FEDERAL RESERVE press release

For immediate release December 21, 1987

The Federal Reserve Board today announced its approval of the applications of National Westminster Bank PLC, London, England, and NatWest Holdings Inc., New York, New York, to acquire all the voting shares of First Jersey National Corporation, Jersey City, New Jersey, and thereby to acquire indirectly its banking and nonbanking subsidiaries.

Attached is the Board's Order relating to this action.

Attachment

FEDERAL RESERVE SYSTEM

National Westminster Bank PLC
London, England

NatWest Holdings Inc.
New York, New York

Order Approving Acquisition of a Bank Holding Company
and its Banking and Nonbanking Subsidiaries

National Westminster Bank PLC, London, England, and NatWest Holdings Inc., New York, New York (together, "Applicants"), have applied for the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("Act") to acquire all the voting shares of First Jersey National Corporation, Jersey City, New Jersey ("First Jersey"), and thereby to acquire indirectly First Jersey's subsidiary banks: The First Jersey National Bank, Jersey City; The First Jersey National Bank/Central, Trenton; The First Jersey National Bank South, Atlantic City; and The First Jersey Bank/West, Denville; and First Jersey's bank holding company subsidiary, First Jersey Fort Lee Corporation, Jersey City, and its bank subsidiary, The First Jersey National Bank/Fort Lee, Fort Lee, all in New Jersey.1/ Applicants also have applied

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1/ Applicants will acquire First Jersey through the merger of NWH Acquisition Corporation, a subsidiary of National Westminster Bancorp, Inc., Wilmington, Delaware ("Bancorp"), with First Jersey. In connection with this proposal, Bancorp has applied to become a bank holding company by acquiring the shares of First Jersey and National Westminster Bank, USA, New York, New York ("Bank"), which is now a subsidiary of Holdings. Further, Bancorp has provided notice to the Board under 12 C.F.R. § 211.4(b)(3) of its intention to acquire control of Bank's Edge Act corporation subsidiary, National Westminster USA International Bank, Miami, Florida.

for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire: Tilden of Florida, Inc., Fort Lauderdale, Florida, and thereby to engage in commercial lending activities; and FJN Corporation, Jersey City, New Jersey, and thereby to engage in leasing real property.[2] These activities are authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. §§ 225.25(b)(1), (5).

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been published (52 Federal Register 41,777 (1987)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

NatWest Holdings Inc., with approximately $6.6 billion in domestic deposits, is the eleventh largest commercial banking organization in New York, controlling approximately 2.9 percent of total deposits in commercial banks in New York.[3] First Jersey is the fourth largest commercial banking organization in New Jersey, with domestic deposits of approximately $3.3 billion, controlling approximately 6.2 percent of the total deposits in commercial banks in New Jersey.

2/ In connection with this application, Bancorp also has applied to acquire these nonbanking subsidiaries.

3/ Banking data are as of June 30, 1986.

Section 3(d) of the Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,4/ unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." 12 U.S.C. § 1842(d). The New Jersey interstate banking statute5/ contains a national reciprocal provision which permits an out-of-state bank holding company to acquire control of a bank located in New Jersey if bank holding companies located in New Jersey are permitted to acquire banks in the acquiring bank holding company's home state on substantially the same terms and conditions. The provision of New Jersey law, however, is not effective until a number of other states pass interstate banking legislation that is reciprocal with New Jersey, including four of the ten largest states in the United States in terms of domestic commercial bank deposits. New York law permits New Jersey bank holding companies to acquire banks in New York.6/ The New Jersey Commissioner of Banking has determined that, as of January 1, 1988, the national reciprocal provisions of New Jersey law will

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4/ A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

5/ N.J. Stat. Ann. § 17:9A-370 *et seq*. (West 1987).

6/ N.Y. Banking Law § 142-b (McKinney 1987).

become effective and that New York has enacted legislation which permits New Jersey bank holding companies to acquire banks in New York. The Commissioner also must make a specific determination with regard to the proposal at issue here, but has not yet done so. The Commissioner, however, has informed the Board that she anticipates making such a determination subject to the January 1, 1988, effective date.

Based on the foregoing factors and its own review of the record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of New Jersey, and thus Board approval is not prohibited by the Douglas Amendment, subject to the January 1, 1988, effective date of New Jersey's national reciprocal interstate banking legislation and the Commissioner's specific determination that the proposal is consistent with the New Jersey interstate banking statute. The Board's Order is specifically conditioned on the Commissioner's favorable determination.

NatWest Holdings Inc. competes with First Jersey in the Metropolitan New York - New Jersey banking market.7/ NatWest Holdings Inc. is the ninth largest of 163 commercial banking organizations in the market, with deposits of

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7/ The Metropolitan New York - New Jersey market includes New York City, Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut.

approximately $6.6 billion, controlling approximately 2.7 percent of total deposits in commercial banks in the market. First Jersey is the sixteenth largest commercial banking organization in the market, with deposits of approximately $2.4 billion, controlling approximately 1 percent of total deposits in commercial banks in the market. Upon consummation, NatWest Holdings Inc. would be the eighth largest commercial banking organization in the market, with deposits of approximately $9 billion, controlling approximately 3.7 percent of total deposits in commercial banks in the market. The Metropolitan New York - New Jersey market is considered unconcentrated, with a Herfindahl-Hirschman Index ("HHI") of 682. Upon consummation, the HHI would increase by 5 points to 687. On the basis of the foregoing, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in the Metropolitan New York - New Jersey banking market.

The Board also has considered the effects of Applicants' proposal on probable future competition in markets in which Applicants and First Jersey do not compete. In light of the number of probable future entrants into those markets, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant banking market.

In evaluating this application, the Board has considered the financial resources of Applicants and the effect on these resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions where a significant acquisition is proposed.8/

In this regard, the Board expects that banking organizations experiencing substantial growth internally and by acquisition, such as Applicants, should maintain a strong capital position substantially above the minimum levels specified in the Capital Adequacy Guidelines, without significant reliance on intangibles, particularly goodwill.9/ The Board will carefully analyze the effect of expansion proposals on the preservation or achievement of such capital positions.

The Board has reviewed this case in light of Applicants' capital position. The Board notes that Applicants have issued more than sufficient new equity since mid-1986 to fund this acquisition, and that Applicants' pro forma tangible primary capital ratio will be well above the minimum primary capital ratio under the Board's Guidelines. The Board also notes that although First Jersey's capital will be reduced

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8/ See e.g., Chase Manhattan Corporation, 70 Federal Reserve Bulletin 529 (1984); NCNB Corporation, 69 Federal Reserve Bulletin 49 (1983).

9/ Capital Adequacy Guidelines, 50 Federal Register 16,057, 16,066-67 (April 24, 1985) (71 Federal Reserve Bulletin 445 (1985)); National City Corporation, 70 Federal Reserve Bulletin 743, 746 (1984).

through the redemption of certain mandatory convertible debentures, Applicants will make an equity contribution to First Jersey to replace a significant portion of this capital. In addition, Applicants have committed to contribute additional capital to First Jersey, if necessary to bring First Jersey's capital ratios to peer levels by year-end 1988. The financial resources of Applicants and First Jersey are considered generally satisfactory. Accordingly, on the basis of the above considerations, the Board concludes that financial factors are consistent with approval of the applications. Managerial factors, as well as convenience and needs considerations, also are consistent with approval.

As indicated earlier, Applicants also have applied, pursuant to section 4(c)(8), to acquire the nonbanking subsidiaries of First Jersey. Applicants operate nonbanking subsidiaries that compete with First Jersey in the activities of financing automobile and equipment leasing. The markets for these activities have numerous competitors, are regional or national in scope, and both Applicants and First Jersey hold small market shares. Accordingly, the Board concludes that this proposal will not have any significant adverse effect upon competition in any relevant market.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire First Jersey's nonbanking subsidiaries and activities.

The Board also has considered the notice of Bancorp's proposed acquisition of control of National Westminster USA International Bank, Miami, Florida, under the Edge Act. Based on the facts of record, the Board has determined that disapproval of the proposed investment is not warranted.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved, subject to the January 1, 1988, effective date of New Jersey's national reciprocal interstate banking statute and the Commissioner's favorable determination. The acquisition of First Jersey shall not be consummated before the thirtieth calendar day following 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 by the Federal Reserve Bank of New York, acting pursuant to delegated authority. The determinations as to Applicants' nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and

225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors,[10/] effective December 21, 1987.

(signed) James McAfee

James McAfee
Associate Secretary of the Board

[SEAL]

10/ Voting for this action: Chairman Greenspan and Governors Johnson, Seger, and Kelley. Absent and not voting: Governors Angell and Heller.