

FEDERAL RESERVE SYSTEM

The PNC Financial Services Group, Inc.
Pittsburgh, Pennsylvania

Order Approving the Merger of Bank Holding Companies

The PNC Financial Services Group, Inc. (“PNC”), a financial holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act¹ to acquire National City Corporation (“National City”) and thereby indirectly acquire National City’s subsidiary bank, National City Bank (“NC Bank”), both of Cleveland, Ohio.²

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (73 Federal Register 65,854 (2008)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the BHC Act.³

PNC, with total consolidated assets of approximately \$145.6 billion, is the 14th largest depository organization in the United States, controlling deposits of approximately \$84.6 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁴ PNC controls two insured depository institutions that operate in nine states and the District of Columbia.⁵

¹ 12 U.S.C. § 1842.

² PNC also proposes to acquire Ohio National Corporation Trade Services, Cleveland, the agreement corporation subsidiary of National City under section 25 of the Federal Reserve Act (“FRA”) and the Board’s Regulation K, 12 U.S.C. §§ 601 et seq. and 12 CFR 211.5(g). In addition, PNC proposes to acquire the nonbanking subsidiaries of National City in accordance with section 4(k) of the BHC Act. 12 U.S.C. § 1843(k).

³ Ninety-four commenters expressed concerns about certain aspects of the proposal.

⁴ Asset, national deposit, and ranking data are as of September 30, 2008. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

⁵ PNC’s subsidiary insured depository institutions are PNC Bank, National Association (“PNC Bank”), Pittsburgh, Pennsylvania; and PNC Bank, Delaware, Wilmington, Delaware.

PNC is the 12th largest depository organization in Ohio, controlling deposits of approximately \$2.2 billion.⁶

National City, with total consolidated assets of approximately \$143.7 billion, is the 16th largest depository organization in the United States. NC Bank, its only depository institution, operates in nine states and controls deposits of approximately \$94.3 billion. National City is the largest depository organization in Ohio, controlling deposits of \$34.7 billion.

On consummation of this proposal, and after taking into account the proposed divestitures, PNC would become the eighth largest depository organization in the United States, with total consolidated assets of approximately \$288.5 billion. PNC would control total deposits of \$174.8 billion, representing less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Ohio, PNC would become the largest depository organization, controlling deposits of approximately \$36.9 billion, which represent approximately 17.4 percent of the total amount of deposits of insured depository institutions in the state.

Factors Governing Board Review of the Transaction

The BHC Act enumerates the factors the Board must consider when reviewing the merger of bank holding companies or the acquisition of banks. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the convenience and needs of the communities to be served;⁷ the records of performance under the Community Reinvestment Act (“CRA”)⁸ of the insured depository

⁶ Statewide deposit and ranking data are as of June 30, 2008.

⁷ A majority of commenters expressed concern that the proposed acquisition would result in the loss of jobs. The effect of a proposed transaction on employment in a community is not among the factors that the Board is authorized to consider under the BHC Act, and the federal banking agencies, courts, and the Congress consistently have interpreted the convenience and needs factor to relate to the effect of a proposal on the availability and quality of banking services in the community. See, e.g., Wells Fargo & Company, 82 Federal Reserve Bulletin 445, 457 (1996).

⁸ 12 U.S.C. § 2901 et seq.

institutions involved in the transaction; and the availability of information needed to determine and enforce compliance with the BHC Act.⁹ In cases involving interstate bank acquisitions, the Board also must consider the concentration of deposits nationwide and in certain individual states, as well as compliance with other provisions of section 3(d) of the BHC Act.¹⁰

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of PNC is Pennsylvania,¹¹ and NC Bank is located in nine states.¹² Based on a review of all the facts of record, including relevant state statutes, the Board finds that the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.¹³ In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

⁹ Some commenters urged the Board to deny the proposal because National City's board of directors allegedly breached its fiduciary duties in entering into the merger agreement with PNC and because the purchase price was inadequate and would harm the interests of National City's shareholders. These allegations are subject to litigation before a court of competent jurisdiction and are not within the discretion of the Board to resolve. See Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973). The Board also notes that approval of the National City shareholders is required to consummate the proposal.

¹⁰ 12 U.S.C. § 1843(d).

¹¹ A bank holding company's home state is the state in which the total deposits of all subsidiary banks of the company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. See 12 U.S.C. § 1841(o)(4)(C).

¹² For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and (d)(2)(B). NC Bank operates branches in Florida, Illinois, Indiana, Kentucky, Michigan, Missouri, Ohio, Pennsylvania, and Wisconsin.

¹³ 12 U.S.C. §§ 1842(d)(1)-(3). Applicant is adequately capitalized and adequately managed, as defined by applicable law. NC Bank has been in existence and operated

Competitive Considerations

The Board has considered carefully the competitive effects of the proposal in light of all the facts of record. Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a bank acquisition 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 transaction in meeting the convenience and needs of the community served.¹⁴

PNC's subsidiary depository institutions and NC Bank directly compete in 10 banking markets, including markets in Florida, Kentucky, Ohio, and Pennsylvania. The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of all the facts of record and public comments on the proposal.¹⁵ In particular, the Board has considered the number of competitors that would remain in the banking markets, the relative shares of total deposits in depository institutions in the markets ("market deposits") controlled by PNC's insured depository institutions and NC Bank,¹⁶ the concentration levels of market deposits and the increase in those levels

for the minimum period of time required by applicable state laws. See 12 U.S.C. § 1842(d)(1)(B). On consummation of the proposal, applicant would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. 12 U.S.C. § 1842(d)(2)(A). Applicant also would control less than 30 percent of, and less than the applicable state deposit cap for, the total amount of deposits in insured depository institutions in the relevant states. 12 U.S.C. §§ 1842(d)(2)(B)-(D). All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

¹⁴ 12 U.S.C. § 1842(c)(1).

¹⁵ Several commenters expressed general concerns about the competitive effects of this proposal and the effects it could have on consumer choices for banking services.

¹⁶ Deposit and market share data are as of June 30, 2008, adjusted to reflect mergers and acquisitions through November 4, 2008, and generally are based on calculations in which the deposits of thrift institutions are included at 50 percent. In recognition that thrift institutions have become, or have the potential to become, significant competitors of commercial banks, the Board regularly has included thrift deposits

as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”),¹⁷ and other characteristics of the markets. In addition, the Board has considered commitments made by PNC to the Board to reduce the potential that the proposal would have adverse effects on competition by divesting 61 NC Bank branches (the “divestiture branches”), which account for approximately \$4 billion in deposits, in five banking markets in Pennsylvania.

A. Banking Markets within Established Guidelines

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Guidelines in five of the banking markets in which PNC’s subsidiary depository institutions and NC Bank directly compete.¹⁸ On consummation of

in the market concentration and market share calculations on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52, 55 (1991). In some markets noted in this order, the market concentration and market share are based on calculations in which the deposits of certain thrift institutions are weighted at 100 percent. The Board previously has indicated that it may consider the competitiveness of a thrift institution at a level greater than 50 percent of its deposits when appropriate if competition from the institution closely approximates competition from a commercial bank. See, e.g., Banknorth Group, Inc., 75 Federal Reserve Bulletin 703 (1989). In evaluating when it is appropriate to increase the weighting of a thrift’s deposits in a banking market, the Board considers whether the thrift serves as a significant source of commercial loans in the market and provides a broad range of consumer, mortgage, and other banking products. See, e.g., The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); First Union Corporation, 84 Federal Reserve Bulletin 489 (1998).

¹⁷ Under the DOJ Guidelines, a market is considered unconcentrated if the post-merger HHI is less than 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI is more than 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The DOJ has stated that the higher-than-normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

¹⁸ These banking markets and the effects of the proposal on their concentrations of banking resources are described in Appendix A.

the proposal, one market would remain highly concentrated, two markets would remain moderately concentrated, and two would remain unconcentrated, as measured by the HHI. The change in HHI in the one highly concentrated market would be small and consistent with Board precedent and the thresholds in the DOJ Guidelines. In each of the banking markets, numerous competitors would remain.

B. Certain Banking Markets with Divestitures

After accounting for the branch divestitures, consummation of the merger would be consistent with Board precedent and the thresholds in the DOJ Guidelines in two banking markets in Pennsylvania: Franklin-Titusville-Oil City (“FTO”) and Warren.¹⁹ Although both markets would remain highly concentrated, the HHI would not increase in either market. In addition, six competitors would remain in the FTO banking market, including a depository institution that would control 33 percent of market deposits. Although only four competitors would remain in the Warren banking market, one depository institution competitor of PNC would control 52 percent of market deposits.

C. Three Banking Markets Warranting Special Scrutiny

PNC’s subsidiary depository institutions and NC Bank compete directly in three banking markets in Pennsylvania that warrant a detailed review: Pittsburgh, Erie, and Meadville. In each of these markets, all with proposed divestitures, the concentration levels on consummation of the proposal would exceed the threshold levels in the DOJ Guidelines or the resulting market share of PNC would exceed 35 percent.

For each of these markets, the Board has considered carefully whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would have a significantly adverse effect on competition in the market. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on

¹⁹ These banking markets and the effects of the proposal on their concentrations of banking resources are described in Appendix B. The analysis of the effects of the proposal in these markets includes the weighting of deposits controlled by one thrift institution operating in both the markets at 100 percent. The thrift was deemed to be an active commercial lender based on lending data and discussions with personnel of the thrift and commercial bank competitors indicating that it was an active commercial lender in both markets.

the size of the increase in and resulting level of concentration in a banking market.²⁰ In each of these markets, the Board has identified factors that indicate the proposal would not have a significantly adverse impact on competition, notwithstanding the post-consummation increase in the HHI and market share.

Among the factors reviewed, the Board has considered the competitive influence of community credit unions in these banking markets. Those credit unions offer a wide range of consumer products, operate street-level branches, and have membership open to almost all residents in the applicable market. The Board has concluded that the activities of such credit unions in the three markets exert competitive influence that mitigates, in part, the potential effects of the proposal.²¹

Pittsburgh. The structural effects of the proposal in the Pittsburgh banking market (“Pittsburgh Market”) as measured by applying the HHI to the June 30, 2008, Summary of Deposit data (“SOD”) would substantially exceed the DOJ Guidelines. According to those data, PNC operates the largest insured depository institution in the Pittsburgh Market,²² controlling approximately \$26 billion in deposits, which represents approximately 37 percent of market deposits. NC Bank operates the second largest insured depository institution in the Pittsburgh Market, controlling approximately \$11 billion in deposits, which represents approximately 16 percent of market deposits. After the proposed merger, PNC would remain the largest depository institution in the market,

²⁰ See Regions Financial Corp., 93 Federal Reserve Bulletin C16 (2007); NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

²¹ The Board previously has considered the competitiveness of certain active credit unions as a mitigating factor. See, e.g., Wells Fargo & Company, 94 Federal Reserve Bulletin ____ (order dated October 21, 2008); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Regions Financial Corp., 93 Federal Reserve Bulletin C16 (2007); Wachovia Corp., 92 Federal Reserve Bulletin C183 (2006).

²² The Pittsburgh Market is defined as the counties of Allegheny, Armstrong, Beaver, Butler, Fayette (except Point Marion Borough and Springhill Township), Greene, Lawrence, Washington, and Westmoreland.

controlling deposits of approximately \$38 billion, representing approximately 53 percent of market deposits.²³

To reduce the potential adverse effects on competition in the Pittsburgh Market, PNC has proposed to divest 50 of NC Bank's branches that account for approximately \$3.5 billion in deposits. On consummation of the merger and after accounting for the proposed divestiture, PNC would remain the largest depository institution in the market, controlling deposits of approximately \$34 billion, which represent approximately 48 percent of market deposits. The HHI would increase 752 points to 2640.

The proposal raises special concerns in the Pittsburgh Market because PNC, the largest institution in the banking market, proposes to merge with the market's second largest competitor and all other competitors in the market have significantly smaller market shares. The Board has previously recognized that merger proposals involving the largest depository institutions in markets structured like the Pittsburgh Market warrant close review due to the size of those institutions relative to other market competitors.²⁴ The Board, therefore, has carefully considered whether other factors indicate that the increase in market concentration, as measured by SOD data, overstates the potential competitive effects of the proposal in the market.

The Board has considered PNC's assertion that inclusion of certain deposits that were received and booked at PNC's head office in the Pittsburgh Market in

²³ These market concentration and market share calculations include the weighting of deposits controlled by five thrift institutions in the market at 100 percent. Two of these thrifts were considered to be active in the Pittsburgh commercial lending market as a result of having a ratio of commercial and industrial ("C&I") loans to assets of at least 5 percent. A third thrift had ratios of C&I loans to total loans of more than 10 percent, which is comparable to the national average for all commercial banks. The remaining two thrifts had C&I loan-to-asset ratios slightly below 5 percent and were deemed to be active commercial lenders based on discussions with personnel of the thrifts and commercial bank competitors in the Pittsburgh Market, who indicated that the thrifts were active participants in the market's commercial lending sector.

²⁴ See First Busey Corporation, 93 Federal Reserve Bulletin C90, C91 (2007); Firstar Corporation, 87 Federal Reserve Bulletin 236, 238 (2001).

calculations of market share indices for this transaction would distort the measures of the competitive effect of the proposal on the Pittsburgh Market. PNC has argued that, for purposes of evaluating the proposal's competitive effect in the Pittsburgh Market, the Board should exclude those deposits booked at PNC's head office that have no relation to the Pittsburgh Market. Approximately \$17 billion of the deposits at PNC's head office are government deposits, out-of-market escrow deposits, correspondent banking deposits, wholesale certificates of deposit and related accounts ("CDs"), broker-dealer trust accounts, and certain corporate deposits.

In conducting its competitive analysis in previous cases, the Board generally has not adjusted its market share calculations to exclude out-of-market deposits because all deposits are typically available to support lending and other banking activities at any location. The Board has adjusted the market deposits held by an applicant to exclude specific types of deposits only in limited situations, such as when evidence supported a finding that the excluded deposits were not legally available for use in that market and data were available to make comparable adjustments to the market shares for all other market participants.²⁵ The Board also has adjusted deposit data in the limited circumstance when there was strong evidence that a depository organization moved its national business-line deposits to a particular branch for business reasons unrelated to its efforts to compete in that market and did not use those deposits to enhance its competitive ability in that market or to manipulate SOD data used in competitive analyses by a federal supervisory agency.²⁶

PNC has stated that approximately \$10 billion in out-of-market deposits was assigned to PNC's head office for business reasons unrelated to its efforts to compete in the Pittsburgh Market. PNC has represented that these deposits were transferred because that office houses the "Intrader" accounting system, which is used to track PNC's wholesale CDs and broker-dealer trust accounts, both nationally and internationally. In addition,

²⁵ See First Security Corp., 86 Federal Reserve Bulletin 122 (2000).

²⁶ See Bank of America Corporation, 94 Federal Reserve Bulletin C81, C84-C85 (2008); J.P. Morgan Chase & Co., 90 Federal Reserve Bulletin 352, 355 (2004).

PNC has represented that the deposits maintained by the Intrader system are segregated from the deposit account system on which the head office generally operates. Furthermore, the head office systems are separate from the retail branch located in the same building, and the retail branch personnel cannot access the Intrader system.²⁷ PNC has represented that it placed the Intrader deposits in its head office for administrative convenience unrelated to PNC's efforts to compete in the Pittsburgh Market and that none of the account holders booked on Intrader are domiciled in the Pittsburgh Market.

PNC has also argued that other deposits associated with out-of-market customers should be excluded from PNC's head office deposits, including deposits that were generated from various municipalities and governments outside the Pittsburgh Market, that involve escrow accounts for mortgages and other transactions outside the market, or that represent correspondent banking accounts with institutions outside the market. PNC is limited by law, contract, or duration of relationship from using these deposits for any activity other than to support the deposit account.²⁸ Other deposits PNC asserted should be excluded are accounts from large corporations located outside the Pittsburgh Market.

There is no evidence in the record that PNC moved the deposits in question to the head office from another branch in an attempt to manipulate the SOD data used for competitive analyses by the appropriate federal supervisory agency. Although PNC holds approximately \$26 billion in deposits in the Pittsburgh Market based on SOD data, it holds loans in the Pittsburgh Market ("market loans") totaling approximately \$2 billion, which represents a loan-to-deposit ratio of 8.1 percent for PNC in the Pittsburgh Market. In contrast, PNC's ratio of market loans to deposits associated with customers in the Pittsburgh Market is 22.4 percent. In addition, PNC's total market loans have decreased by 3 percent in the period since December 31, 2006, while its total deposits held at the Pittsburgh office have increased by 29 percent. Furthermore, the market deposits of PNC

²⁷ The wholesale funds booked to PNC's head office support the entire multistate branch footprint of PNC and its national and international nonbank operational footprint.

²⁸ See First Security Corp., 86 Federal Reserve Bulletin 122, 126-127 (2000).

associated with out-of-market customers increased 41 percent during the same period while its market deposits associated with customers in the Pittsburgh Market increased by 13 percent. These facts, and in particular the fact of the decrease in loan market share in comparison to a significant increase in the deposits held by the Pittsburgh head office from out-of-market customers, is consistent with the conclusion that the SOD deposit data significantly overstate PNC's competitive presence in the Pittsburgh Market.

The Board has also taken into consideration the fact that the next largest competitor (other than NC Bank) to PNC in the Pittsburgh Market has significantly more branches than PNC in the market but has average market deposits per branch of less than 17 percent of PNC's average market deposits per branch. The other commercial bank and thrift competitors of PNC that have at least half as many branches as PNC have average market deposits per branch of less than 14 percent of PNC's average market deposits per branch. PNC's high average market deposits per branch further supports the conclusion that the SOD deposit data significantly overstate PNC's competitive presence in the Pittsburgh Market.

Based on a careful review of these and all other facts of record, the Board concludes that the concentration level for PNC in the Pittsburgh Market, as measured by the HHI using SOD data without adjustment, overstates the competitive effect of the proposal in the Pittsburgh Market. If the \$17 billion in deposits discussed above with no relation to the Pittsburgh Market is excluded from the calculation of its market concentration, the market share held by PNC on consummation of the proposal would be approximately 38 percent, after accounting for the effects of the proposed divestitures. PNC would remain the largest insured depository institution in the market on consummation of the proposal, controlling adjusted market deposits of approximately \$21 billion. If PNC's proposed divestitures were purchased by the largest in-market institution, the resulting HHI would increase 529 points to 1835.

The Board also examined other mitigating factors in the Pittsburgh Market. A large number of commercial bank and thrift competitors (57) would remain in the market after consummation of the proposal, including two competitors that each have

more than a 12 percent market share.²⁹ The proposed divestiture of 50 branches would significantly strengthen the competitive position of a banking organization operating in the Pittsburgh Market or bring a new, sizeable competitor into the market. Furthermore, the record of recent entry into the Pittsburgh Market is evidence of its attractiveness for entry by out-of-market competitors. Six banking organizations have entered the market in the past four years.

Based on a careful review of these and all other factors of record, the Board concludes that, with the proposed divestitures, appropriate adjustment, and consideration of other mitigating factors, consummation of the proposal would have no significantly adverse effects in the Pittsburgh Market.

Erie. In the Erie banking market (“Erie Market”),³⁰ PNC operates the largest depository institution in the market, controlling deposits of approximately \$820 million, which represent approximately 27 percent of market deposits. NC Bank operates the second largest depository institution in the market, controlling deposits of approximately \$459 million, which represent approximately 15 percent of market deposits. To reduce the potential for adverse effects on competition in the Erie Market, PNC Bank has proposed to divest six of NC Bank’s branches that account for \$294.6 million in total deposits. On consummation of the merger and after accounting for the proposed divestitures, PNC would remain the largest depository institution in the market, controlling deposits of approximately \$985 million, which represent approximately 32 percent of market deposits. The HHI would increase 246 points to 2060.³¹

²⁹ The Board also has concluded that the activity of one community credit union in the market exerts sufficient competitive influence to mitigate, in part, the potential adverse competitive effects of the proposal. This active credit union controls approximately \$554 million of deposits in the market. Accounting for a 50 percent weighting of these deposits, PNC would control approximately 37 percent of market deposits, and the HHI would increase 522 points to 1813.

³⁰ The Erie Market is defined as Erie County.

³¹ This analysis includes the weighting of deposits controlled by one thrift institution in the market at 100 percent. The thrift was deemed to be an active commercial lender based on lending data and discussions with personnel of the thrift and other commercial

Several factors indicate that the increase in concentration in the Erie Market, as measured by the HHI and PNC's market share, overstates the potential competitive effects of the proposal in the market. After consummation of the proposal, eight other commercial bank and thrift competitors would remain in the market, including two other competitors with a significant presence in the market. The second and third largest depository institution organizations in the market would control approximately 24 percent and 12 percent of market deposits, respectively. The second largest depository organization would also control 22 branches, the largest branch network of any depository institution in the Erie Market.

In addition, the Board has evaluated the competitive influence of four active community credit unions in the Erie Market. These credit unions control approximately \$467 million in deposits in the market that, on a 50 percent weighted basis, represent approximately 7.14 percent of market deposits. Accounting for the revised weightings of these deposits, PNC would control approximately 30.1 percent of market deposits, and the HHI would increase 212 points to 1795.

In addition, the record of recent entry into the Erie Market is evidence of the market's attractiveness for entry. Two depository institutions have entered the market since 2004.

Based on a careful review of all the facts of record, and taking into account the proposed divestitures, the Board concludes that consummation of the proposal would not substantially lessen competition in the Erie Market.

Meadville. In the Meadville banking market ("Meadville Market"),³² PNC operates the third largest depository institution in the market, controlling deposits of approximately \$113 million, which represent approximately 13 percent of market deposits. NC Bank operates the largest depository institution in the market, controlling deposits of approximately \$341 million, which represent approximately 40 percent of market deposits.

banking competitors indicating that the thrift was an active commercial lending participant in the Erie Market.

³² The Meadville Market is defined as Crawford County, excluding the city of Titusville.

To reduce the potential for adverse effects on competition in the Meadville Market, PNC has proposed to divest three of NC Bank's branches that account for \$93.9 million in total deposits. On consummation of the merger and after accounting for the proposed divestiture, PNC would become the largest depository institution in the market, controlling deposits of approximately \$360 million, which represent approximately 43 percent of market deposits. The HHI would increase 130 points to 2498.³³

Several factors indicate that the increase in concentration in the Meadville Market, as measured by PNC's market share, overstates the potential competitive effects of the proposal in the market. After consummation of the proposal, five other commercial banking and thrift competitors would remain in the market. The Board notes that there are other competitors with a significant presence in the market. The second and third largest depository institution organizations in the market would control approximately 16 percent and 14 percent of market deposits, respectively. Furthermore, a commercial bank competitor would have a larger number of branches in the Meadville Market than PNC, and four other institutions would have branch networks comparable to PNC's network.

In addition, the Board has evaluated the competitive influence of one active community credit union in the market. This credit union controls approximately \$39 million in deposits in the market that, on a 50 percent weighted basis, represents approximately 2.3 percent of market deposits. Accounting for the revised weightings of these deposits, PNC would control 41.6 percent of market deposits, and the HHI would increase 124 points to 2390.

Based on a careful review of all the facts of record, and taking into account the proposed divestitures, the Board concludes that consummation of the proposal would not substantially lessen competition in the Meadville Market.

³³ This analysis includes the weighting of deposits controlled by one thrift institution in the market at 100 percent. The thrift institution is the same institution weighted at 100 percent in the Erie Market and the basis for weighting this institution's deposits at 100 percent in the Meadville Market is the same as the basis in the Erie Market. See footnote 31 above.

D. View 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, in light of the proposed divestitures, consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market.³⁴ In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on these and all other facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, based on all the facts of record and subject to completion of the proposed divestitures, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including confidential supervisory and examination information received from the relevant federal and state supervisors of the organizations involved, publicly reported and other financial information, information provided by PNC, and public comments received on the proposal.³⁵

In evaluating the financial resources in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the

³⁴ PNC has committed to the Board that it will comply with the divestiture agreement between the DOJ and PNC dated December 11, 2008.

³⁵ Many commenters expressed concern that National City was not provided federal financial assistance to help it remain an independent organization while PNC is scheduled to receive federal funding under the Department of the Treasury's Capital Purchase Program ("CPP"), which would help PNC finance the proposed transaction. As explained in more detail above, the Board has carefully considered all the facts of record in assessing the financial and managerial resources and future prospects of the companies involved.

subsidiary depository institutions and significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial resources, the Board consistently considers capital adequacy to be especially important. The Board also evaluates the financial condition of the resulting organization at consummation, including its capital position, asset quality, earnings prospects, and the impact of the proposed funding of the transaction. In addition, the Board considers the ability of the organization to absorb the costs of the proposal and the plans for integrating operations after consummation.

The Board has carefully considered the financial resources of the organizations involved in the proposal in light of information provided by PNC and National City and supervisory information available to the Federal Reserve through its supervision of these companies and from the OCC, the primary supervisor of the depository institution subsidiaries of these organizations. The Board has considered that, although National City is well capitalized, it has experienced severe financial strains and liquidity pressures during the last year that have weakened its condition and stressed its operations. National City has had difficulty raising sufficient private capital to address these issues without a merger partner. PNC is well capitalized, would remain well capitalized after consummation of this proposal, and would provide operational and capital strength to National City. Consummation of this proposal would create a combined organization that can withstand the financial pressures in the present exigent market conditions and restore a strong provider of banking and other financial services in the markets served by National City. The proposed transaction is structured as a share exchange. Based on its review of the record, the Board finds that PNC has sufficient resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved in the proposed transaction. The Board has reviewed the examination records of PNC, its subsidiary depository institutions, and NC Bank and other nonbanking companies involved in the proposal. In addition, the Board has considered its supervisory experience

and that of other relevant banking supervisory agencies, including the OCC, with the organizations and their records of compliance with applicable banking law and anti-money laundering laws.³⁶

The Board also has considered carefully the future prospects of the organizations involved in the proposal. Moreover, the Board has considered information on PNC's plans to implement its risk-management policies, procedures, and controls at National City and how PNC would manage the integration of National City into PNC. The Board also considered PNC's extensive experience in acquiring bank holding companies and successfully integrating them into its organization.

PNC does not have a significant presence in many of the markets served by National City. In particular, PNC does not compete in the markets in Ohio and Indiana where National City has the majority of its operations. Consummation of this proposal will benefit those markets by providing financial strength and stability to National City that will allow it to continue to provide banking services to households, businesses, and other customers. The proposed acquisition will also allow those NC Bank offices to provide additional services currently offered by PNC. The record indicates that PNC has the financial and managerial resources to serve as a source of strength to NC Bank and the other operations of National City.

Based on all the facts of record, the Board has concluded that the financial and managerial resources and the future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors.

Convenience and Needs Considerations and CRA Performance

In acting on a proposal under section 3 of the BHC Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions

³⁶ Several commenters expressed concern over reports of large payments to be made to certain National City executives on the acquisition by PNC. As part of its review of financial factors, the Board has reviewed the proposed severance payments to be provided by PNC as well as the limitations imposed on those payments in connection with the request for funding under the CPP.

under the CRA.³⁷ 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, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.³⁸

The Board has considered carefully all the facts of record, including reports of examination of the CRA performance records of the subsidiary banks of PNC and National City, data reported by PNC and National City under the Home Mortgage Disclosure Act ("HMDA"),³⁹ as well as other information provided by PNC, confidential supervisory information, and public comments received on the proposal. Several commenters expressed general concerns regarding the effect of the proposal on the amount of community development lending or investment and charitable donations in areas served by NC Bank.⁴⁰ Two commenters also expressed concern regarding the potential impact of branch closures. One commenter expressed concern that the proposal

³⁷ 12 U.S.C. § 1842(c)(2).

³⁸ 12 U.S.C. § 2903.

³⁹ 12 U.S.C. § 2801 *et seq.*

⁴⁰ Two commenters also urged the Board to require or encourage PNC to enter into agreements to provide CRA loans, investments, and services to low-income communities or to require it to take certain actions in the future. A community group commenter generally supported National City's CRA record in Milwaukee but requested that PNC meet with the group to discuss CRA-related concerns. The Board consistently has stated that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organization and that the enforceability of any such third-party pledges, initiatives, or agreements are matters outside the CRA. *See, e.g., Wachovia Corporation*, 91 Federal Reserve Bulletin 77 (2005). Instead, the Board focuses on the existing CRA performance record of an applicant and the programs that an applicant has in place to serve the credit needs of its assessment areas at the time the Board reviews a proposal under the convenience and needs factor.

would inhibit small business lending in Michigan and Ohio.⁴¹ In addition, one commenter criticized PNC's and National City's records of home mortgage lending in LMI and minority communities in Ohio, PNC's home mortgage lending to minorities in Pittsburgh and Philadelphia, and National City's home mortgage lending to minorities in Cleveland.

A. CRA Performance Evaluations

As provided in the CRA, the Board has considered the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the insured depository institutions of PNC and National City. 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.⁴²

PNC's lead subsidiary insured depository institution, PNC Bank, received an "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of May 16, 2006 ("PNC 2006 Evaluation"). Both of PNC's other subsidiary insured depository institutions received an "outstanding" or "satisfactory" rating at their most recent CRA performance evaluations.⁴³ NC Bank received an "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of June 30, 2005 ("NC Bank 2005 Evaluation").⁴⁴

⁴¹ One commenter expressed concern that the proposal would have an adverse effect on loss mitigation efforts for assumed and outstanding subprime mortgage loans from NC Bank.

⁴² The Interagency Questions and Answers Regarding Community Reinvestment provide that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record. See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 at 36,640 (2001).

⁴³ PNC Bank, Delaware received an "outstanding" rating at its most recent evaluation by the Federal Reserve Bank of Cleveland, as of February 4, 2008.

⁴⁴ One commenter expressed concern that NC Bank's 2005 Evaluation excluded the Pittsburgh Metropolitan Statistical Area ("MSA"). The commenter also criticized the length of time since the most recent exam and requested that the OCC conduct a targeted CRA exam for the Pittsburgh MSA. At the time of the 2005 Evaluation,

CRA Performance of PNC Bank. PNC Bank's 2006 Evaluation was discussed in the Board's order approving PNC's acquisition of Sterling Financial Corporation, Lancaster, Pennsylvania, in 2008.⁴⁵ Based on a review of the record in this case, the Board hereby reaffirms and adopts the facts and findings detailed in that order concerning PNC Bank's CRA performance record. PNC also provided the Board with additional information about its CRA performance since the Board last reviewed such matters in the PNC-Sterling Order. In addition, the Board has consulted with the OCC with respect to PNC Bank's CRA performance since the PNC-Sterling Order and has reviewed information provided by PNC regarding its CRA-related activities since that order.

In addition to PNC Bank's overall "outstanding" rating in the PNC 2006 Evaluation,⁴⁶ the bank received an overall "outstanding" rating in Pennsylvania and in the Cincinnati Metropolitan Area ("MA"). Examiners reported that PNC Bank's overall lending performance was good, as reflected by the bank's loan volume and loan distribution by geography and borrower income, and that its performance in the Pittsburgh and Cincinnati assessment areas was excellent. They further noted that PNC Bank's level of community development lending in Pennsylvania and in the Cincinnati MA was excellent and had a positive impact on the bank's overall performance under the lending test.

NC Bank had a minimal presence in Pennsylvania, consisting of a single branch in Philadelphia. An affiliated but separate institution, National City Bank of Pennsylvania, Pittsburgh, held a significant market share in the state. The two institutions merged in 2006, providing NC Bank with much of its share of market deposits in Pennsylvania.

⁴⁵ See The PNC Financial Services Group, Inc., 94 Federal Reserve Bulletin C38 (2008) ("PNC-Sterling Order").

⁴⁶ The PNC 2006 Evaluation focused on PNC Bank's performance in assessment areas throughout Pennsylvania and New Jersey and in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Multistate Metropolitan Area, which together represented approximately 83 percent of the bank's deposits. The evaluation periods for different aspects of PNC Bank's CRA performance ranged from January 1, 2002, to April 30, 2006.

Examiners reported that the bank's distribution of small loans to businesses was excellent in Pennsylvania.⁴⁷ They noted that the bank's market share of small loans to businesses in LMI areas exceeded the bank's overall market share of loans across its Pennsylvania assessment areas in each year of the evaluation period. In Pennsylvania, examiners also noted that PNC Bank placed significant community development lending emphasis on economic revitalization and affordable housing. Since the PNC 2006 Evaluation, PNC Bank has continued its high level of CRA lending activity by making more than \$230 million in community development loans in its assessment areas in 2006 and 2007.

In the PNC 2006 Evaluation, examiners also commended PNC Bank's overall level of qualified investments and concluded that the bank's performance under the investment test was "high satisfactory" in the Pennsylvania assessment area and was "outstanding" in the Cincinnati MA. They noted that the bank's level of qualifying investments represented excellent responsiveness to the needs of the Cincinnati MA community, particularly in relation to affordable housing. Since the 2006 Evaluation, PNC Bank has continued to make a significant amount of CRA-qualified investments in community development projects. In 2006 and 2007, PNC Bank made more than 160 investments totaling approximately \$370 million.

Examiners also concluded that the bank's delivery systems overall were accessible to its customers. In the Pennsylvania assessment area, examiners rated PNC Bank's performance under the service test as "outstanding" and reported that the bank's performance in the Pittsburgh assessment area was excellent for both retail banking services and community development services. PNC represented that there have been no material changes to its CRA programs since the 2006 evaluation.

CRA Performance of NC Bank. The NC Bank 2005 Evaluation was discussed in the Board's order approving National City's acquisition of Mid America

⁴⁷ "Small loans to businesses" are loans with original amounts of \$1 million or less that are either secured by nonfarm, nonresidential properties or classified as commercial and industrial loans.

Bank fsb, Clarendon Hills, Illinois, in 2007.⁴⁸ Based on a review of the record in this case, the Board hereby reaffirms and adopts the facts and findings detailed in that order concerning NC Bank's CRA performance record.

In addition to the overall "outstanding" rating that NC Bank received in its 2005 evaluation, the bank received separate overall "outstanding" or "satisfactory" ratings for its CRA performance in each of the states reviewed. Examiners reported that the bank's distribution of HMDA loans to borrowers of different income levels was excellent. Examiners also stated that the bank's record of community development lending and qualified community development investments demonstrated excellent responsiveness to community credit and investment needs.

Examiners rated NC Bank's performance under the investment test as "outstanding" or "high satisfactory" in most of the states reviewed.⁴⁹ They reported that the bank's investments demonstrated excellent responsiveness to the needs of the community. Examiners concluded that NC Bank's retail banking services generally were accessible to geographies and individuals with different income levels. They also reported that the bank generally provided a high level of community development services.

B. Branch Closings

Two commenters expressed general concern that the proposal, or the eventual merger of PNC Bank and NC Bank after consummation of the proposal, would lead to branch closures and adversely affect banking services in LMI areas. PNC has stated that it has not made any decisions regarding potential branch closures but that any closures would not take place until PNC merges PNC Bank and NC Bank at some point after consummation of the proposal. PNC also stated that it intends to continue to serve LMI communities through its branch network.

⁴⁸ See National City Corporation, 93 Federal Reserve Bulletin C127 (2007).

⁴⁹ Two commenters expressed concern about the impact of the proposal on charitable donations made by NC Bank. PNC represented that it plans to surpass NC Bank's 2008 goal for charitable donations across all markets. The Board notes that neither the CRA nor the agencies' implementing rules require institutions to engage in charitable donations.

In addition, PNC has stated that, on consummation of the proposal, it expects to implement its current branch closing policy at NC Bank. PNC's branch closing policy requires the bank to make every effort to minimize the customer impact in the local market and to provide a reasonable alternative to acquire similar services. The policy requires that, before a final decision is made to close a branch, management consult with members of the community in an effort to minimize the impact of the branch closing.

The Board also has considered that federal banking law provides a specific mechanism for addressing branch closings.⁵⁰ 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.⁵¹

In the most recent CRA performance examinations, examiners found that the banks' records of opening or closing branches had not adversely affected the accessibility of delivery systems, particularly in LMI areas and to LMI individuals. In addition, the Board notes that the OCC will continue to review the branch closing record of PNC Bank and NC Bank in the course of conducting CRA performance evaluations.

⁵⁰ Section 42 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831r-1 ("FDI Act"), 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 and customers of the branch 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.

⁵¹ One commenter requested the Federal Reserve to hold hearings under the FDI Act before any branch in a LMI area is closed. The FDI Act provides that, in cases where an interstate bank proposes to close a branch in an LMI area, an individual from the area where such branch is located may request a meeting between the bank's primary federal regulator and community leaders. Such requests must be made to the bank's primary federal regulator after notice of a branch closure has been made to its customers. As noted above, PNC has not made any decisions regarding potential branch closures, which makes such a request premature. In addition, any such requests for a hearing with regard to branch closures by either PNC Bank or NC Bank must be made to the OCC, the primary federal regulator of both banks. The Board has forwarded the commenter's letter to the OCC for consideration.

C. HMDA and Fair Lending Record

In light of the public comments received on the proposal, the Board has considered carefully the compliance records of PNC and National City with fair lending and other consumer protection laws in its evaluation of the public interest factors. Two commenters alleged, based on HMDA data, that PNC and National City denied the home mortgage loan applications of African American and Hispanic borrowers more frequently than those of nonminority applicants in certain MSAs. A commenter also alleged, based on 2007 HMDA data, that NC Bank made disproportionately higher-cost loans to African American and Hispanic borrowers than to nonminority borrowers.⁵² One commenter also alleged that PNC extended a disproportionately small percentage of loans to African Americans in Pittsburgh when compared to the percentage of African American households in that area.

The Board's analysis of the lending-related concerns included a review of HMDA data reported by PNC Bank and NC Bank and their lending affiliates.⁵³ 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, or in the pricing of loans to such groups, they provide an insufficient basis by themselves on which to conclude whether or not PNC Bank or NC Bank has excluded or imposed higher costs on any group on a prohibited basis. The Board recognizes that HMDA data alone, even with the recent addition of pricing information, provide only

⁵² Beginning January 1, 2004, the HMDA data required to be reported by lenders were expanded to include pricing information for loans on which the annual percentage rate (APR) exceeds the yield for U.S. Treasury securities of comparable maturity by 3 or more percentage points for first-lien mortgages and by 5 or more percentage points for second-lien mortgages. 12 CFR 203.4.

⁵³ The Board reviewed HMDA data for 2006 and 2007 for PNC Bank in the Pittsburgh assessment area and the Cincinnati and Philadelphia MSAs; for NC Bank in the Cincinnati, Cleveland, and Pittsburgh MSAs; and for both PNC Bank and NC Bank in Pennsylvania and Ohio.

limited information about the covered loans.⁵⁴ HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or ethnicity. Moreover, the Board believes that all bank holding companies and their affiliates must conduct their mortgage lending operations without any abusive lending practices and in compliance with all consumer protection laws.

In carefully reviewing the concerns about the organizations' lending activities, the Board has taken into account other information, including examination reports that provide on-site evaluations of compliance with fair lending and other consumer protection laws and regulations by PNC Bank, NC Bank, and their lending affiliates. The Board also has consulted with the OCC, the primary federal supervisor of both PNC Bank and NC Bank. In addition, the Board has considered information provided by PNC, including its plans for managing the consumer compliance operations of PNC Bank and NC Bank after consummation of the proposal.

The record, including confidential supervisory information, indicates that PNC has implemented many processes to help ensure compliance with all consumer protection laws and regulations. PNC's compliance program includes employee training; review by senior management of credit decisions, pricing, and marketing; and fair lending policies and procedures to help ensure compliance with consumer protection laws. PNC's fair-lending compliance program that includes a second-review process to identify any

⁵⁴ The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

discriminatory practices with respect to the company's home mortgage lending. In addition, PNC has a process for resolving fair lending complaints and conducts periodic internal audits of its fair lending program. PNC requires its employees to complete fair-lending training sessions. PNC has stated that NC Bank operations will be integrated into PNC's existing fair-lending and consumer-protection compliance programs after consummation of the proposal.⁵⁵

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

D. Conclusion on Convenience and Needs and CRA Performance

The Board has considered carefully all the facts of record, including reports of examination of the CRA performance records of the institutions involved, information provided by PNC, comments received on the proposal, and confidential supervisory information. PNC represented that the proposal would result in greater convenience for customers of PNC and National City through expanded delivery channels and a broader range of products and services. In addition, the Board previously noted the severe financial strains and liquidity pressures that National City has been experiencing, which are likely to adversely affect services to its customers. In light of these circumstances, the Board recognizes that the proposed merger would allow the combined organization to continue to provide banking and other financial services in support of the convenience and needs of the communities currently served by both organizations. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance

⁵⁵ One commenter reiterated concerns regarding alleged disparate pricing of subprime loans originated by a former National City subsidiary, First Franklin, that the commenter made in connection with National City Corporation's application to acquire Provident Bank. The Board considered those comments when it approved that proposal. See National City Corporation, 90 Federal Reserve Bulletin 382, 384 (2004). National City sold First Franklin to Merrill Lynch & Co., Inc. in 2006.

records of the relevant insured depository institutions are consistent with approval of the proposal.

Agreement Corporation

As noted, PNC also has provided notice under section 25 of the FRA and the Board's Regulation K to acquire the agreement corporation subsidiary of National City. The Board concludes that all factors required to be considered under the FRA and the Board's Regulation K are consistent with approval.

Conclusion

Based on the foregoing, the Board has determined that the applications under section 3 of the BHC Act and section 25 of the FRA should be, and hereby are, approved.⁵⁶ In reaching its conclusion, the Board considered all the facts of record in light of the factors that the Board is required to consider under the BHC Act, the FRA, and other applicable statutes.⁵⁷ The Board's approval is specifically conditioned on compliance by PNC with

⁵⁶ A number of commenters requested an extension of the comment period or delayed action on the proposal, and one commenter has requested Board review of a decision under authority delegated by the Board that denied his request for an extension of the comment period. See letter dated November 26, 2008, from Robert deV. Frierson, Deputy Secretary of the Board, to the Hon. Dennis J. Kucinich. As previously noted, notice of the proposal was published in the Federal Register on November 5, 2008. Newspaper notices were published on October 30 and November 3 in the appropriate newspapers of record, and the comment period ended on December 2. Accordingly, interested persons had approximately 33 days to submit their views. This period provided sufficient time for commenters to prepare and submit their comments and, as noted above, many commenters have provided written submissions, all of which the Board has considered carefully in acting on the proposal. The Board also has accumulated a significant record in this case, including reports of examination, confidential supervisory information and public reports and information, in addition to public comments. Moreover, the Board is required under applicable law and its regulations to act on applications submitted under the BHC Act within specified time periods. Based on all the facts of record, the Board has concluded that the record in this case is sufficient to warrant action at this time and that neither an extension of the comment period nor further delay in considering the proposal is necessary.

⁵⁷ A number of commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3 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 acquired makes a written recommendation of denial of the application. The Board has not received such a recommendation from the OCC. Under its rules, the Board also may,

the conditions imposed in this order and all the commitments made to the Board in connection with the proposal. These conditions and commitments 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 acquisition of National City may not be consummated before the fifteenth calendar day, or 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 Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors,⁵⁸ effective December 15, 2008.

(SIGNED)

Robert deV. Frierson
Deputy Secretary of the Board

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 carefully the commenters' requests in light of all the facts of record. As noted, the commenters had ample opportunity to submit their views and, in fact, submitted written comments that the Board has considered carefully 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.

⁵⁸ Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Duke.

Appendix A

PNC/National City Banking Markets Consistent with Board Precedent and DOJ Guidelines Without Divestitures						
Data are as of June 30, 2008. All amounts of deposits are unweighted. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.						
Indian River County, Florida – Indian River County.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>PNC Pre-Consummation</i>	14	\$30.9 mil.	0.9	1,753	18	17
<i>National City</i>	3	\$361.2 mil.	10.1			
<i>PNC Post-Consummation</i>	2	\$392.1 mil.	11.0			
Naples Area, Florida – Collier County, excluding the town of Immokalee.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>PNC Pre-Consummation</i>	34	\$15.5 mil.	0.2	993	0	43
<i>National City</i> ⁵⁹	42	\$0	0			
<i>PNC Post-Consummation</i>	34	\$15.5	0.2			
Lexington, Kentucky – Bourbon, Clark, Fayette, Jessamine, Nicholas, Powell, Scott, and Woodford Counties.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>PNC Pre-Consummation</i>	15	\$123.7 mil.	1.6	848	27	35
<i>National City</i>	4	\$670.2 mil.	8.5			
<i>PNC Post-Consummation</i>	4	\$793.9 mil.	10.1			

⁵⁹ National City established a branch in the Naples Area banking market in late 2007. As of June 30, 2008, no deposits had been recorded.

Louisville, Kentucky-Indiana – Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, and Spencer Counties, the Bedford census county division in Trimble County, the West Point census county division and the cities of Vine Grove and Radcliff in Hardin County, and the city of Irvington in Breckinridge County, all in Kentucky; Clark, Floyd, Harrison, and Washington Counties, and Crawford County, excluding Patoka township, all in Indiana.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>PNC Pre-Consummation</i>	3	\$2.2 bil.	10.1	1239	378	53
<i>National City</i>	1	\$4.0 bil.	18.8			
<i>PNC Post-Consummation</i>	1	\$6.2 bil.	28.8			
Cincinnati, Ohio-Indiana-Kentucky – Brown, Butler, Clermont, Hamilton, and Warren Counties in Ohio; Dearborn County in Indiana; Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties, and the New Liberty and Owenton census county divisions in Owen County, all in Kentucky.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>PNC Pre-Consummation</i>	4	\$2.4 bil.	4.4	2421	48	82
<i>National City</i>	3	\$2.9 bil.	5.5			
<i>PNC Post-Consummation</i>	3	\$5.3 bil.	9.9			

Appendix B

PNC/National City Banking Markets in Pennsylvania Consistent with Board Precedent and DOJ Guidelines After Divestitures						
Data are as of June 30, 2008. All amounts of deposits are unweighted. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent, except for one thrift operating in both markets for which deposits are weighted at 100 percent.						
Franklin-Titusville-Oil City – Venango County and the city of Titusville in Crawford County.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
Pre-Divestiture						
<i>PNC Pre-Consummation</i>	7	\$40.8 mil.	4.5	2,319	+ 254	8
<i>National City</i>	2	\$250.8 mil.	27.9			
<i>PNC Post-Consummation</i>	1	\$291.6 mil.	32.5			
Post-Divestiture						
<i>PNC Post-Consummation</i>	2	\$199.2 mil.	22.2	1,863	- 202	9
<i>Branches Divested to Out-of-Market Purchaser</i>	3	\$92.4 mil. (1 branch)	10.3			
Warren – Warren County.						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
Pre-Divestiture						
<i>PNC Pre-Consummation</i>	3	\$92.5 mil.	13.7	4,766	+ 871	4
<i>National City</i>	2	\$216.3 mil.	31.9			
<i>PNC Post-Consummation</i>	2	\$308.8 mil.	45.6			
Post-Divestiture						
<i>PNC Post-Consummation</i>	2	\$188.4 mil.	27.8	3,779	- 117	5
<i>Branches Divested to Out-of-Market Purchaser</i>	3	\$120.5 mil. (1 branch)	17.8			