

FRB Order No. 2012-12
(November 14, 2012)

FEDERAL RESERVE SYSTEM

Mitsubishi UFJ Financial Group, Inc.
Tokyo, Japan

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Tokyo, Japan

UnionBanCal Corporation
San Francisco, California

Order Approving the Acquisition of a Bank Holding Company
and the Merger of Bank Holding Companies

Mitsubishi UFJ Financial Group, Inc. (“MUFG”) and its wholly owned subsidiaries, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) and UnionBanCal Corporation (“UnionBanCal” and, collectively with MUFG and BTMU, “Applicants”), have requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to acquire Pacific Capital Bancorp (“Pacific Capital”) and thereby indirectly acquire its subsidiary bank, Santa Barbara Bank & Trust, N.A. (“SBBT”), both of Santa Barbara, California. In addition, UnionBanCal has requested the Board’s approval under section 3 of the BHC Act to merge with Pacific Capital.²

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (77 Federal Register 23249 (April 18, 2012)). 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 section 3 of the BHC Act.

¹ 12 U.S.C. § 1842.

² After the transaction, Applicants plan to merge SBBT with and into UnionBanCal’s only subsidiary depository institution, Union Bank N.A. (“Union Bank”), San Francisco. The Office of the Comptroller of the Currency (“OCC”) has approved the proposed merger of SBBT with and into Union Bank, pursuant to the Bank Merger Act and the National Bank Act. 12 U.S.C. § 1828(c) and 12 U.S.C. § 215a.

MUFG, with total consolidated assets of approximately \$2.8 trillion, is the largest banking organization in Japan.³ MUFG engages in banking activities in the United States through BTMU and Mitsubishi UFJ Trust and Banking Corporation (“MUTB”), also of Tokyo.⁴ BTMU controls UnionBanCal and operates branches, an agency, and representative offices in several states.⁵ MUTB operates a branch and controls Mitsubishi UFJ Trust & Banking Corporation (U.S.A.) (“MUTB USA”), both of New York, New York. MUFG controls deposits of approximately \$63.7 billion in the United States,⁶ which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁷ MUFG and BTMU are qualifying foreign banking organizations and on consummation of the proposal would continue to meet the requirements for a qualifying foreign banking organization under Regulation K.⁸

UnionBanCal, with total consolidated assets of approximately \$87.9 billion, is the 20th largest depository organization in the United States, controlling deposits of approximately \$63.7 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Union Bank operates branches in California, Oregon, Texas, and Washington, and one branch in Illinois and in New York. Union Bank is the fourth largest insured depository organization in

³ National deposit, asset, and ranking data are as of June 30, 2012.

⁴ MUFG also owns a noncontrolling interest in Morgan Stanley, New York, New York.

⁵ BTMU operates branches in California, Illinois, and New York; an agency in Texas; and representative offices in California, the District of Columbia, Georgia, Kentucky, Minnesota, New Jersey, Texas, and Washington. In California, BTMU has a branch in Los Angeles and a representative office in San Francisco.

⁶ National deposit data include deposits controlled by MUFG’s depository institution subsidiaries that are insured by the Federal Deposit Insurance Corporation (“FDIC”). If deposits held in branches that are not insured by the FDIC are included, MUFG controls deposits of approximately \$132 billion in the United States.

⁷ MUFG also engages in nonbanking activities, including securities underwriting and dealing, in the United States through various subsidiaries.

⁸ 12 CFR 211.23(a).

California, controlling deposits of approximately \$53.4 billion, which represent 6.0 percent of the total amount of deposits of insured depository institutions in the state.⁹

Pacific Capital, with total consolidated assets of approximately \$5.9 billion, controls SBBT, which operates only in California. SBBT is the 19th largest insured depository institution in California, controlling deposits of \$4.7 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.

On consummation of the proposal, MUFG would control deposits of approximately \$68.6 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Union Bank would become the 17th largest depository organization in the United States, with consolidated deposits of approximately \$68.6 billion. In California, Union Bank would remain the fourth largest depository organization, controlling deposits of approximately \$58.1 billion, representing approximately 6.6 percent of deposits of insured depository institutions in the state.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.¹⁰ The Board has considered the competitive effects of the proposal in light of all the facts of record. UnionBanCal and Pacific Capital compete directly in 10 banking markets in California.

⁹ State deposit, asset, and ranking data are as of June 30, 2011.

¹⁰ 12 U.S.C. § 1842(c)(1).

A. Competitive Effects in Banking Markets

The Board has reviewed the competitive effects of the proposal in those banking markets. In particular, the Board has considered the number of competitors that would remain in the banking markets, the relative shares of total deposits in the depository institutions in the markets (“market deposits”) controlled by UnionBanCal and Pacific Capital,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 Competitive Review Guidelines (“DOJ Bank Merger Guidelines”),¹² and other characteristics of the markets.

Banking Markets within Established Guidelines. Consummation of the proposal would be consistent with Board precedent and within the DOJ Bank Merger Guidelines in nine of the ten banking markets in which UnionBanCal and Pacific Capital’s subsidiary banks compete directly.¹³ On consummation of the proposal, two markets would remain highly concentrated and seven markets would remain

¹¹ Deposit and market share data are as of June 30, 2011, adjusted to reflect mergers and acquisitions through April 16, 2012, 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 (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).

¹² 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 DOJ and the Federal Trade Commission recently issued revised Horizontal Merger Guidelines, DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

¹³ These banking markets and the effects of the proposal on the concentration of banking resources in them are described in the appendix.

moderately concentrated, as measured by the HHI. The change in HHI in the two highly concentrated markets would be small and consistent with Board precedent and the thresholds in the DOJ Bank Merger Guidelines. In the seven moderately concentrated markets, the change in HHI also would be consistent with Board precedent and the thresholds in the DOJ Bank Merger Guidelines. In each of these banking markets, numerous competitors would remain.

Banking Market Warranting Special Scrutiny. The structural effects of the proposal in the Lompoc, California banking market warrant a detailed review because the concentration level on consummation would exceed the threshold levels in the DOJ Bank Merger Guidelines.¹⁴ Union Bank is the fifth largest of eight depository institutions in the market and controls deposits of \$45.4 million, representing 11.7 percent of market deposits. SBBT is the largest depository institution in the market and controls deposits of \$111.9 million, representing 28.9 percent of market deposits. On consummation of the proposal, Union Bank would become the largest depository institution in the market, with deposits of \$157.3 million, representing 40.6 percent of market deposits. The HHI for the market would increase 676 points to 2429.

In evaluating the competitive effects of this proposal in the Lompoc banking market, the Board has considered the presence of a large and active credit union operating in the market. CoastHills Federal Credit Union (“CoastHills”), with more than \$540 million in total deposits, offers open membership to all the residents in the market.¹⁵ It operates three street-level branches in the market, two of which are easily accessible to the general population.¹⁶ CoastHills offers a full range of retail banking products and offers a wide range of business loan products and other banking services. Accordingly, the Board has concluded that deposits controlled by the credit union should be included

¹⁴ The Lompoc banking market is defined as the City of Lompoc, Mission Hills, Vandenberg Air Force Base, and Vandenberg Village.

¹⁵ CoastHills offers open membership to anyone who lives, works, worships, or attends school in San Luis Obispo County or northern Santa Barbara County, which includes the Lompoc banking market.

¹⁶ The third street-level branch is at the Vandenberg Air Force Base and accessible only to employees of the base.

in market share calculations with a 50 percent weight. Accounting for these weighted deposits, UnionBanCal would control 30.95 percent of market deposits, and the HHI would increase 393 points to 1977 on consummation of the proposal.

A number of circumstances mitigate the potential anticompetitive effects of the transaction. The market would remain balanced and competitive, as evidenced by the number of competitors, the type of competitors, and the market structure.¹⁷ After consummation of the proposal, seven competitors, including CoastHills, would remain in the market. In addition to UnionBanCal, three competitors would each control more than 10 percent of market deposits. CoastHills would control 23.8 percent of market deposits, and two other competitors would control 13.1 percent and 11.7 percent of the market's deposits, respectively. Three other competitors would control between 5 percent and 10 percent of market deposits. In addition, the Lompoc banking market is relatively attractive for entry, as evidenced by recent bank entry and economic characteristics of the market. In 2005, a community bank entered Lompoc from a neighboring market. Since its entry into the Lompoc banking market, the community bank's deposits in the market have increased from \$1 million to \$29 million.

Economic characteristics of the Lompoc banking market also suggest that the market is reasonably attractive for entry. Several local economic development initiatives have recently been completed, are underway, or are proposed. For instance, the Lompoc Valley Medical Center, a 60-bed general acute-care hospital and a 110-bed skilled nursing facility, opened in 2010. In addition, a local community college is scheduled to complete a \$38 million expansion in Lompoc in 2013 that will host the college's police, fire, emergency medical services, and environmental technology programs.¹⁸ These initiatives suggest that the potential for employment growth in the Lompoc banking market is reasonably strong.

¹⁷ In addition, an alternative measure of market concentration suggests that the increase in the concentration of the market for small business loans in the Lompoc banking market as a result of the proposal would be smaller than the increase in the concentration in the market for deposits.

¹⁸ The college serves all of northern Santa Barbara County, a portion of eastern San Luis Obispo County, and part of Ventura County and has approximately 1,300 employees. In

The Board concludes that the foregoing considerations, including the number and size of competitors that would remain in the Lompoc banking market after consummation, the structure of the market, and the market's attractiveness for entry, mitigate the transaction's potential for anticompetitive effects.

B. Views of Other Agencies and Conclusion on Competitive Considerations

The DOJ also has conducted a detailed review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all 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 10 banking markets where UnionBanCal and Pacific Capital compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

Other Section 3(c) Considerations

Section 3(c) of the BHC Act requires the Board to take into consideration a number of other factors in acting on bank acquisition applications: financial and managerial resources (including consideration of the competence, experience, and integrity of officers, directors, and principal shareholders) and future prospects of the company and banks concerned; effectiveness of the company in combatting money laundering; the convenience and needs of the community to be served; and the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. Section 3(c) of the BHC Act also requires the Board to determine that an applicant has provided adequate assurances that it will make available to the Board such information on its operations and activities and

addition, the Lompoc city council is negotiating the construction of a private space center on city-owned land that could create approximately 1,700 jobs and attract up to 500,000 visitors annually. See http://santamariatimes.com/news/local/article_00e58bda-5775-11e0-ab45-001cc4c03286.html.

those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.¹⁹

The Board has considered all these factors and, as described below, has determined that all considerations are consistent with approval of the application. The review was conducted in light of all the facts of record, including supervisory and examination information from various U.S. banking supervisors of the institutions involved, publicly reported and other financial information, information provided by Applicants, and public comments received on the proposal. In addition, the Board has consulted with the Japanese Financial Services Agency (“JFSA”), the agency with primary responsibility for the supervision and regulation of Japanese banking organizations.

A. Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary 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 banks and significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the pro forma organization, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding on the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important.

The Board has considered the financial factors of the proposal. The capital levels of MUFG and BTMU exceed the minimum levels that would be required under the Basel Capital Accord and are considered to be equivalent to the capital levels that would

¹⁹ 12 U.S.C. § 1842(c)(3)(A).

be required of a U.S. banking organization.²⁰ In addition, UnionBanCal and Union Bank are well capitalized and would remain so on consummation of the proposed acquisition. MUFG's reported asset-quality indicators, including nonperforming loans and reserves for loan losses, are consistent with approval of the proposal. MUFG's earnings performance also is consistent with approval.

The proposed transaction is structured as a cash purchase of shares for a total of approximately \$1.5 billion. UnionBanCal will use existing resources to fund the purchase of shares and has sufficient financial resources to effect the acquisition. Applicants appear to have adequate resources to absorb the costs of the proposal and the proposed integration of the institutions' operations.

The Board also has considered the managerial resources of the organizations involved. The Board has reviewed the examination records of Applicants, Union Bank, Pacific Capital, and SBBT, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking law, including anti-money-laundering laws.²¹

Applicants and Union Bank are all considered to be well managed.²²

Union Bank has a demonstrated record of successfully integrating organizations into its

²⁰ The Board considered the total and tier 1 risk-based capital ratios and the ratio of tier 1 capital to total consolidated assets of both MUFG and BTMU.

²¹ The Board has consulted with relevant state, federal, and international agencies regarding the assessments by those agencies of the Applicants' programs for compliance with anti-money-laundering laws and will continue to monitor those programs and agency assessments.

²² A commenter asserted that the Swiss Competition Commission ("SCC") is investigating possible manipulation of LIBOR and other rates by traders of various banks, including BTMU. Applicants acknowledged that BTMU has received a questionnaire from the SCC and is cooperating with its investigation. Along with other banks on the rate-setting panels for LIBOR and other interest rates, MUFG and BTMU are subject to investigations by various regulatory bodies in the United States and abroad that have responsibility and authority for investigating allegations of market manipulation activities. The Board is monitoring the course of the investigations and

operations and risk-management systems following acquisitions, including its integrations of Frontier Bank and Tamalpais Bank in 2010. Applicants propose to devote significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. Applicants would implement UnionBanCal's and Union Bank's risk-management policies, procedures, and controls at the combined organization. Applicants' management has the experience and resources to ensure that the combined organization operates in a safe and sound manner.

The Board has reviewed the restrictions on disclosure in the relevant jurisdictions in which Applicants operate. In addition, Applicants have committed that, to the extent not prohibited by applicable law, they will make available to the Board such information on their operations and the operations of their affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act, and other applicable federal laws. Applicants also have committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable them or their affiliates to make such information available to the Board. Based on all facts of record, the Board has concluded that Applicants have provided adequate assurances of access to any appropriate information the Board may request.

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 are consistent with approval.

B. Supervision or Regulation on a Consolidated Basis

In evaluating this application and as required by section 3 of the BHC Act, the Board considered whether MUFG, BTMU, and any other foreign bank involved in the acquisition are subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in their home country.²³

will consider, to the extent of the Board's authority, the findings in those investigations as they develop.

²³ 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the

The JFSA is the supervisor of Japanese banking organizations, including holding companies such as MUFG. The Board previously has determined that MUFG, BTMU, and MUTB are subject to comprehensive supervision on a consolidated basis by their home country supervisor.²⁴ MUFG, BTMU, and MUTB continue to be supervised by the JFSA on substantially the same terms and conditions. Based on this finding and all the facts of record, the Board has concluded that MUFG, BTMU, and MUTB continue to be subject to comprehensive supervision on a consolidated basis by their home country supervisor.

C. Convenience and Needs Considerations

Under section 3, the Board 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 depository institutions under the Community Reinvestment Act (“CRA”).²⁵ 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,²⁶ 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,

standards set forth in Regulation K. See 12 CFR 225.13(a)(4). Regulation K provides that a foreign bank is subject to consolidated home country supervision if the foreign bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank (including the relationships of the bank to any affiliate) to assess the foreign bank’s overall financial condition and compliance with law and regulation. 12 CFR 211.24(c)(1)(ii).

²⁴ See Mitsubishi UFJ Financial Group, Inc. (Order dated June 14, 2011), 97 Federal Reserve Bulletin 10 (2nd Quar. 2011). See also Mitsubishi Tokyo Financial Group, Inc., 87 Federal Reserve Bulletin 349 (2001) (order involving predecessors to MUFG, BTMU, and MUTB).

²⁵ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

²⁶ 12 U.S.C. § 2901(b).

including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.²⁷

The Board has considered all the facts of record, including reports of examination of the CRA performance records of Union Bank and SBBT, data reported by Union Bank and SBBT under the CRA and the Home Mortgage Disclosure Act (“HMDA”),²⁸ other information provided by Applicants, confidential supervisory information, and public comments received on the proposal. Fifteen community groups submitted comments in support of the proposal. Those commenters generally commended Union Bank’s performance under the CRA, particularly its support for community development and small business programs through loans, investments, grants, donated space, and corporate volunteers. Four commenters expressed concerns about Union Bank’s mortgage, small business, and consumer lending records. Those commenters generally asserted that Union Bank had not engaged in an adequate amount of home mortgage lending to LMI and minority borrowers. Some of the commenters also criticized Union Bank as failing to meet the needs of small and minority-owned businesses.²⁹

1. Records of Performance Under the CRA

As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.³⁰ The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution’s record of meeting the credit needs of its entire community,

²⁷ 12 U.S.C. § 2903.

²⁸ 12 U.S.C. § 2801 et seq.

²⁹ One commenter also questioned Union Bank’s efforts in awarding contracts to minority-owned businesses. Although the Board fully supports programs designed to promote equal opportunity in contracting, the comment about contracting practices is beyond the factors the Board is authorized to consider under the BHC Act. See, e.g., Bank of America Corporation, 94 Federal Reserve Bulletin C81 (2008).

³⁰ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (2010).

including LMI neighborhoods.³¹ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

*CRA Performance of Union Bank.*³² Union Bank was assigned an "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of June 1, 2009 ("UB Evaluation").³³ The bank received a "high satisfactory" rating on the lending test and "outstanding" ratings on both the investment and service tests.³⁴ As described in detail below, Union Bank has responded to the credit needs of the entire communities that the bank serves, such as affordable housing for LMI geographies and borrowers, through extensive transactions associated with community development loans, investments, and services, in addition to its direct lending. As noted above, a number of commenters, including community groups and advocates, highlighted programs and efforts of Union Bank that supported the CRA ratings of Union Bank.

In the UB Evaluation, examiners noted that Union Bank's lending under the CRA focused on small business lending and that the bank offered various special loan programs designed to accommodate small business needs and to foster their development. These programs include the Business Diversity Lending program, which provides easier access to credit for women-owned, minority-owned, and disabled-veteran-owned small

³¹ 12 U.S.C. § 2906.

³² As noted above, MUFGE indirectly controls MUTB USA, which is a limited-purpose bank for purposes of the CRA. MUTB USA received a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of December 18, 2006.

³³ The period for the UB Evaluation was January 1, 2005, through December 31, 2008.

³⁴ Union Bank's performance in California was given considerably more weight than its performance in other states that are part of Union Bank's assessment area to reflect the fact that 99 percent of the bank's deposits were booked in branches in California. In reaching their conclusions on Union Bank's CRA performance, examiners took into account significant housing affordability barriers that exist in California that have an effect on a lender's ability to originate home mortgage loans to LMI borrowers. Other states included in the evaluation were Oregon and Washington.

businesses, programs related to the Small Business Administration (“SBA”), and programs related to state initiatives.

Union Bank also engages in residential mortgage lending. Union Bank’s primary residential mortgage lending product is a jumbo, interest-only mortgage loan with a low loan-to-value (“LTV”) ratio. In addition, Union Bank offers non-jumbo, adjustable rate mortgages and a non-jumbo, fixed-rate product for LMI borrowers under its Economic Opportunity Mortgage (“EOM”) program,³⁵ which permits higher LTV ratios, higher debt-to-income ratios, and lending to borrowers with limited credit histories. Union Bank’s emphasis on residential mortgage lending has increased since the UB Evaluation. Currently, more than half of Union Bank’s combined commercial, mortgage, and consumer lending portfolio is comprised of residential mortgage loans.³⁶

Union Bank received a “high satisfactory” on the lending test in the UB Evaluation. Examiners stated that the lending test ratings were influenced most by the bank’s small business lending and, to a lesser extent, its home mortgage purchase lending.³⁷ Examiners noted that Union Bank had good lending activity and characterized its distribution of loans among geographies of different income levels as good. Examiners reported that the bank’s distribution of small business loans among businesses of different revenue sizes and geographies was good.³⁸

³⁵ Union Bank’s EOM product is intended to compete with loans insured by the Federal Housing Administration.

³⁶ As a portfolio lender, Union Bank’s general practice is to retain loans in its portfolio until maturity.

³⁷ Examiners noted that, consistent with Union Bank’s focus on small business lending during the evaluation period, the bank had a low volume of HMDA-reportable home lending activity in its assessment areas.

³⁸ In this context, “small business loans” are loans with original amounts of \$1 million or less that either are secured by nonfarm, nonresidential properties or are classified as commercial and industrial loans. A commenter asserted that Union Bank has not provided sufficient lending to African-American-owned small businesses. The Board reviewed data on Union Bank’s CRA-reportable small business lending in 2008, 2009, 2010, and 2011. The data generally support the findings of examiners regarding Union Bank’s small business lending and indicate that the percentage of the bank’s

In evaluating Union Bank's HMDA-reportable mortgage lending and reaching conclusions regarding the bank's record of meeting the credit needs of its entire community, examiners took into account the high housing costs in California and noted that those costs present severe challenges for a financial institution to lend to LMI borrowers. Examiners found that the bank's overall distribution for HMDA-reportable mortgage loans to borrowers of various income levels was poor. However, examiners also noted that Union Bank had developed the EOM program to help address affordable housing and the needs of LMI borrowers and that during the evaluation period, the bank originated 1,613 loans totaling more than \$263 million through the EOM program. Examiners also stated that Union Bank exhibited an adequate geographic distribution of HMDA-reportable mortgage loans.

In addition, examiners gave significant weight to Union Bank's community development lending activities that provided and supported affordable housing to LMI geographies and borrowers. Examiners commended Union Bank's \$1.8 billion of community development lending and noted that Union Bank emphasized affordable housing loans, which the examiners identified as meeting an important community need. Examiners noted that Union Bank provided financing for 9,030 units of affordable housing in its full-scope assessment areas during the evaluation period that benefitted LMI geographies or borrowers.

Since the UB Evaluation, the bank has maintained a substantial amount of community development and small business lending. Union Bank represented that it originated approximately \$1.1 billion in community development loans in 2011 in California, Oregon, and Washington. In addition, Union Bank represented that it increased its small business lending through various SBA programs in its assessment areas from \$32.5 million in 2009 to \$93.1 million in 2011.³⁹

CRA-reportable small business loans that were made in minority census tracts generally approximated or exceeded that of lenders in the aggregate.

³⁹ One commenter asserted that Union Bank's SBA lending does not benefit very small businesses that need small- to mid-size loans. The commenter asserted that the average size of Union Bank's SBA 7(a) and 504 program loans is more than \$1 million and that Union Bank has stopped offering SBA Express loans. The Board reviewed data provided

In 2011, Union Bank implemented a revised lending strategy intended to increase lending to minorities, in minority residential areas, and in LMI communities. Union Bank represented that it has developed relationships with minority realtor trade organizations and advertises its products in multicultural media across radio, mainstream newspapers, targeted ethnic newspapers, and English and Spanish websites.⁴⁰ The bank also has created the new position of Head of Multicultural & CRA Business Development, added multicultural- and CRA-focused loan officers and sales teams, and increased to 85 the number of brokers approved to originate EOM loans, 9 of whom primarily serve LMI and minority markets.

In addition, Union Bank made several changes to the EOM product in 2011 to make the product more attractive to LMI borrowers. Among other changes, the bank increased the maximum LTV ratio in certain counties, lowered the minimum down payment needed without private mortgage insurance, and raised the maximum borrower income threshold for the EOM program. As discussed below, this revised lending strategy resulted in an increase in Union Bank's lending to minorities, in minority residential areas, and in LMI communities.

by Applicants on Union Bank's SBA lending. The data indicate that the average size of Union Bank's SBA 7(a) and 504 loans was approximately \$427,000 in 2011, and the average size of all Union Bank's SBA program loans was approximately \$308,000. Further, although Union Bank has reduced the number of SBA Express loans it originated from 348 in 2009 to 90 in 2011, Union Bank has increased the number of SBA 7(a) and 504 loans from 29 in 2009 to 212 in 2011. Union Bank represented that the reduction in the origination of SBA Express loans, which carry only a 50 percent guarantee from the SBA, was the result of the bank adjusting its credit policy standards in light of the deteriorating performance of its portfolio during the economic downturn. In addition, data on Union Bank's CRA-reportable small business lending in 2011 indicate that Union Bank originated or purchased 6,699 loans to businesses in California with gross revenues of \$1 million or less and that these loans averaged approximately \$44,000 each.

⁴⁰ A commenter asserted that Union Bank spent less money advertising in African American media outlets compared with other types of media. The Board reviewed Union Bank's advertising practices and examination records and consulted with the OCC and Consumer Financial Protection Bureau ("CFPB"), which have responsibility for enforcing the bank's compliance with fair lending laws. The record does not suggest that Union Bank's advertising practices are discriminatory.

Examiners assigned Union Bank an “outstanding” rating under the investment test in the UB Evaluation. During the evaluation period, Union Bank made more than 2,800 investments, including grants and contributions, totaling more than \$379 million. Examiners noted that much of Union Bank’s investments, grants, and contributions were focused on affordable housing for LMI households, and the vast majority of the investments were in tax-credit equity funds that financed projects for more than 1,000 affordable housing units. Examiners commended Union Bank for its innovative program of packaging its investments in Low-Income-Housing Tax Credits (“LIHTC”) into Union Bank Guaranteed Tax Credit Funds and then selling participations in the funds to other financial institutions. Examiners noted that this program enables smaller financial institutions to participate in LIHTC investments and reduces Union Bank’s overall investment balances, thereby allowing the bank to explore new investment opportunities.

Union Bank has maintained a substantial level of community development investments in its assessment areas since the UB Evaluation. Union Bank represented that it has committed approximately \$370 million in CRA-qualified investments to 41 projects since January 2010. In addition, Union Bank represented that it has approved funding for two new investments in small business investment companies and the launch of a new program to support community development financial institutions.

Examiners also assigned an “outstanding” rating under the service test in the UB Evaluation. Examiners found that Union Bank’s overall branch distribution was excellent and that Union Bank’s products and services were readily accessible to geographies and individuals of different income levels. Examiners commended Union Bank’s Cash & Save program, which combines traditional banking products and services with check cashing services to serve LMI individuals who do not typically use traditional banking services.⁴¹ Examiners also reported that Union Bank provided a high level of

⁴¹ A commenter asserted that the data cited in the UB Evaluation relating to the percentage of Cash & Save customers who successfully transition to traditional bank products were incorrect. Applicants represented that the data cited in the evaluation referred to the percentage of one branch’s Cash & Save customers, rather than the

community development services that had an overall positive impact in all the bank's full-scope assessment areas. In addition, examiners praised Union Bank's leadership efforts in its involvement with the Bank on California program, which helps LMI individuals open bank accounts, and the Community Based Financing program, which assists developing small businesses in gaining access to banking services and capital.

Since the UB Evaluation, Union Bank has maintained a substantial level of community development services in its assessment areas. In 2011, Union Bank expanded the number of branches that offer Cash & Save services from 16 to 29. In addition, the distribution of Union Bank's branches continues to approximate the overall population distribution within its assessment areas.⁴² Further, Union Bank represented that its employees donated more than 53,000 hours of volunteer service in 2011, an increase of more than 175 percent over the bank's total in 2010.

The OCC is conducting a new CRA performance evaluation of Union Bank as of June 4, 2012. The Board has consulted with the OCC regarding the ongoing evaluation.

CRA Performance of SBBT. SBBT received an overall "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of September 11, 2007

overall percentage of the bank's Cash & Save customers. Examiners from the OCC confirmed that the material factor in Union Bank's "outstanding" rating under the service test was that the bank provides alternative banking services through its Cash & Save program and that the conversion of a particular percentage of Cash & Save customers to traditional checking account services was not a critical evaluative factor under the service test.

⁴² A commenter expressed general concern that the proposed acquisition would lead to branch closings. Applicants have stated that they have not made any decisions regarding potential branch closures or consolidations. The Board has considered that federal banking law provides a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate federal supervisory agency before closing a branch and to adopt a policy regarding branch closures. See 12 U.S.C. § 1831r-1; Joint Policy Statement Regarding Branch Closings (64 Federal Register 34844 (1999)). The Board has reviewed Applicants' branch closing policy in connection with this application and notes that the OCC will continue to review the branch closing record of Union Bank in the course of conducting CRA performance evaluations.

(“SBBT Evaluation”).⁴³ In the SBBT Evaluation, the bank received “outstanding” ratings on the lending and investment tests and a “high satisfactory” rating on the service test. Examiners reported that SBBT’s overall lending activity was excellent and reflected good responsiveness in relation to the credit needs of the bank’s assessment areas.⁴⁴ Examiners also noted that SBBT’s level of community development loans was excellent. Further, examiners reported that SBBT’s distribution of branches provided an excellent response to the needs of LMI geographies and individuals. Examiners also noted that the bank provided a satisfactory level of retail services throughout its assessment areas. In addition, examiners reported that SBBT provided a satisfactory level of community development services that are responsive to community needs throughout its assessment areas. Union Bank expects to implement its CRA policies and procedures at the combined organization after the merger of SBBT into Union Bank.

2. HMDA Analysis and Fair Lending Record

The Board has considered the records of Union Bank and SBBT in complying with fair lending and other consumer protection laws. Several commenters cited HMDA data and alleged that Union Bank disproportionately excluded or denied minority and LMI applicants for home mortgage loans. As part of its consideration of Union Bank’s compliance with fair lending and other consumer protection laws, the Board has reviewed HMDA data from 2009, 2010, and 2011 reported by Union Bank.

The HMDA data for 2009, 2010, and 2011 indicate that the percentages of Union Bank’s total HMDA-reportable applications from and loans to African American, Hispanic, and Asian individuals were below the percentages for lenders in the aggregate in Union Bank’s combined assessment areas. For instance, the HMDA data show that in its combined assessment areas in 2010, Union Bank originated 0.9 percent, 3.6 percent, and 5.2 percent of its total HMDA-reportable mortgage loans to African Americans,

⁴³ Before May 26, 2011, SBBT was named Pacific Capital Bank, N.A. The period for the SBBT Evaluation was January 1, 2003, through December 31, 2006.

⁴⁴ A commenter alleged that SBBT has a long history of issuing high-cost tax refund anticipation loans (“RALs”). SBBT has not originated RALs since 2009, and SBBT sold the business line responsible for issuing RALs in 2010. Applicants represented that Union Bank has no plans to offer RALs after consummation of the proposal.

Hispanics, and Asians, respectively, while lenders in the aggregate originated 2 percent, 9.6 percent, and 14.5 percent of their total HMDA-reportable mortgage loans to African Americans, Hispanics, and Asians, respectively. Union Bank also generally lagged lenders in the aggregate in the percentages of applications from and loans to LMI individuals and borrowers in predominantly LMI areas in its combined assessment areas.

In addition, the HMDA data for 2009, 2010, and 2011 indicate that an above-average proportion of Union Bank's home mortgage applications lack information regarding the applicant's race. For instance, in 2011, 28.5 percent of Union Bank's home mortgage applications in its combined CRA assessment areas lacked information regarding the applicant's race compared with 16.2 percent for lenders in the aggregate.⁴⁵ Union Bank is undertaking efforts to reinforce the training it provides to processors, loan officers, and brokers in order to reinforce the requirement to collect information from loan applicants regarding their race.

A significant portion of Union Bank's HMDA-reportable mortgage loan originations are jumbo, interest-only loans with low LTV ratios.⁴⁶ In contrast to apparent weaknesses in lending evident from the aggregate HMDA data, these data also demonstrate that the percentage of Union Bank's jumbo loan originations to African American and Hispanic borrowers significantly exceeded the percentages for lenders in the aggregate in Union Bank's combined assessment areas in California. For instance, in 2011, approximately 1.6 percent and 9.8 percent of Union Bank's jumbo loan

⁴⁵ In 2010, Union Bank did not obtain racially identifying information from 27.4 percent of its loan originations compared with 16.5 percent of lenders in the aggregate. For loans above \$900,000, which approximates the average amount of a Union Bank jumbo loan, Union Bank did not obtain information regarding race on 29 percent of originations in 2010, while lenders in the aggregate did not obtain such information on 25 percent. Union Bank represented that jumbo loan applications lack information regarding race more often than conventional loan applications because a higher proportion of jumbo loan applications are received by phone or mail, and the only method of obtaining the information regarding race is if the customer elects to submit it. Union Bank contends that its greater overall disparity compared with lenders in the aggregate is due to the fact that the majority of Union Bank's loan applications are for jumbo loans.

⁴⁶ For instance, almost 80 percent of Union Bank's lending in the Los Angeles and San Francisco markets in 2010 consisted of jumbo loans.

originations were to African American and Hispanic borrowers, respectively, compared with 0.6 percent and 2.7 percent for lenders in the aggregate.

The HMDA data also reflect overall improvements in the number of mortgage loans the bank originated during 2011 to African Americans, Hispanics, Asians, and individuals residing in predominantly minority and LMI census tracts. In addition, in connection with the revised lending strategy adopted by Union Bank discussed above, the bank's loan originations to minority and LMI borrowers and communities increased from the first quarter of 2011 to the first quarter of 2012. Data provided by the bank indicate that, within this timeframe, its loans to African American, Hispanic, and Asian borrowers increased by 36 percent, 61 percent, and 43, respectively. Loans to African American, Hispanic, and Asian borrowers who are LMI individuals increased by 100 percent, 45 percent, and 218 percent, respectively. Loans to African American, Hispanic, and Asian borrowers in LMI census tracts increased by 200 percent, 86 percent, and 118 percent, respectively.

The Board is 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. 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, HMDA data alone do not provide a sufficient basis on which to conclude whether Union Bank has excluded or imposed higher costs on any group on a prohibited basis.

Because of the limitations of HMDA data, the Board has considered, along with these data, other information, including examination reports that provide on-site evaluations of compliance with fair lending and other consumer protection laws and regulations by Union Bank. The Board also has consulted with the OCC and CFPB about this proposal and the record of Union Bank with fair lending and other consumer protection laws and regulations since the UB Evaluation.

Examiners noted in the UB Evaluation that they found no evidence of prohibited discriminatory or other illegal credit practices or of substantive violations of fair lending laws. Union Bank is subject to continuous supervision by its supervisory agencies, and it has undergone a number of reviews for compliance with consumer protection and fair lending laws, regulations, and statutes since the UB Evaluation. Such reviews incorporate additional data beyond the HMDA data reported annually and include reviews of loan files, the stated policies and procedures of the institution, and assessments of the bank's actual practices.⁴⁷ The fair lending reviews include assessments of Union Bank's underwriting, pricing, and advertising and marketing programs, and examiners have found no evidence of discouragement or discrimination on any prohibited basis.

The Board has reviewed Union Bank's compliance programs and conferred with the OCC and CFPB regarding Union Bank's programs. Union Bank has taken steps to ensure compliance with fair lending laws, including instituting policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations.⁴⁸ Union Bank's compliance programs include a second-review process, regular internal examinations, and compliance self-assessments. The bank also provides fair lending training to all newly hired sales and operational staff and conducts annual fair

⁴⁷ HMDA data are also taken into account in the assessment of a relevant depository institution's record of compliance with the CRA by its primary federal supervisor. Accordingly, the OCC considered HMDA data for Union Bank in the UB Evaluation. As noted above, Union Bank received an "outstanding" CRA rating at its most recent CRA performance evaluation, and examiners found that Union Bank met its CRA obligations through its direct lending efforts, as well as through extensive transactions associated with community development loans, investments, and services.

⁴⁸ A commenter asserted that Union Bank's checking account overdraft practices are unfair. In November 2011, Union Bank agreed to settle a class action lawsuit that alleged that it unfairly sequenced the order in which it posted debit card transactions and ATM withdrawals to customer checking accounts. Pursuant to the settlement, Union Bank agreed to pay \$35 million to checking account holders who were charged overdraft and other fees as a result of the sequencing policies. In August 2010, Union Bank changed its sequencing policy so that debit card transactions and ATM withdrawals are posted from low to high dollar amounts. In addition, Union Bank provides consumer financial education about avoiding overdrafts to its customers with repeat overdrafts.

lending training for all employees. Union Bank reviews and manages all complaints with respect to fair lending and unfair, deceptive, or abusive acts and practices.

For its mortgage lending business, Union Bank relies on a wholesale channel of approved mortgage brokers in addition to its in-house retail channel.⁴⁹ Union Bank controls fair lending risks in its wholesale channel through a broker approval process whereby the bank reviews fair lending lawsuits, judgments, or settlements against the broker and requires annual broker certification of compliance with all applicable laws and regulations. The bank also uses contractual provisions under which approved brokers receive a straight percentage of the loan amount regardless of a borrower's race, age, or gender, with the exception that in a small percentage of loans, the broker may choose to receive borrower-paid compensation. To monitor pricing and ensure nondiscriminatory pricing in the wholesale channel, Union Bank performs standard pricing analysis.

In 2011, Union Bank hired a new chief compliance officer and centralized its compliance function by combining its business unit compliance groups with its corporate compliance group. The new, centralized compliance function coordinates compliance activities across business lines and has established enterprise-wide compliance standards. As noted above, these enhancements already have resulted in improvements to compliance with fair lending requirements. Applicants have represented that, on consummation of the proposal, SBBT's compliance function will be integrated into Union Bank's centralized compliance management system.

3. Convenience and Needs of the Communities Served by SBBT

Applicants represent that the proposal will benefit the convenience and needs of the communities currently served by SBBT in several ways. Union Bank intends to offer its treasury management, capital markets, and other services to SBBT's

⁴⁹ In 2010, Union Bank received 59.2 percent of its total home mortgage applications through its wholesale channel. Union Bank's reliance on the wholesale channel was moderately lower in 2011, with 50.4 percent of its applications occurring through that channel. Loan originations closely corresponded to the proportion of applications received by channel, with 59.8 percent and 52.7 percent of originations in 2010 and 2011, respectively, occurring through the bank's wholesale channel.

corporate clients. Further, Union Bank expects to enhance SBBT's small business products with longer-term real estate financing and access to SBA products, which currently are not offered by SBBT. In addition, due to increased automation, Union Bank expects to process small business loan applications in approximately half the time that SBBT took to process such applications. Union Bank also intends to extend to SBBT's client base its Business Diversity Lending Program, which, as noted above, provides easier access to credit for women-owned, minority-owned, and disabled-veteran-owned small businesses. In addition, consummation of the proposal would provide customers of Union Bank and SBBT with access to a larger ATM network.

4. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Applicants, and confidential supervisory information. Based on the Board's analysis of the HMDA data, evaluation of Union Bank's mortgage lending operations and compliance programs, review of examination reports, and consultations with the OCC and CFPB, the Board believes that, on balance, the convenience and needs factor, including the CRA record of the insured depository institutions involved in this transaction, is consistent with approval of the application. The Board also believes that there are opportunities for Union Bank to continue to improve its outreach and mortgage lending to minority and LMI individuals and to borrowers in LMI communities, and the Board will continue to monitor that performance, along with the OCC.

D. Financial Stability

The Dodd-Frank Act amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system."⁵⁰

⁵⁰ Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1842(c)(7).

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm; availability of substitute providers for any critical products and services offered by the resulting firm; interconnectedness of the resulting firm with the banking or financial system; extent to which the resulting firm contributes to the complexity of the financial system; and extent of the cross-border activities of the resulting firm.⁵¹ 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.⁵²

Analysis of the Financial Stability Impact of this Proposal

In this case, the Board has evaluated the proposal, including considering the metrics noted above, to determine whether the proposal presents a significant risk to the stability of the U.S. banking or financial system. The Board reviewed publicly available data, data compiled through the supervisory process, and data obtained through information requests to the institutions involved in the proposal, as well as qualitative information.

The Board has considered the effect of the proposed acquisition on MUFG’s systemic footprint. Pacific Capital controls approximately 0.05 percent of the total deposits in the United States and ranks between 156th and 200th among U.S. financial institutions in deposits, assets, liabilities, and leverage exposures. Pacific Capital is engaged in traditional commercial banking activities and is not meaningfully

⁵¹ Many of the metrics considered by the Board measure an institution’s activities relative to the U.S. financial system (“USFS”).

⁵² For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

interconnected with the rest of the USFS, nor does it engage in any cross-border activities or serve as a significant provider of any critical products or services. As a result of the acquisition, MUFG would remain the 17th largest financial institution in the United States by deposit size, controlling less than 1 percent of FDIC-insured deposits in the United States.⁵³ MUFG would continue to rank as about the 20th largest financial institution in the United States based on its share of U.S. assets, liabilities, and leverage exposures. MUFG's share of the other metrics relative to the USFS is either commensurate with or far lower than its share of the size-based metrics and would not materially change as a result of the acquisition. The acquisition of Pacific Capital would not introduce additional difficulties in a resolution of MUFG's U.S. or global operations.⁵⁴

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 United States banking or financial system. Based on these and all the other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has approved the proposed transaction.⁵⁵ In reaching its conclusion, the Board has considered all the

⁵³ Taking into account uninsured deposits controlled by MUFG's U.S. branches, MUFG would remain the ninth largest U.S. financial institution in the United States after consummation.

⁵⁴ MUFG has \$2.57 trillion in global assets, and its global operations are concentrated outside the United States and on providing Japanese corporate clients and other multinational, nonfinancial firms with loans and other commercial banking services in the countries in which those entities operate. In evaluating MUFG's U.S. and global operations, the Board considered MUFG's significant but noncontrolling investments in U.S. entities such as Morgan Stanley, New York, New York. See Mitsubishi UFJ Financial Group, Inc. (Order dated June 14, 2011), 97 Federal Reserve Bulletin 10 (2nd Quar. 2011).

⁵⁵ Several commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be

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 Applicants with all the commitments made to and relied on by the Board in connection with the application and on receipt 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 San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,⁵⁶ effective November 14, 2012.

(signed)

Robert deV. Frierson
Secretary of the Board

acquired makes a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from those authorities. Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if necessary or appropriate to clarify material factual issues related to the application and to provide an opportunity for testimony. 12 CFR 225.16(e), 262.25(d). The Board has considered the commenters' requests in light of all the facts of record. In the Board's view, the commenters have had ample opportunity to submit their views and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenters' requests fail to demonstrate why written comments do not present their views adequately or why a meeting or hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the requests for a public meeting or hearing on the proposal are denied.

⁵⁶ Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Duke, Tarullo, Raskin, Stein, and Powell.

Appendix

UnionBanCal/Pacific Capital Banking Markets in California Consistent with Board Precedent and DOJ Bank Merger Guidelines						
Data are as of June 30, 2011. All amounts of deposits are unweighted. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent. ⁵⁷						
Los Angeles – includes the Los Angeles Ranally Metropolitan Area (“RMA”), Acton, and Rosamond.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	3	\$32.6B	10.1	1003	1	145
<i>Pacific Capital</i>	84	\$172M	0.1			
<i>UnionBanCal Post-Consummation</i>	3	\$32.7B	10.1			
Monterey-Seaside-Marina – includes the Monterey-Seaside-Marina RMA.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	8	\$114M	2.9	2071	60	11
<i>Pacific Capital</i>	4	\$403M	10.3			
<i>UnionBanCal Post-Consummation</i>	4	\$517M	13.2			
Oxnard-Thousand Oaks-Ventura – includes the Oxnard-Thousand Oaks-Ventura RMA, Fillmore, and Piru.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	18	\$111M	0.8	1465	11	26
<i>Pacific Capital</i>	5	\$842M	6.3			
<i>UnionBanCal Post-Consummation</i>	4	\$953M	7.1			

⁵⁷ Data do not include BTMU’s branch in the Los Angeles banking market. This branch is not insured by the FDIC and generally cannot accept retail deposits. Moreover, the branch does not control a significant share of the Los Angeles banking market.

Salinas – includes the Salinas RMA, Gonzales, and Soledad.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	6	\$115M	3.8	1718	68	10
<i>Pacific Capital</i>	5	\$276M	9.0			
<i>UnionBanCal Post-Consummation</i>	4	\$391M	12.8			
San Francisco-Oakland-San Jose – includes the San Francisco-Oakland-San Jose RMA, Byron, Hollister, San Juan Bautista, Pescadero, and Point Reyes Station.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	8	\$7.7B	2.4	2137	1	88
<i>Pacific Capital</i>	26	\$507M	0.2			
<i>UnionBanCal Post-Consummation</i>	8	\$8.2B	2.6			
San Luis Obispo – includes the San Luis Obispo RMA, Arroyo Grande, Atascadero, Cambria, Cayucos, Grover Beach, Grover City, Los Osos, Morro Bay, Paso Robles, Pismo Beach, and Templeton.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	14	\$87M	1.8	1273	10	13
<i>Pacific Capital</i>	8	\$140M	2.9			
<i>UnionBanCal Post-Consummation</i>	7	\$227M	4.6			
Santa Barbara – includes the Santa Barbara RMA, Buellton, Los Olivos, Santa Ynez, and Solvang.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	17	\$49M	0.6	1416	32	16
<i>Pacific Capital</i>	1	\$2.0B	25.9			
<i>UnionBanCal Post-Consummation</i>	1	\$2.1B	26.5			

Santa Maria – includes the Santa Maria RMA and Guadalupe.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	11	\$30M	1.7	1595	14	12
<i>Pacific Capital</i>	7	\$71M	4.0			
<i>UnionBanCal Post-Consummation</i>	7	\$100M	5.7			
Watsonville – includes the Watsonville RMA.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>UnionBanCal Pre-Consummation</i>	5	\$84M	10.2	1692	290	8
<i>Pacific Capital</i>	3	\$117M	14.2			
<i>UnionBanCal Post-Consummation</i>	1	\$201M	24.4			