FEDERAL RESERVE press release

For immediate release September 14, 1992

The Federal Reserve Board today announced its approval of the applications by NBD Bancorp, Inc., Detroit, Michigan, to acquire INB Financial Corporation, Indianapolis, Indiana.

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

Attachment

FEDERAL RESERVE SYSTEM

NBD Bancorp, Inc.
Detroit, Michigan

Order Approving Acquisition of a Bank Holding Company

NBD Bancorp, Inc. ("NBD"), and its wholly owned subsidiary, NBD Indiana, Inc., both of Detroit, Michigan, bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for approval from the Board of Governors of the Federal Reserve System ("Board") under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of INB Financial Corporation, Indianapolis, Indiana ("INB"), and thereby indirectly acquire INB's subsidiary banks: INB National Bank, Indianapolis; INB Banking Company, Jeffersonville; INB Banking Company, North, Chesterton; INB Banking Company, Southwest, Evansville; INB Banking Company, Northeast, Fort Wayne; and INB National Bank, Northwest, Lafayette, all in Indiana. NBD also has applied under section 4(c)(8) of the BHC Act to acquire the nonbanking subsidiaries of INB.[1/] NBD proposes to conduct the activities of these subsidiaries in accordance with the Board's Regulation Y.

1/ NBD has applied to acquire the following INB nonbanking subsidiaries: (1) INB Mortgage Corporation, Indianapolis, Indiana, and thereby engage in making and servicing loans pursuant to section 225.25(b)(1) of the Board's Regulation Y; (2) INB Neighborhood Revitalization Corporation, Indianapolis, Indiana, and thereby engage in community development activities pursuant to section 225.25(b)(6) of the Board's Regulation Y; (3) Consumer Marketing Services, Inc., Indianapolis, Indiana, and thereby engage in credit insurance activities pursuant to section 225.25(b)(8)(i) of the Board's Regulation Y; and (4) INB Brokerage Services, Inc., Indianapolis, Indiana, and thereby engage in securities brokerage activities pursuant to section 225.25(b)(15) of the Board's Regulation Y.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (57 Federal Register 28,181, 36,650 and 40,915 (1992)). The time for filing comments has expired,[2] 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 BHC Act.

NBD, with approximately $33.6 billion in consolidated assets, controls 29 subsidiary banks in Michigan, Indiana, Illinois, Ohio and Florida.[3] INB, with approximately $4.2 billion in consolidated assets, controls five subsidiary banks in Indiana. NBD is the fourth largest commercial banking organization in Indiana, controlling deposits of $3.9 billion, representing approximately 8.2 percent of total deposits in commercial banks in the state. INB is the second largest commercial banking organization in Indiana, controlling deposits of $5.1 billion, representing approximately 10.7 percent of total deposits in commercial banks in the state. Upon consummation of the proposed transaction, NBD would become the largest commercial banking organization in Indiana, controlling deposits of

---

[2] NBD's application under section 4 of the BHC Act to acquire INB's interest in BHC Financial, Inc., Philadelphia, Pennsylvania, a nonbanking company, was amended and republished for public comment during the processing of these applications and will be considered at a later date. Acquisition of this nonbanking company cannot be consummated prior to approval of the Federal Reserve System.

[3] Asset data are as of July 1, 1992. Deposit data are as of June 30, 1990.

$9 billion, representing approximately 18.9 percent of total deposits in commercial banks in the state.

Douglas Amendment

Section 3(d) of the BHC 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, 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). Under this proposal, NBD, which has Michigan as its home state, proposes to acquire INB, which has Indiana as its home state.[4/] The Board previously has determined that the interstate banking statues of Indiana permit the acquisition of Indiana banking organizations by banking organizations located in Michigan.[5/] Accordingly, Board approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal, however, is conditioned on NBD's receiving all required state regulatory approvals.

Competitive Considerations

[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/] See NBD Bancorp, Inc., 78 Federal Reserve Bulletin 572 (1992); Ind. Code Ann. § 28-2-16-15, -16 (Burns Supp. 1986); and Mich. Stat. Ann. § 23.710(130b) (Callaghan 1991). By agreement dated January 6, 1986, the banking departments of Indiana and Michigan determined that the banking laws of each state permitted the interstate acquisition of banks between the states.

Bank and Security compete directly in the Fort Wayne, Gary-Hammond, Indianapolis and Lafayette banking markets, all in Indiana. In the Fort Wayne banking market,[6/] NBD is the largest commercial banking or thrift organization (together "depository institutions"), controlling deposits of $1.3 billion, representing approximately 30.4 percent of total deposits in depository institutions in the market ("market deposits").[7/] INB is the fourth largest depository institution in the Fort Wayne banking market, controlling deposits of $155.7 million, representing approximately 3.6 percent of market deposits. Upon consummation of this proposal, NBD would remain the largest depository institution in the Fort Wayne banking market, controlling deposits of $1.5 billion, representing approximately 34.0 percent of market deposits. The Herfindahl-Hirschman Index ("HHI") for this market would increase by 217 points to 2384.[8/]

6/ The Fort Wayne banking market is approximated by Allen, Dekalb, and Whitley Counties; Preble, Root and Union townships in Adams County; Union and Jefferson townships in Wells County; Jackson and Union townships in Huntington County, all in Indiana; and Carryall township in Paulding County and Hicksville township in Defiance County, both in Ohio.

7/ Market deposit data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. See Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984).

8/ Under the revised Department of Justice Merger Guidelines, 49 Federal Register 26,823 (1984), a market in which the post-merger HHI is above 1800 is considered to be highly concentrated. In such markets, the Justice Department is likely (continued...)

Thirteen commercial banking organizations and one thrift institution would continue to operate in the Fort Wayne banking market after consummation of the proposal. In addition, the Fort Wayne banking market has certain features that make it attractive to potential entrants.[9] In light of the number of competitors remaining in the market, the attractiveness of the market to potential entrants, and other facts of record in this case, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Fort Wayne banking

---

[8] (...continued) to challenge a merger that increases the HHI by more than 50 points. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition 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 200 points. The Justice Department has stated that the higher-than-normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

[9] The Fort Wayne banking market is the second largest Metropolitan Statistical Area ("MSA") in Indiana as measured by commercial bank deposits. The Fort Wayne banking market has significantly greater deposits per office than other MSA markets in Indiana (on average $46.7 million in 1989, compared to $30.5 million for other MSA markets in Indiana); and greater population per banking office than other MSA markets in Indiana (on average 4,502 per office in 1989, compared to 4,024 for other MSA markets in Indiana). In addition, the Fort Wayne banking market experienced significantly greater growth in population from 1986 to 1989 than other MSA markets in Indiana (4.9 percent total growth in population during this period, compared to 1.0 percent total growth on average for other MSA markets in Indiana during this period); and significantly greater growth in deposits from 1986 to 1989 than other MSA markets in Indiana (22.3 percent total growth in deposits during this period, compared to 17.6 percent total growth on average for other MSA markets in Indiana).

market. The Board also concludes that consummation of this proposal would not have a significantly adverse effect on competition in any of the other relevant banking markets.[10/]

Financial, Managerial and Other Considerations

The Board also concludes that the financial and managerial resources and future prospects of NBD, INB, and their subsidiary banks, and other factors the Board is required to consider under section 3 of the BHC Act, are consistent with approval of this proposal. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

NBD also has applied pursuant to section 4(c)(8) of the BHC Act to acquire INB's nonbanking subsidiaries. The Board has determined that each of the activities of these companies is closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act. The Board has approved applications by INB to own shares of each of these companies, and NBD has committed to conduct these activities in accordance with Regulation Y.

In order to approve an application under section 4(c)(8) of the BHC Act, the Board also is required to determine

---

10/ In the Gary-Hammond banking market, NBD would remain the largest depository institution, and the HHI would increase by 308 points to 1374. NBD would become the largest depository institution in the Lafayette banking market, and the HHI would increase by 4 points to 2232. In the Indianapolis banking market, NBD would become the largest depository institution, and the HHI would increase by 101 points to 1876.

that the performance of the proposed activities by NBD "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

NBD operates subsidiaries engaged in nonbanking activities that compete with INB's subsidiaries. In each case, however, the markets for these services are unconcentrated and there are numerous providers of these services. In light of these factors and the shares of each of the markets controlled by NBD and INB, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in the provision of these services in any relevant market. Furthermore, the record does not indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of NBD's application to acquire the nonbanking subsidiaries of INB.

Based on the foregoing and other facts of record, and subject to the commitments made by NBD in this case, the Board has determined that the applications should be, and hereby are, approved. This approval is specifically conditioned on compliance by NBD with all of the commitments made in connection with these applications and with the conditions referenced in this Order. The determinations as to NBD's nonbanking activities are also subject to all the conditions contained in the Board's 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 it finds necessary to assure compliance with, or prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions will be considered conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

The acquisition of INB's banks shall not be consummated before the thirtieth calendar day after the effective date of this Order, and the acquisition of INB's banks and nonbanking companies shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors,[11] effective September 14, 1992.

Jennifer J. Johnson

Jennifer J. Johnson
Associate Secretary of the Board

11/ Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.