance evaluations of the New England Banks and the fair lending policies and procedures of Citizens Financial and the Citizens Banks. The Board notes that the CRA performance records of the New England Banks demonstrate the Notificants’ ability and willingness to help meet effectively the credit needs of the communities served by their subsidiary depository institutions.

Because the Mid-Atlantic Banks are recently chartered and yet to be examined, the Board also has evaluated substantial information submitted by Citizens Financial concerning the CRA performance of the Citizens Banks, especially the Mid-Atlantic Banks. This information includes reviews of the Mid-Atlantic Banks’ CRA-related activities; loan programs designed to address the needs of LMI borrowers and communities; community development lending and investments; retail banking products and services; data from Citizens Banks’ affiliate, Citizens Mortgage Company (“CMC”);²⁵ and confidential supervisory information from the FDIC.

²⁴ Citizens Bank of Rhode Island, Providence, Rhode Island (“Citizens RI”); Citizens Bank of Connecticut, New London, Connecticut; and Citizens Bank of New Hampshire, Manchester, New Hampshire (together with Citizens MA, the “New England Banks”), all received “outstanding” ratings at their most recent CRA performance examinations. United States Trust Company, Boston, Massachusetts, a subsidiary of Citizens, is a limited-purpose trust company and, therefore, is not subject to the CRA.

²⁵ CMC is a subsidiary of Citizens RI. CMC’s HMDA data were considered in the 2002 evaluation of the lending records of the Citizens Banks by the FDIC.

Notificants state that the Mid-Atlantic Banks have endeavored to continue Notificants' success in meeting the credit needs of the communities they serve, including LMI areas. In general, the 2002 HMDA data indicate that the loans to LMI borrowers and to borrowers in LMI census tracts made by the Mid-Atlantic Banks and CMC, as a percentage of their total HMDA-reportable loans, exceeded or were comparable with that percentage for the aggregate of lenders.²⁶ For example, in 2002, Citizens PA originated approximately 14.3 percent of its HMDA-reportable loans in its Philadelphia assessment area to borrowers in LMI census tracts (the aggregate of lenders made approximately 11.6 percent) and 25.8 percent of such loans to LMI borrowers (the aggregate of lenders made 25.2 percent).

According to Notificants, the Mid-Atlantic Banks and CMC offer approximately 22 programs that feature home purchase, refinance, and home improvement loans specifically designed to address the needs of LMI borrowers and communities ("CRA-program loans").²⁷ These programs provide LMI borrowers with affordable home mortgage and home improvement loans using flexible underwriting guidelines. Notificants report that, in 2002, the Mid-Atlantic Banks and CMC originated more than 900 loans, totaling more than \$81 million, under their CRA-program loans.

²⁶ In this context, "HMDA-reportable loans" refers to loans that are required to be reported under HMDA: home purchase, home improvement, and multifamily mortgage loans and refinancings of those types of loans. Loans made by the aggregate of lenders refers to all HMDA-reportable loans made in the assessment area by all lenders required to report under HMDA.

²⁷ These programs include the EZ Home Improvement Loan, the ACORN Housing Partnership Loan, and the Philadelphia Home Improvement Loan Program, which is offered in partnership with the Philadelphia Redevelopment Authority and the Greater Philadelphia Urban Affairs Coalition.

In addition, Notificants state that the Mid-Atlantic Banks made numerous community development loans to and investments in a diverse group of organizations and programs in Pennsylvania and Delaware. Notificants state that, since January 2002, Citizens PA and Citizens DE have provided more than \$62 million and \$11 million, respectively, in community development lending to support various organizations involved in affordable housing development, economic development, and job creation. During the same time period, Citizens PA made more than \$5.5 million in investments, sponsorships, and grants, and Citizens DE funded \$315,000 of its \$3.5 million in community development investment commitments.

The Mid-Atlantic Banks generally provide the same services as the New England Banks, such as a full-service ATM network, 24-hour telephone banking, bank-by-mail, and internet banking services. In addition, all the Citizens Banks provide a number of community development services, such as financial education seminars.

B. HMDA Data and Fair Lending Record

The Board also has carefully considered the HMDA data reported by subsidiaries of Citizens Financial in light of the comments received on these data. Based on 2001 and 2002 HMDA data, a commenter alleged that the Citizens Banks disproportionately excluded African-American and Hispanic applicants for home mortgage loans in various Metropolitan Statistical Areas (“MSAs”) in Connecticut, Delaware, Massachusetts, Pennsylvania, and Rhode Island. Substantially similar comments regarding Connecticut, Massachusetts, and Rhode Island were considered by the Board in the Port Financial proposal, and the Board’s analysis of the Citizens Banks’ HMDA data in the RBS/Port Order is incorporated herein by reference.

As noted in the RBS/Port Order, the Citizens Banks’ denial disparity ratios reported for African-American and Hispanic applicants in 2002 were generally lower than or comparable with those ratios reported by the aggregate of lenders in each

of the markets reviewed.²⁸ In their Pennsylvania and Delaware assessment areas, the Mid-Atlantic Banks' denial disparity ratios reported for African-American and Hispanic applicants in 2002 were lower than those ratios reported by the aggregate of lenders in these assessment areas.

Importantly, the HMDA data do not indicate that the Citizens Banks have excluded any segment of the population or geographic areas on a prohibited basis. The Board, nevertheless, is concerned when the record of an institution indicates disparities in lending and believes that all banks 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 income level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about covered loans.²⁹ Therefore, HMDA data have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including examination reports that provide an on-site evaluation of compliance by the Citizens Banks with fair lending laws.

²⁸ The denial disparity ratio is the denial rate of a particular racial category (e.g., African Americans) divided by the denial rate for whites.

²⁹ 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. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

Examiners found no evidence of prohibited discrimination or other illegal credit practices at any of Citizens Financial's subsidiary depository institutions. The record also indicates that Citizens Financial has taken a number of affirmative steps to ensure compliance with fair lending laws. The Citizens Banks have a "second-look" policy with two procedures for reviewing credit decisions for compliance with their fair lending policy. Under this policy, a committee conducts a weekly review of marginal approvals and denials for consistency in the application of investor underwriting guidelines, and the quality control department conducts a quarterly statistically based regression analysis of all applications to identify possible instances or indications of disparate treatment. In addition, Citizens Financial has established a fair lending committee and a mandatory, ongoing employee training program on compliance with fair lending and other consumer protection laws.

The Board also has considered the HMDA data in light of the Citizens Banks' overall performance under the CRA, which demonstrates that these institutions are actively helping to meet the credit needs of their entire communities.³⁰ The Board believes that, when viewed in light of the entire record, the HMDA data and other CRA-related information indicate that the Citizens Banks' records of performance in

³⁰ A commenter reiterated an allegation, considered previously by the Board in both the Mellon and Port Financial proposals, that Notificants indirectly supported predatory lending activities that were conducted by a number of unaffiliated consumer lenders through the securitization activities and warehouse-lending services of Notificants' subsidiary, Greenwich Capital Markets, Greenwich, Connecticut ("GCM"). Notificants have stated that GCM conducts periodic due diligence reviews in connection with its securitization activities. The Board carefully considered this comment and Notificants' response in light of all the facts of record in approving the Mellon and Port Financial proposals. See RBS/Mellon Order and RBS/Port Order. Commenter has not provided any new information that would warrant a different conclusion in this proposal.

helping to serve the credit needs of their communities are consistent with approval of the proposal.

C. Branch Closings

A commenter expressed concern about the possible effect of branch closings that might result from this proposal, and the Board has considered these comments in light of all the facts of record. Citizens Financial has represented that it will apply its current branch closing policy to any potential closing or consolidation of a branch acquired under this proposal. Accordingly, the Board has carefully reviewed Citizens Financial's branch closing policy. The policy provides that Citizens Financial will review a number of factors before closing or consolidating a branch, including the impact on the community, the business viability of the branch, and the impact on access to credit, as well as ensuring that the branch closing has no discriminatory effect. The most recent CRA examinations of the Citizens Banks indicated that they had satisfactory records of opening and closing branches. The Board expects that Citizens Financial would continue to apply a branch closing policy to any branch closed in connection with the proposed transaction that is satisfactory to examiners.

The Board also has considered that federal banking law provides a specific mechanism for addressing branch closings.³¹ Federal law requires an insured depository institution to provide notice to the public and to the appropriate federal supervisory agency before closing a branch. In addition, the Board notes that the FDIC, as the appropriate federal supervisor of the Citizens Banks, will review the

³¹ Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide the public with at least 30 days' notice and the appropriate federal supervisory agency with at least 90 days' notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

branch closing records of the banks in the course of conducting CRA performance examinations.

D. Conclusion on Convenience and Needs Considerations

In reviewing the proposal's effect on the convenience and needs of the communities to be served by the combined organization, the Board has carefully considered the entire record, including the public comments received, reports of examinations of the CRA performance of the institutions involved, and confidential supervisory information from the FDIC. The record and examinations show that Citizens Financial's subsidiary banks have a variety of programs in place that are designed to meet the credit and banking needs of their communities, including LMI borrowers and areas. Based on all the facts of record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs of the communities to be served, including the CRA performance records of the relevant depository institutions, are consistent with approval of the proposal.

Public Benefits and Other Considerations

As part of its evaluation of the public interest factors, the Board also has reviewed carefully the other public benefits and possible adverse effects of the proposal. The record indicates that consummation of the proposal would result in benefits to consumers and businesses. The proposal would enable Notificants to provide Thistle's customers with access to a broader array of products and services, including commercial and investment banking products, in an expanded service area. Among the Citizens Financial products that would become available to customers of Roxborough are products specifically designed for small- and medium-size businesses and trust and asset management services. Customers of Roxborough would have access to an expanded branch and ATM network and internet banking services. Based on the foregoing and all the facts of record, the Board has determined that consummation of the proposal can reasonably be expected to produce public benefits

that would outweigh any likely adverse effects under the standard of section 4(j)(2) of the BHC Act.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved.³² 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 Notificants with all the representations and commitments made in connection with the notice and all the conditions in this order.

The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds

³² One commenter requested that the Board hold a public meeting on the proposal. Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other manner. 12 C.F.R. 225.25(a)(2). Under its rules, the Board also may, in its discretion, hold a public meeting if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered carefully the commenter's request in light of all the facts of record. In the Board's view, the public has had ample opportunity to submit comments on the proposal and, in fact, the commenter has submitted extensive written comments that the Board has considered carefully in acting on the proposal. The commenter failed to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting. In addition, the commenter failed to demonstrate why its written comments did not adequately present its views, evidence, and allegations. For these reasons and based on all the facts of record, the Board has determined that a public meeting is not required or warranted in this case. Accordingly, the request for a public meeting on the proposal is denied.

necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders thereunder. For purposes of this action, the representations, commitments, and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 19, 2003.³³

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

³³ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.

APPENDIX A

Banking Markets in which Citizens Financial
Competes Directly with Thistle

A. Philadelphia Banking Market

Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in Pennsylvania; and Burlington, Camden, Gloucester, and Salem Counties and a portion of Mercer County in New Jersey.

B. Wilmington Banking Market

New Castle County in Delaware; and Cecil County in Maryland.

APPENDIX B

Market Data

Philadelphia Banking Market

Notificants operate the third largest depository institution in the market, controlling deposits of approximately \$9.5 billion, which represents approximately 10.6 percent of market deposits. Thistle operates the twenty-eighth largest depository institution in the market, controlling deposits of approximately \$503 million, which represents less than 1 percent of market deposits. On consummation of the proposal, Citizens would operate the second largest depository institution in the market, controlling deposits of approximately \$10 billion, which represents approximately 11.2 percent of market deposits. One hundred twenty-four depository institutions would remain in the market, and the HHI would increase 12 points to 947.

Wilmington Banking Market

Notificants operate the twelfth largest depository institution in the market, controlling deposits of approximately \$568 million, which represents approximately 1.5 percent of market deposits. Thistle operates the twenty-sixth largest depository institution in the market, controlling deposits of approximately \$48 million, which represents less than 1 percent of market deposits. On consummation of the proposal, Citizens would remain the twelfth largest depository institution in the market, controlling deposits of approximately \$616 million, which represents less than 1 percent of market deposits. Thirty-two depository institutions would remain in the market, and the HHI would remain unchanged at 1793.