



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Corporate Decision #2012-05
April 2012

January 11, 2012

James S. Keller, Esq.
Chief Regulatory Counsel
The PNC Financial Services Group, Inc.
249 Fifth Avenue
One PNC Plaza, 21st Floor
Pittsburgh, Pennsylvania 15222-2707

Re: Application to merge RBC Bank (USA), Raleigh, North Carolina, with and into PNC Bank, National Association, Wilmington, Delaware
Control No: 2011-NE-02-0021 Charter No: 1316

Dear Mr. Keller:

The following sets forth the analysis and determinations by the Office of the Comptroller of the Currency (“OCC”) in connection with the application to merge RBC Bank (USA), Raleigh, North Carolina (“RBC Bank”), with and into PNC Bank, National Association, Wilmington, Delaware (“PNC Bank”), which the OCC approved on December 23, 2011.

The Proposal

PNC Bank is a wholly-owned subsidiary of The PNC Financial Services Group, Inc. (“PNC”), a financial holding company headquartered in Pittsburgh, Pennsylvania. PNC Bank is a national bank with its main office located in Wilmington, Delaware, and branches in the District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Virginia, West Virginia, and Wisconsin.

RBC Bank is a direct subsidiary of RBC USA Holdco Corporation, which is a direct wholly-owned subsidiary of Royal Bank of Canada, Toronto, Canada. RBC Bank is a North Carolina state chartered member bank with its main office located in Raleigh, North Carolina, and branches in Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia. PNC Bank will retain RBC Bank’s main office in Raleigh, North Carolina, as a branch of the resulting bank and will operate the branches of RBC Bank as branches of the resulting bank.¹

¹ On December 23, 2011, the Board of Governors of the Federal Reserve System issued its Order for PNC to acquire the stock of RBC Bank, with an effective approval date of December 19, 2011.

Legal Authority for the Transaction

PNC Bank applied to the OCC for approval to merge with RBC Bank under the charter and title of PNC Bank, pursuant to the Bank Merger Act, 12 U.S.C. § 1828(c), and the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (“Riegle-Neal”), 12 U.S.C. § 1831u, which authorizes mergers between insured banks with different home states.

12 U.S.C. § 1831u(a)(1). Riegle-Neal amended the National Bank Consolidation and Merger Act to permit national banks to engage in interstate merger transactions. 12 U.S.C. § 215a-1. As discussed below, the OCC has determined that the merger satisfies relevant legal requirements.

A. The Merger: Riegle-Neal Factors

Riegle-Neal permits a state to elect to prohibit interstate merger transactions by enacting legislation that expressly prohibits all mergers with all out-of-state banks. 12 U.S.C. § 1831u(a)(2) (state “opt-out” laws). The home state of PNC Bank is Delaware, and the home state of RBC Bank is North Carolina. Neither of these states opted-out. Accordingly, the merger of PNC Bank and RBC Bank is legally authorized as an interstate merger transaction under Riegle-Neal, 12 §§ USC 215a-1 and 1831u(a), subject to certain requirements and conditions set forth in 12 U.S.C. §§ 1831u(a)(5) and 1831u(b). These conditions relate to: (1) compliance with state-imposed age limits, if any; (2) compliance with certain state filing requirements; (3) compliance with nationwide and state concentration limits; (4) community reinvestment compliance; and (5) adequacy of capital and managerial resources.

1. Compliance with state age limits

The merger satisfies all applicable state-imposed age requirements permitted by 12 U.S.C. § 1831u(a)(5). Under that section, the OCC may not approve a merger under §1831u(a)(1) “that would have the effect of permitting an out-of-State bank or out-of-State bank holding company to acquire a bank in a host State that has not been in existence for the minimum period of time, if any, specified in the statutory law of the host State.” 12 U.S.C. § 1831u(a)(5)(A). However, the acquisition of a bank that has been in existence at least five years may be approved without regard to any longer state minimum. 12 U.S.C. § 1831u(a)(5)(B). The host state for RBC Bank is North Carolina. North Carolina banking law has no minimum age requirement, *See* N.C. Gen. Stat. Chapter 53, Art. 17B, and RBC Bank has been in existence for more than five years, its predecessor bank having been established in 1990. Accordingly, Riegle-Neal’s requirement of compliance with state age requirements is met.

2. Compliance with state filing requirements

The proposal meets applicable state filing requirements. A bank applying for an interstate merger transaction under §1831u(a) must (1) “comply with the filing requirements of any host State of the bank which will result from such transaction” as long as the filing requirement does not discriminate against out-of-state banks and is similar in effect to filing requirements imposed by the host state on out-of-state nonbanking corporations doing business in the host state, and

(2) submit a copy of the application to the state bank supervisor of the host state. *See* 12 U.S.C. § 1831u(b)(1)(A)(ii).

RBC Bank has branches in the states of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia. Since Florida, Georgia, and Virginia are already host states of PNC Bank,² the states that will become host states as a result of the merger are Alabama, North Carolina, and South Carolina. PNC Bank represents it will comply with any filing requirements applicable under Riegle-Neal. Thus, this application satisfies Riegle-Neal's filing requirements.

3. Deposit concentration limits

The merger does not raise issues with respect to the deposit concentration limits of Riegle-Neal. Section 1831u(b)(2) places certain nationwide and statewide deposit concentration limits on § 1831u(a) interstate merger transactions. However, interstate merger transactions involving only affiliated banks are specifically excepted from these provisions. *See* 12 U.S.C. § 1831u(b)(2)(E). Accordingly, because PNC Bank and RBC Bank will be affiliates at the time of the merger, § 1831u(b)(2) is not applicable to the merger.

4. Community Reinvestment Act considerations under Riegle-Neal

The merger also does not raise issues with respect to the special community reinvestment compliance provisions of Riegle-Neal. In determining whether to approve an application for an interstate merger transaction under § 1831u(a), the OCC must (1) comply with its responsibilities under section 804 of the federal Community Reinvestment Act ("CRA"), 12 U.S.C. § 2903, (2) take into account the CRA evaluations of any bank that would be an affiliate of the resulting bank, and (3) take into account the applicant bank's record of compliance with applicable state community reinvestment laws. *See* 12 U.S.C. § 1831u(b)(3). However, these provisions do not apply to mergers between affiliated banks since they apply only "for an interstate merger transaction in which the resulting bank would have a branch or bank affiliate immediately following the transaction in any State in which the bank submitting the application (as the acquiring bank) had no branch or bank affiliate immediately before the transaction." 12 U.S.C. § 1831u(b)(3). Since PNC Bank and RBC Bank will be affiliated immediately before the transaction, these Riegle-Neal provisions are not applicable to the merger. However, as discussed below, the Community Reinvestment Act itself applies to this transaction.

5. Capital and Managerial Factors

The proposal satisfies the capital and management requirements. The OCC may approve an application for an interstate merger transaction under § 1831u(a) only if each bank involved in

² Since these states will continue to be host states for PNC Bank after the merger, they do not become host states as a result of the merger. Accordingly, the filing requirements of § 1831u(b)(1) do not apply with respect to these three states. *See Decision on the Applications to Convert JPMorgan Chase Bank, New York, New York, into a National Banking Association, and to Merge Bank One, N.A., Chicago, Illinois and Bank, One, N.A., Columbus Ohio, with and into the Converted Bank* (OCC Conditional Approval No. 658, October 13, 2004) (page 21, note 30). Nevertheless, PNC Bank has sent a copy of the applications to these states as a courtesy.

the transaction is adequately capitalized as of the date the application is filed and the resulting bank will be well capitalized and well managed upon consummation of the transaction.

12 U.S.C. § 1831u(b)(4) (as amended by section 607 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”)). As of the date of the application, PNC Bank and RBC Bank satisfied all regulatory requirements relating to capitalization. PNC Bank will continue to be well capitalized and well managed upon consummation of the transaction. Accordingly, the requirements of 12 U.S.C. § 1831u(b)(4)(B) are satisfied.

B. The Merger: Bank Merger Act Factors

The proposed merger between PNC Bank and RBC Bank was reviewed under the criteria of the Bank Merger Act.³ The Bank Merger Act requires the OCC’s approval for the merger of two insured depository institutions where the resulting institution is a national bank. Under the Bank Merger Act, the OCC generally may not approve a merger that would substantially lessen competition. The Bank Merger Act also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. 12 U.S.C. § 1828(c)(5). The OCC must also consider the effectiveness of the banks in combating money laundering activities. 12 U.S.C. § 1828(c)(11). Finally, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 U.S.C. § 1828(c)(5) (as amended by section 604 of Dodd-Frank).⁴

1. Competitive Analysis

Since PNC Bank and RBC Bank will be affiliated at the time of the proposed merger, the merger will have no anticompetitive effects.

2. Financial and Managerial Resources

The financial and managerial resources of PNC Bank and RBC Bank are presently satisfactory. As noted above, PNC Bank is well capitalized and well managed, and it will remain so after the transaction. The future prospects of the institutions, individually and combined, are favorable.

3. Convenience and Needs

The proposed merger will not have an adverse impact on the convenience and needs of the communities to be served. PNC Bank will expand its branching network through the proposed merger, and no existing RBC Bank customers will lose access to products and services by virtue

³ 12 U.S.C. § 1828(c).

⁴ Dodd-Frank also added another new provision to the Bank Merger Act under which the responsible agency may not approve any interstate merger transaction that results in the resulting insured depository institution controlling more than 10 percent of the total amount of deposits of insured depository institutions in the United States. *See* Dodd-Frank, Title VI, § 623. However, it does not apply to mergers between affiliates. In addition, PNC Bank and its affiliates will not control more than 10% of the deposits in the United States.

of the merger, despite the fact that after the merger, PNC Bank plans to close an undetermined small number of branches.

4. Banks' Effectiveness in Combating Money Laundering

Both PNC Bank and RBC Bank have satisfactory systems of internal controls to combat money laundering.

5. The Risk to the Stability of the U.S. Banking System

Section 604(f) of Dodd-Frank requires the OCC to consider, when reviewing transactions under the Bank Merger Act, the risk to the stability of the United States banking or financial system.

The OCC and the Board of Governors of the Federal Reserve System⁵ generally look to six factors when applying this standard: (1) whether the proposed transaction would result in a material increase in risks to financial system stability due to an increase in size of the combining firms; (2) whether the transaction would result in a reduction in the availability of substitute providers for the services offered by the combining firms; (3) whether the transaction would materially increase the extent of the interconnectedness of the financial system; (4) whether the transaction would materially increase the extent to which the combining firms contribute to the complexity of the financial system; (5) whether the transaction would materially increase the extent of cross-border activities of the combining firms; and (6) the relative degree of difficulty of resolving the combined firm. Applying these standards, we conclude that the proposed merger does not pose a risk to the U.S. banking or financial system.

a. Size

After consummation of the proposed merger between PNC Bank and RBC Bank, the size of the combined entity would not pose a material increase in risks to the financial stability of the U.S. financial or banking system. PNC Bank accounts for only approximately 1.9 percent, and RBC Bank approximately 0.2 percent, of total U.S. banking system assets.

Federal law establishes statutory limits of ten percent (10%) of nationwide deposits and ten percent (10%) of nationwide liabilities on proposed combinations of banking institutions. PNC Bank has approximately 2.2 percent of total U.S. deposits, while RBC Bank held approximately 0.24 percent of total U.S. deposits. PNC Bank's overall national market share for deposits and liabilities would be far below the ten percent (10%) limits under Federal law both before and after the proposed merger.

b. Substitutability

PNC Bank and RBC Bank both offer business and consumer credit products and services. These activities are offered by numerous banks, thrifts, and other financial service providers. A

⁵ See *Decision of the Board of Governors of the Federal Reserve System approving The PNC Financial Services Group, Inc., Pittsburgh, Pennsylvania's and PNC Bancorp, Inc, Wilmington, Delaware's Acquisition of RBC Bank (USA) Raleigh, North Carolina* (December 23, 2011).

number of substitute providers exist that could perform these activities should the combined entity be unable to engage in these activities.

c. Interconnectedness

PNC Bank does not currently, and the combined entity will not, engage in any business activities or participate in markets in a manner that, in the event of financial distress of the combined entity, would cause significant risks to other institutions.

d. Complexity

The activities of PNC Bank and RBC Bank consist primarily of traditional commercial banking activities, and do not separately or on a combined basis present unique or substantial complexities.

e. Cross-Border Activity

PNC Bank currently has only two foreign branches (Toronto, Canada and Nassau, Bahamas) and limited other foreign activities. As of June 30, 2011, PNC Bank's foreign activities, in the aggregate, account for only a very small percentage of PNC Bank's consolidated revenues and assets.⁶ After separating from its Canadian parent and transferring certain assets and liabilities to its affiliate, RBC Bank (Georgia), NA, Atlanta, Georgia, RBC Bank will not introduce into PNC Bank any significant cross-border operations or activities.⁷ The combined entity will not have significant cross-border activity.

f. Resolution

The size, operations, activities, and complexity of the combined organization are not fundamentally different than PNC's current operations and its limited expansion as a result of the merger does not alter the relative degree of difficulty of resolving PNC Bank subsequent to this transaction.

Accordingly, the OCC finds the proposed merger to be consistent with the requirements of, and relevant considerations under, the Bank Merger Act.

Community Reinvestment Act

The CRA requires the OCC to take into account the records of the institutions proposing to engage in a merger in helping to meet the credit needs of the community, including low- and moderate-income ("LMI") neighborhoods, when evaluating a merger application.⁸ The OCC

⁶ As of June 30, 2011, the aggregate assets attributable to these activities were approximately \$[], representing approximately [] percent of PNC Bank's total assets. Net income from these activities for the six months ending June 30, 2011, was approximately \$[] (less than [] percent of PNC Bank's net income).

⁷ RBC Bank currently has a branch in the Cayman Islands. This branch will be closed on consummation of the proposed merger with PNC Bank.

⁸ 12 U.S.C. §§ 2903(a)(2) and 2902(3)(A) and (E); 12 C.F.R. § 25.29(a)(3) and (4).

considers the CRA Performance Evaluation (“PE”) of each institution involved in the transaction. A review of the records of these applicants, and other information available to the OCC as a result of its regulatory responsibilities, revealed no evidence indicating that the applicants’ records of helping to meet the credit needs of their communities, including LMI neighborhoods, are less than satisfactory.

Subsidiaries and Branches

Following the merger, PNC Bank seeks to retain RBC Bank’s subsidiaries. Based on its due diligence prior to the acquisition, PNC Bank believes all of the subsidiaries, assets, and activities of RBC Bank are permissible for a national bank. If it subsequently learns that any are not permissible, PNC Bank will conform or divest any impermissible subsidiaries, assets or activities within two years of the consummation date of this transaction or within any other period of time that the OCC deems appropriate.⁹

Under Riegle-Neal, the resulting bank is authorized to retain and operate offices of both banks. 12 U.S.C. §§ 36(d) and 1831u(d)(1). Accordingly, PNC Bank may retain and operate RBC Bank’s main office and branches as branches of PNC Bank following the merger.

Consummation Requirements

The OCC’s December 23, 2011 approval was granted based on the understanding that other applicable regulatory approvals, non-objections or waivers with respect to the proposed transaction will have been received prior to the merger.

As a reminder, the Northeastern District Licensing unit must be advised in writing 10 days in advance of the desired effective date for the merger so that the OCC may issue the necessary merger certification letter. The OCC will issue a letter certifying consummation of the transaction upon receipt of:

- A Secretary’s Certificate for each institution, certifying that a majority of the board of directors approved the merger.
- An executed merger agreement with Articles of Association for the resulting bank.
- A Secretary’s Certificate from each institution, certifying that shareholder approvals have been obtained.

⁹PNC has represented in the application that within 10 days of consummation of the merger, it will file CD-1 forms to the Community Affairs Department of the OCC for each of the community development investments outlined in Enclosure 4 of the application, which describes the compliance of those investments with 12 C.F.R. Part 24 and 12 U.S.C. § 24(Eleventh).

If the merger transaction has not been consummated within twelve months from the approval date, the approval will automatically terminate unless the OCC grants an extension of the time period.

If you have questions regarding this letter, please contact Senior Licensing Analyst Sandya Reddy at (212) 790-4055. Please reference the application control number in any correspondence.

Sincerely,

Stephen Lybarger

Stephen Lybarger
Deputy Comptroller, Licensing