APPLICATION

to the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

for Prior Approval for

THE PNC FINANCIAL SERVICES GROUP, INC.

to Acquire

BBVA USA BANCSHARES, INC.

and

BBVA USA

and for

PNC Bancorp, Inc.

to Acquire

BBVA USA

pursuant to
Section 3 of the Bank Holding Company Act
and
Section 225.15 of Regulation Y

December 29, 2020

Board of Governors of the Federal Reserve System

Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company—FR Y-3

The PNC Financial Services Group, Inc.
Corporate Title of Applicant

The Tower at PNC Plaza, 300 Fifth Avenue
Street Address

Pittsburgh,	PA	15222-2401
City	State	Zip Code

(Type of organization, such as corporation, partnership, business trust, association, or trust)

Hereby applies to the Board pursuant to:

☐ (1) Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, (''BHC Act''—12 U.S.C. §1842), under ''Procedures for other bank acquisition proposals'' as described in section 225.15 of Regulation Y;

☒ (2) Section 3(a)(3) of the BHC Act, under ''Procedures for other bank acquisition proposals'' as described in section 225.15 of Regulation Y; or

☒ (3) Section 3(a)(5) of the BHC Act, under ''Procedures for other bank acquisition proposals'' as described in section 225.15 of Regulation Y.

for prior approval of the acquisition of direct or indirect ownership, control, or power to vote at least ________________ (Number) (100%) (Percent) of a class of voting shares or otherwise to control:

BBVA USA Bancshares, Inc.
Corporate Title of Bank or Bank Holding Company

2200 Post Oak Blvd.
Street Address

Houston,	TX	77056
City	State	Zip Code

Does applicant request confidential treatment for any portion of this submission?

☒ Yes

☒ As required by the General Instructions, a letter justifying the request for confidential treatment is included.

☒ The information for which confidential treatment is being sought is separately bound and labeled "Confidential."

☐ No

Name, title, address, telephone number, and facsimile number of person(s) to whom inquiries concerning this application may be directed:

Patricia A. Robinson			Richard K. Kim		
Name			Name		
Of Counsel			Partner		
Title			Title		
Wachtell, Lipton, Rosen & Katz, 51 W. 52nd Street			Wachtell, Lipton, Rosen & Katz, 51 W. 52nd Street		
Street Address			Street Address		
New York,	NY	10019	New York,	NY	10019
City	State	Zip Code	City	State	Zip Code
(212) 403-1127			(212) 403-1354		
Area Code / Phone Number			Area Code / Phone Number		
PARobinson@wlrk.com			RKim@wlrk.com		
Email Address			Email Address		

Certification

I certify that the information contained in this application has been examined carefully by me and is true, correct, and complete, and is current as of the date of this submission to the best of my knowledge and belief. I acknowledge that any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §1001 and §1007.

I also certify, with respect to any information pertaining to an individual and submitted to the Board in (or in connection with) this application, that the applicant has the authority, on behalf of the individual, to provide such information to the Board and to consent or to object to public release of such information. I certify that the applicant and the involved individual consent to public release of any such information, except to the extent set forth in a written request by the applicant or the individual, submitted in accordance with the Instructions to this form and the Board's Rules Regarding Availability of Information (12 C.F.R. Part 261), requesting confidential treatment for the information.

I acknowledge that approval of this application is in the discretion of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Actions or communications, whether oral, written, or electronic, by the Federal Reserve or its employees in connection with this filing, including approval if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, the United States or any other entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of the Federal Reserve to exercise its supervisory, regulatory, or examination powers under applicable laws and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agency of the Federal Reserve or of the United States.

Signed this 29th day of December, 2020.

Signature of Chief Executive Officer or Designee

Gregory B. Jordan, General Counsel and
Chief Administrative Officer

Board of Governors of the Federal Reserve System

Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company—FR Y-3

PNC Bancorp, Inc.
Corporate Title of Applicant

300 Delaware Avenue
Street Address

Wilmington,	DE	29801
City	State	Zip Code

(Type of organization, such as corporation, partnership, business trust, association, or trust)

Hereby applies to the Board pursuant to:

☐ (1) Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, (''BHC Act''—12 U.S.C. §1842), under ''Procedures for other bank acquisition proposals'' as described in section 225.15 of Regulation Y;

☒ (2) Section 3(a)(3) of the BHC Act, under ''Procedures for other bank acquisition proposals'' as described in section 225.15 of Regulation Y; or

☐ (3) Section 3(a)(5) of the BHC Act, under ''Procedures for other bank acquisition proposals'' as described in section 225.15 of Regulation Y.

for prior approval of the acquisition of direct or indirect ownership, control, or power to vote at least ____________ (100%) of a class of voting shares or otherwise to control:
Number Percent

BBVA USA
Corporate Title of Bank or Bank Holding Company

15 20th Street S.
Street Address

Birmingham,	AL	35233
City	State	Zip Code

Does applicant request confidential treatment for any portion of this submission?

☒ Yes

☒ As required by the General Instructions, a letter justifying the request for confidential treatment is included.

☒ The information for which confidential treatment is being sought is separately bound and labeled "Confidential."

☐ No

Name, title, address, telephone number, and facsimile number of person(s) to whom inquiries concerning this application may be directed:

Patricia A. Robinson Name	Richard K. Kim Name
Of Counsel Title	Partner Title
Wachtell, Lipton, Rosen & Katz, 51 W. 52nd Street Street Address	Wachtell, Lipton, Rosen & Katz, 51 W. 52nd Street Street Address
New York, (City) NY (State) 10019 (Zip Code)	New York, (City) NY (State) 10019 (Zip Code)
(212) 403-1127 Area Code / Phone Number	(212) 403-1354 Area Code / Phone Number
PARobinson@wlrk.com Email Address	RKim@wlrk.com Email Address

Certification

I certify that the information contained in this application has been examined carefully by me and is true, correct, and complete, and is current as of the date of this submission to the best of my knowledge and belief. I acknowledge that any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §1001 and §1007.

I also certify, with respect to any information pertaining to an individual and submitted to the Board in (or in connection with) this application, that the applicant has the authority, on behalf of the individual, to provide such information to the Board and to consent or to object to public release of such information. I certify that the applicant and the involved individual consent to public release of any such information, except to the extent set forth in a written request by the applicant or the individual, submitted in accordance with the Instructions to this form and the Board's Rules Regarding Availability of Information (12 C.F.R. Part 261), requesting confidential treatment for the information.

I acknowledge that approval of this application is in the discretion of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Actions or communications, whether oral, written, or electronic, by the Federal Reserve or its employees in connection with this filing, including approval if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, the United States or any other entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of the Federal Reserve to exercise its supervisory, regulatory, or examination powers under applicable laws and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agency of the Federal Reserve or of the United States.

Signed this 29th day of December, 2020.

Signature of Chief Executive Officer or Designee

Gregory B. Jordan, General Counsel and
Chief Administrative Officer

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Request for Confidential Treatment

Confidential treatment is being requested under the federal Freedom of Information Act, 5 U.S.C. § 552 (the "FOIA"), and the implementing regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), for the information contained in the Confidential Exhibits Volume to this application (the "Confidential Materials"). The Confidential Materials include, for example, nonpublic pro forma financial information and information regarding the business strategies and plans of (1) The PNC Financial Services Group, Inc. ("PNC"), PNC Bancorp, Inc. ("PNC Bancorp") and their subsidiary bank, PNC Bank, National Association ("PNC Bank") and (2) Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), BBVA USA Bancshares, Inc. ("BBVA Bancshares") and their U.S. subsidiary bank, BBVA USA, and other information regarding additional matters of a similar nature, which is commercial or financial information that is both customarily and actually treated as private by PNC, PNC Bancorp, PNC Bank, BBVA, BBVA Bancshares and BBVA USA and provided to the government under an assurance of privacy. Certain information in the Confidential Materials also includes confidential supervisory information, which is protected from disclosure. None of this information is the type of information that would otherwise be made available to the public under any circumstances. All such information, if made public, could result in substantial and irreparable harm to PNC, PNC Bancorp, PNC Bank, BBVA, BBVA Bancshares and BBVA USA. Other exemptions from disclosure under the FOIA may also apply. In addition, investors and potential investors could be influenced or misled by such information, which is not reported in any documents filed or to be filed in accordance with the disclosure requirements of applicable securities laws, as a result of which PNC or BBVA could be exposed to potential inadvertent violations of law or exposure to legal claims. Accordingly, confidential treatment is respectfully requested for the Confidential Materials under the FOIA and the Federal Reserve's implementing regulations.

Please contact Patricia A. Robinson (212-403-1127) or Richard K. Kim (212-403-1354) before any public release of any of this information pursuant to a request under the FOIA or a request or demand for disclosure by any governmental agency, congressional office or committee, court or grand jury. Such prior notice is necessary so that PNC, PNC Bancorp, PNC Bank, BBVA, BBVA Bancshares and BBVA USA may take appropriate steps to protect such information from disclosure.

PRELIMINARY STATEMENT

Introduction

The PNC Financial Services Group, Inc. ("PNC") is hereby submitting this application (the "Application") to the Board of Governors of the Federal Reserve System (the "Federal Reserve"), respectfully requesting approval to acquire BBVA USA Bancshares, Inc. ("BBVA Bancshares"), and thereby its sole subsidiary bank, BBVA USA (formerly Compass Bank) (the "Holdco Acquisition"). Immediately after consummation of the Holdco Acquisition, BBVA Bancshares would be merged into PNC, with PNC as the surviving company (the "Holdco Merger," and together with the Holdco Acquisition, the "Holdco Transactions"), and PNC would also contribute the shares of BBVA USA to PNC Bancorp, Inc. ("PNC Bancorp"), PNC's wholly owned subsidiary and nonoperational, immediate parent holding company of PNC Bank, National Association ("PNC Bank") (the "Contribution"). Therefore, PNC is also hereby applying to the Federal Reserve for approval of the Holdco Merger and PNC Bancorp is hereby applying to the Federal Reserve for prior approval to acquire BBVA USA (together with the Holdco Transactions, the "Acquisitions"). Both PNC and PNC Bancorp are applying for such prior Federal Reserve approvals pursuant to section 3 of the Bank Holding Company Act of 1956, as amended (the "BHC Act"), and the Federal Reserve's Regulation Y.

Approximately three months after consummation of the Holdco Acquisition, BBVA USA would merge with and into PNC Bank, with PNC Bank as the surviving institution (the "Bank Merger" and, together with the Acquisitions, the "Proposed Transaction"). An application is being submitted to the Office of the Comptroller of the Currency for prior approval of the Bank Merger pursuant to section 18(c) of the Federal Deposit Insurance Act (the "Bank Merger Act").[1] The boards of directors of the respective companies have approved the Proposed Transaction.

PNC and the Spanish financial group, Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), entered into a Share Purchase Agreement on November 15, 2020 (the "Agreement"), for PNC to acquire BBVA Bancshares, BBVA's subsidiary intermediate U.S. bank holding company, for a purchase price of approximately $11.6 billion to be funded by PNC with cash on hand in a fixed price structure. A copy of the Agreement is in Exhibit 1. Notably, PNC would largely fund the purchase price with the after-tax proceeds ($11.1 billion) of its May 2020 disposition of its entire equity investment in BlackRock, Inc. PNC would not acquire the three nonbanking subsidiaries of BBVA Bancshares' that engage in securities broker-dealer, venture capital investment or affiliate payroll processing activities, or any other of BBVA's branch, agency or representative offices in the United States

PNC is headquartered in Pittsburgh, Pennsylvania, and had total consolidated assets of $461.8 billion, as of September 30, 2020. PNC Bancorp and PNC Bank have their respective headquarters and main offices in Wilmington, Delaware. PNC Bank has branches in 24 states and the District of Columbia, and had total consolidated assets of $457.4 billion and total deposits of $370.4 billion, as of September 30, 2020. BBVA Bancshares is headquartered in Houston, Texas, and had total consolidated assets of $102.4 billion that PNC would acquire, as of September 30, 2020. BBVA USA has its main office in Birmingham, Alabama, and branches

[1] 12 U.S.C. § 1828(c).

in seven states in the Southeastern, Southwestern and Western areas of the United States (*i.e.*, Alabama, Arizona, California, Colorado, Florida, New Mexico and Texas). BBVA USA had total consolidated assets of $102.06 billion and total deposits of $86.7 billion, as of September 30, 2020. There is only a small overlap in the branch networks of PNC Bank and BBVA USA in three states (Alabama, Florida and Texas). On consummation of the Holdco Acquisition, PNC would have total consolidated assets of $552.4 billion and total deposits of $441.5 billion, as of September 30, 2020.

This is a compelling transaction that combines two commercial banking organizations with customer-centric, Main Street banking business models that are dedicated to the significant enhancement of the communities in which they operate. The Proposed Transaction draws on the substantial strengths of both PNC and BBVA Bancshares, combining two regional banking organizations with significant synergies and excellent records of positively serving their communities and offering customers beneficial products and services to benefit their lives and businesses, state-of-the art digital banking opportunities and premier customer service. When combined with BBVA USA's branch network, PNC Bank will have a coast-to-coast franchise with a banking presence in 29 of the 30 largest markets in the United States. The Proposed Transaction will substantially enhance PNC Bank's ability to distribute its beneficial consumer and business banking products and services to more markets across the nation, bring a broader array of products and services to BBVA USA's legacy customers, and better position the combined organization to compete with the largest banking organizations in the United States.

PNC and BBVA Bancshares are each effectively managing the risks from, and actively helping their respective customers and communities mitigate the impacts of, the COVID-19 pandemic. Their respective financial and managerial strengths have enabled them to continue effectively serving the financial and banking needs of their respective business and consumer customers, and the communities they serve, during the pandemic. The Proposed Transaction will not diminish PNC's dedication and ability to continue providing the needed financial, credit, liquidity and technical services throughout its expanded market during this extraordinary pandemic period.

Executive Summary

With this Application, PNC and PNC Bancorp are seeking the Federal Reserve's prior approval for the Acquisitions, pursuant to section 3 of the BHC Act. Prior to consummation of the Holdco Acquisition, BBVA Bancshares would distribute all the issued and outstanding stock of three of its nonbanking subsidiaries – BBVA Securities, Inc. ("BBVA Securities"), Propel Venture Partners US Fund, L.P ("Propel Fund") and BBVA Processing Services, Inc. ("BBVA Processing") – to BBVA (or one of its affiliates). Without these entities as part of the Proposed Transaction, PNC would be acquiring assets of BBVA Bancshares that include: BBVA USA and its subsidiaries; BBVA Transfer Holdings, Inc. and related entities (collectively, "BBVA Transfer"), BBVA Bancshares' nonbanking subsidiary engaged in money transmission services;[2] and certain miscellaneous investments. PNC proposes to acquire the nonbanking subsidiaries of

[2] PNC would also acquire BBVA Transfer's sister subsidiary, BBVA Foreign Exchange, Inc. ("BBVA FX"), which provides foreign exchange services to facilitate BBVA Transfer's money transmission business, as well as BBVA Transfer Holdings, Inc. ("BTHI"), the nonoperational holding company of BBVA Transfer and BBVA FX.

BBVA Bancshares under exemptive authority or financial holding company authority under the BHC Act and the Federal Reserve's Regulation Y. It is planned that the acquired nonbanking subsidiaries of BBVA Bancshares would become subsidiaries of PNC, and the subsidiaries of BBVA USA existing on the consummation date of the Holdco Acquisition would, following the Bank Merger, become subsidiaries of PNC Bank. PNC and BBVA will enter into transitional services and reverse transitional services agreements to provide each other and their relevant affiliates the necessary services on a temporary basis to ensure continued safe and sound operations.

For all the reasons discussed herein, PNC and PNC Bancorp submit that the Acquisitions and Application satisfy each of the criteria that the Federal Reserve is required to consider under section 3 of the BHC Act. In acting on the Application, the Federal Reserve must consider the requirements for an interstate transaction, the statutory limit on deposit and liabilities concentrations, the financial and managerial resources and future prospects of the institutions involved and their effectiveness in combatting money laundering, the competitive effects of the proposed transaction, the extent to which the transaction would result in greater or more concentrated risks to the stability of the U.S. banking or financial system, the effects of the transaction on the convenience and needs of the communities to be served, and the relevant banks' records of performance under the Community Reinvestment Act (the "CRA").

The Acquisitions would meet the requirements for an interstate banking transaction under section 3(d) of the BHC Act. For purposes of that provision, the home state of PNC and PNC Bancorp is Pennsylvania, and BBVA Bancshares is located in Alabama, Arizona, California, Colorado, Florida, New Mexico and Texas. The Acquisitions would result in the combined company controlling only 2.7% of deposits nationwide – far less than the 10% nationwide deposit cap in section 3(d) of the BHC Act. In addition, the Acquisitions would be consistent with relevant state deposit cap concentration limits, age limits and community reinvestment statute requirements for a permissible interstate transaction. On consummation of the Holdco Transaction, PNC and PNC Bancorp would also have far less than 10% of nationwide liabilities (only 2.1%) and, therefore, the Application is consistent with the BHC Act's liabilities concentration limit.

PNC is committed to maintaining its strong and prudent financial, operating and risk profile upon consummation of the Proposed Transaction. PNC and BBVA Bancshares are financially strong and well managed banking organizations. They have ample financial and managerial resources and compatible risk management programs to consummate the Proposed Transaction and successfully integrate the two companies.

PNC (including PNC Bancorp) and BBVA Bancshares, and their subsidiary banks, are each well-capitalized. PNC and BBVA Bancshares have capital ratios well in excess of the minimum capital ratios required in the supervisory stress testing and company-run stress testing exercises, and the Federal Reserve never objected to the respective capital plans they previously submitted as part of the Federal Reserve's annual Comprehensive Capital Analysis and Review ("CCAR") process. On consummation of the Proposed Transaction, the capital and liquidity resources and ratios of PNC and PNC Bank would remain well above regulatory requirements and supervisory expectations. PNC also would continue to maintain prudent capital and liquidity planning risk management practices, including capital and liquidity stress testing programs. The

Proposed Transaction would result in PNC having even stronger financial and operating metrics, as well as greater diversity in sources of income and increased earnings.

The Proposed Transaction would further enhance the financial strength and future prospects of PNC, PNC Bancorp and PNC Bank through access to new markets and customers, while permitting PNC and PNC Bank to utilize their substantial investments in technology and innovation to provide customers of BBVA Bancshares and BBVA USA enhanced digital products and services, a wider range of products and services, and robust cybersecurity protections. The other strategic benefits that will enhance PNC's and PNC Bank's future prospects include, among others: (1) strong cultural alignment to deliver superior customer service and outstanding community support, including to low- and moderate-income ("LMI") communities and other underserved areas, and to deepen productive relationships with community organizations in local communities; (2) ability to attract and retain top industry talent in the collective company's footprint and operations through expanded training and career opportunities; (3) complementary businesses to generate revenue growth opportunities in a broader set of markets through (a) PNC Bank's broader digital offerings, home equity products, commercial lending and lease financing services, cash management and treasury services, and capital markets services and (b) BBVA Transfer's money transmission services.

PNC will continue to have appropriate managerial resources and risk management systems to continue operating in a safe and sound manner and complete a successful integration with BBVA USA. PNC has a highly experienced Board of Directors and management team who are expected to remain in place at PNC and PNC Bank, and PNC has extensive experience in successfully integrating banking organizations acquired through prior acquisitions. PNC Bank's Regional President model will be introduced into the expanded local markets resulting from the Proposed Transaction, which will enhance accountability and coordination of PNC Bank's community and civic involvement to help ensure that the banking and community needs of the markets are being met.

PNC and BBVA USA each have robust enterprise risk management programs in place, including for capital, liquidity, credit, market, operational and compliance risks. The Proposed Transaction will not materially increase the risk profile of PNC and, instead, will result in a more geographically diversified banking organization that is able to compete on more local Main Streets with the largest U.S. banking organizations. The operations of BBVA Bancshares and BBVA USA will be fully integrated into PNC's existing enterprise-wide risk management framework and risk management governance, which is aligned with the Federal Reserve's and the OCC's heightened standards for large banking organizations. The collective organization will benefit from the significant enhancements PNC has made to its enterprise-wide risk management framework in recent years, all under the active oversight of the company's Board of Directors.

Both PNC and BBVA Bancshares have management who are experienced in successfully integrating operations of acquired entities. The similar Main Street business models, business lines, cultures and risk management practices of PNC and BBVA Bancshares will reduce execution risk associated with integrating BBVA Bancshares' and BBVA USA's operations into PNC and PNC Bank, respectively. To assist in the decision-making process for the Proposed Transaction and planning for a successful integration, PNC management led a comprehensive due diligence review of all lines of business and functional areas of BBVA Bancshares and BBVA USA, including credit, compliance, operations, human resources, finance and legal aspects.

PNC and BBVA Bancshares have each implemented strong compliance risk management programs, including for compliance with the Bank Secrecy Act ("BSA") and other anti-money laundering ("AML") laws, as well as the sanctions restrictions issued by the U.S. Department of Treasury's Office of Foreign Assets Control ("BSA/AML/Sanctions Compliance"). Each of PNC and BBVA also have in place effective risk management programs for compliance with fair lending and other consumer protection laws ("Consumer Compliance"). As noted, the operations of BBVA Bancshares and BBVA USA will be integrated into PNC's systems, including its BSA/AML/Sanctions Compliance and Consumer Compliance risk management frameworks. During the short interval between the closings of the Holdco Acquisition and the Bank Merger, BBVA USA's existing compliance risk management systems, processes and controls would largely remain in place, but with the output integrated into PNC's compliance management systems to enable PNC and PNC Bank senior management and boards of directors to effectively identify, monitor and manage compliance risks on an enterprise-wide basis.

The Holdco Acquisition would not significantly lessen competition in the few banking markets in which the branch networks of PNC Bank and BBVA USA overlap. The branch networks of the organizations currently overlap in only 14 local banking markets – eight markets in Alabama, three markets in Florida and three markets in Texas. In none of those banking markets would the transaction exceed the screens used by the Federal Reserve or the U.S. Department of Justice (the "DOJ") to identify transactions that warrant closer scrutiny. Moreover, numerous competitors would remain in each of those markets.

In addition, the Holdco Acquisition would not pose any significant risk to the stability of the U.S. banking or financial system. Both PNC Bank and BBVA USA are focused on traditional consumer and commercial banking services, for which there are numerous competitors. On consummation of the Holdco Acquisition, PNC would be only one-fifth or less the size of the four largest U.S. banking organizations, it would remain a Category III banking organization for regulatory purposes, and its globally systemically important bank ("GSIB") score would remain well below the threshold to be considered systemically important. Neither PNC nor BBVA Bancshares (1) provides core clearing and settlement services, or (2) is a significant participant in corporate trust, repurchase, securities lending, custody, or debt or equity underwriting services. BBVA is retaining ownership of BBVA Bancshares' U.S. broker-dealer subsidiary, BBVA Securities, and its institutional business. Moreover, PNC and PNC Bank are not acquiring any foreign entities as part of the Proposed Transaction. PNC would remain core deposit funded, with a pro forma loan-to-deposit ratio of 71% and limited reliance on short-term wholesale funding. The Proposed Transaction also would not complicate any resolution process in the event of serious financial distress. Upon consummation of the Bank Merger, 97% of the assets of the combined organization would be held through PNC Bank and subject to the well-established resolution process under the Federal Deposit Insurance Act.

The Proposed Transaction will benefit the convenience and needs of the communities served by PNC and BBVA Bancshares, including their customers, communities and employees, by combining two organizations with strong customer-oriented cultures, compatible business models and award-winning technological products and services. PNC will apply its guiding philosophy – "PNC's prosperity will be proportional to the prosperity the company helps to create for its customers, communities in which it operates and its employees" – to the legacy constituents of both BBVA Bancshares and PNC on consummation of the Holdco Acquisition. PNC implements that philosophy by: (1) prioritization of its customers, including by providing high quality products and services to all customers; (2) dedication to its communities, including by providing support through strong local leadership and collaboration with local organizations; and (3) investing in its employees, including through building diverse teams and providing effective training, support and opportunities. The Proposed Transaction will benefit the customers, communities and employees of the combined company and bank.

How the Proposed Transaction will benefit the convenience and needs of the communities to be served is demonstrated by the overall "Outstanding" ratings for CRA performance that both PNC Bank and BBVA USA have earned. PNC Bank is dedicated to continuing its unbroken record of receiving an overall "Outstanding" rating in every evaluation since the passage of the CRA 43 years ago. Both PNC Bank and BBVA USA: (1) offer premier customer service and a full range of products and services for consumers and small businesses, including those designed to benefit LMI customers and communities; (2) actively engage in community development lending and investments activities, often in leadership positions; and (3) provide extensive community development services. The organizations' community development lending, investment and services activities are often innovative and adept at addressing urgent community needs, such as those associated with the COVID-19 pandemic.

Following consummation of the Proposed Transaction, PNC Bank will extend its successful community reinvestment program into the communities currently served by BBVA USA, while integrating the successful local strategies and programs of BBVA USA where appropriate. PNC Bank is carefully evaluating BBVA USA's current consumer products and community development programs so that PNC Bank may integrate the strongest components into its CRA program and continue its unbroken record of overall "Outstanding" CRA performance, including in the legacy CRA assessment areas of BBVA USA. PNC Bank looks forward to working with BBVA USA and community partners to map out new ways for the collective bank to help serve the banking, credit and investment needs of all the communities within its expanded footprint.

The convenience and needs of communities will also benefit from the expanded products and services resulting from the Proposed Transaction. Current PNC and BBVA Bancshares customers will benefit from a wider scope of beneficial products and services, as well as expanded bank branch and automated teller machine ("ATM") networks. Legacy BBVA USA customers will gain access to PNC Bank's broader digital offerings, home equity products, commercial lending and lease financing services, cash and treasury management services, capital markets services, personal and institutional asset management services and retail securities brokerage. Legacy PNC customers will gain access to BBVA Transfer's money transmission services. Moreover, PNC does not expect to close or consolidate any BBVA USA or PNC Bank branch that is located in an LMI census tract in connection with the Proposed Transaction.

Importantly, PNC and BBVA Bancshares also place a high priority on diversity and inclusion. Each of PNC and BBVA Bancshares has long been dedicated to diversity, the inclusion of all people and groups, and reinvesting, strengthening and enriching the lives of the communities where they operate. This is demonstrated by each organization's initiatives focused on the economic empowerment of minorities and LMI communities, actions to address systemic racism and provide financial support during the COVID-19 pandemic, including to the minority and LMI communities that have been disproportionately impacted by the pandemic. For example, in 2020, PNC pledged $1 billion to combat racism and economically empower Black and LMI communities, and pledged more than $50 million in additional charitable support for national and local actions that help eliminate systemic racism and promote social justice. In addition, PNC Bank has provided extensive financial support during the pandemic to nonprofit organizations and community development financial institutions ("CDFIs") to assist individuals and businesses in minority, LMI and other disproportionately impacted communities. BBVA USA also has provided significant charitable contributions to nonprofit community organizations to provide essential services to residents in need, grants to CDFIs to provide zero- and low-interest rate loans and other assistance to small businesses and funding for local food banks. Such initiatives have been in addition to the extensive pandemic-related lending and credit-relief actions for consumers and small businesses taken by both PNC Bank and BBVA USA.

Both organizations also have implemented extensive training on unconscious bias, established leadership groups and tools to promote diversity and inclusion at all levels within their organizations and established business resource groups to support and mentor employees who are minorities, women, LGBTQ+, military veterans or disabled. Both PNC and BBVA Bancshares have received numerous awards for their diversity and inclusion initiatives and results. PNC expects to continue these shared principles, values, priorities and actions after consummation of the Proposed Transaction.

Based on the foregoing and as explained in more detail below and in the exhibits to the Application, the Acquisition will satisfy all of the factors the Federal Reserve must consider and, accordingly, the Application is fully consistent with approval and should be approved as soon as possible.

The Companies

The PNC Financial Group, Inc. and PNC Bank, National Association:

PNC and PNC Bancorp

PNC is a registered bank holding company incorporated under Pennsylvania law that has elected financial holding company status. Its headquarters office is in Pittsburgh, Pennsylvania. As of September 30, 2020, PNC had total consolidated assets of $461.8 billion and total consolidated deposits of $355.1 billion. PNC Bancorp is a registered bank holding company incorporated under Delaware law that serves as a nonoperational holding company of PNC Bank.

PNC conducts its business operations and activities primarily through PNC Bank, its subsidiary commercial bank. As discussed below, PNC Bank, directly and through various subsidiaries, provides a wide range of retail banking, corporate and institutional banking and asset management services.

PNC Bank

PNC Bank is a national bank with its main office in Wilmington, Delaware. The initial predecessor bank of PNC Bank was established in 1804 in New Jersey. The bank's name was changed to "PNC Bank, National Association" in 1996. PNC Bank currently operates 2,256 licensed branches in the District of Columbia and the following 24 states: Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Maryland, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, West Virginia, and Wisconsin. As of September 30, 2020, PNC Bank had total consolidated assets of $457.5 billion and total deposits of $370.4 billion, representing 99% of PNC's total consolidated assets and 100% of PNC's total consolidated deposits (after eliminating intra-company deposits).

PNC Bank's limited foreign operations are conducted primarily through a foreign branch in Nassau, The Bahamas (the "Bahamas Branch"), a foreign branch in Toronto, Canada (the "Toronto Branch"), and two subsidiaries of PNC Bank: (1) Harris Williams & Co. Ltd. ("Harris Williams"), which provides financial advisory services to companies in the European Union and the United Kingdom and (2) PNC Financial Services UK Ltd. ("PFS UK"), which provides asset-backed commercial loans in the United Kingdom.

PNC Bank provides a wide range of retail, small business and commercial banking deposit and lending products and services to individuals and businesses of all sizes, public agencies, local governments, trusts and other entities. PNC Bank's core business lines include: Retail Banking, Corporate and Institutional Banking, and Asset Management Group.

The Retail Banking core business provides deposit, lending, brokerage, investment management and cash management services to individual consumers and small business customers. The lending products include residential mortgages, home equity loans and lines of credit, auto loans, credit cards, education loans, and personal loans and lines of credit.

The Corporate and Institutional Banking ("C&IB") core business provides lending, treasury management and capital markets-related products and services to mid-sized and large corporations, as well as government and nonprofit entities. Such treasury management services include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting and global trade services. The capital markets-related activities include foreign exchange, derivatives, securities, loan syndications, mergers and acquisitions advisory and equity capital markets advisory related services, as well as commercial loan servicing and real estate advisory and technology solutions for the commercial real estate finance industry.

The Asset Management Group ("AMG") core business line provides personal wealth management for high net worth and ultra-high net worth clients, as well as institutional asset management. Such wealth management products and services include investment and retirement planning, customized investment management, private banking, tailored credit solutions and trust management and administration for individuals and their families. Institutional asset management provides investment management, custody and retirement administration services to corporations, unions, municipalities, nonprofit organizations, foundations and endowments.

BBVA USA Bancshares, Inc. and BBVA USA:

BBVA Bancshares

BBVA Bancshares is the intermediate U.S. holding company and wholly owned subsidiary of BBVA, a global financial services group with its headquarters in Madrid, Spain. BBVA Bancshares is a bank holding company and financial holding company that was organized in 2007 as a Texas corporation. The headquarters office of BBVA Bancshares is located in Houston, Texas. BBVA Bancshares conducts its business operations primarily through its subsidiary commercial bank, BBVA USA.

BBVA Bancshares also owns all the shares of BBVA Transfer, which engages in money transfer services and related activities, including money transmission and foreign exchange services. In addition, BBVA holds three other nonbanking subsidiaries that PNC will not acquire as part of the Holdco Acquisition (collectively, the "Excluded Subsidiaries"): (1) BBVA Securities, a registered broker-dealer that engages in investment banking and institutional sales of fixed income securities; (2) Propel Fund, an entity that engages in venture capital investment; and (3) BBVA Processing, which provides payroll processing services for the Houston agency of BBVA's Mexican banking subsidiary, BBVA Mexico.

As of September 30, 2020, BBVA Bancshares had total consolidated assets of $103.7 billion. The amount of its total consolidated assets without the assets of the Excluded Subsidiaries was $102.4 billion as of such date.

BBVA USA

BBVA USA is an Alabama state-chartered bank with its main office in Birmingham, Alabama, and is a member of the Federal Reserve System. BBVA USA was formerly known as Compass Bank, which BBVA acquired in 2007. In June 2019, BBVA Bancshares renamed the bank BBVA USA as part of the rebranding of BBVA's U.S. operations.

As of September 30, 2020, BBVA USA had total consolidated assets of $102.0 billion and total deposits of $86.7 billion. BBVA currently has 636 branches in the following seven states: Alabama, Arizona, California, Colorado, Florida, New Mexico and Texas. The largest number of BBVA USA's branches are in Texas, followed (from highest to lowest number) by Alabama, Arizona, California, Florida, Colorado and New Mexico. The Alabama branches are located throughout the state; the Arizona branches are concentrated in the Tucson and Phoenix metropolitan markets; the California branches are concentrated in the Inland Empire and Central Valley regions; the Colorado branches are concentrated in the Denver metropolitan areas; the Florida branches are concentrated in Jacksonville, Gainesville and the Florida Panhandle; and the Texas branches are primarily in the metropolitan areas of Houston, Dallas/Fort Worth, San Antonio and Austin, as well as cities in the South Texas region, such as McAllen and Laredo. BBVA USA also operates loan production offices in various metropolitan areas across the nation, including in: California (Fresno, Irvine, Los Angeles, Oakland, Ontario, Sacramento, San Diego and San Jose); Florida (Miami, Orlando, West Palm Beach, Sarasota and Tampa); Georgia (Atlanta); Illinois (Chicago); Maryland (Baltimore); New York (New York City); and North Carolina (Charlotte and Raleigh).

BBVA USA engages in banking services that are customary for full-service commercial banks of similar size. The banking products and services that BBVA USA currently provides directly or indirectly through its subsidiaries include: retail and commercial demand and time deposits; personal, small business and commercial loans; home mortgage and commercial real estate loans; portfolio management and administration and investment services to estates and trusts; term life insurance, variable annuities, property and casualty insurance and certain other insurance products; investment advisory services; and a variety of investment services and products to institutional and individual investors.

Structure and Terms of the Proposed Transaction

Structure of the Transaction

In the Holdco Acquisition, PNC will acquire all the shares of BBVA Bancshares for all-cash consideration with funds on hand. As noted, the primary source of the funds for the acquisition is the after-tax proceeds of PNC's May 2020 disposition of its entire equity investment in BlackRock, Inc. Before consummation of the Holdco Acquisition, BBVA Bancshares will distribute to BBVA (or one of its affiliates) all the shares of the Excluded Subsidiaries: BBVA Securities (broker-dealer), Propel Fund (venture capital fund) and BBVA Processing (payroll services for BBVA Mexico's Houston agency). Although BBVA Securities will be distributed out of BBVA Bancshares to BBVA, the broker-dealer's retail clients will be transferred to PNC Investments LLC, PNC Bank's subsidiary retail broker-dealer shortly after consummation of the Holdco Acquisition. The following entities will become nonbanking subsidiaries of PNC: BBVA Transfer (engages in money transfer services); BBVA FX (provides foreign exchange service that facilitate the money transfer services), and BTHI (the nonoperational holding company of BBVA Transfer and BBVA FX).

Immediately after consummation of the Holdco Acquisition, two corporate transactions will occur: (1) the Holdco Merger – BBVA Bancshares will merge with and into PNC, with PNC as the surviving company, and the corporate existence of BBVA Bancshares will be extinguished; and (2) the Contribution – PNC will contribute all the shares of BBVA USA to PNC Bancorp, resulting in BBVA USA temporarily becoming a wholly owned subsidiary of PNC Bancorp.[3] BBVA Transfer, BBVA FX and BTHI will remain as nonbanking subsidiaries of PNC.

As noted, approximately three months after the Holdco Transactions are completed, PNC plans to merge BBVA USA with and into PNC Bank, with PNC Bank as the surviving bank. PNC will time consummation of the Bank Merger to be concurrent with its planned systems conversions to mitigate the potential for customer confusion or disruption.

On consummation of the Bank Merger, the subsidiaries of BBVA USA will become operating subsidiaries of PNC Bank, with the exception of BBVA Insurance Agency, Inc. ("<u>BBVA Insurance Agency</u>"), BBVA USA's insurance agency subsidiary. BBVA Insurance

[3] The bylaws of BBVA USA will be amended, as needed, in accordance with relevant Alabama law, to be effective upon completion of the Holdco Acquisition and Contribution.

Agency will become a financial subsidiary of PNC Bank and PNC will rename it PNC Insurance Agency, Inc.

Information on the nonbanking subsidiaries of BBVA Bancshares that PNC would retain and the subsidiaries of BBVA USA that would become subsidiaries of PNC Bank through the Proposed Transaction are provided in Exhibit 2 and Confidential Exhibit A. In Exhibit 3, please find: (1) a current organization chart of BBVA Bancshares and BBVA USA, and (2) a current organization chart of PNC and PNC Bank. A pro forma organization chart of PNC and PNC Bank is provided in Confidential Exhibit B.

PNC and BBVA will enter into a transitional services agreement and a reverse transitional services agreement to help ensure that their respective business operations will continue to operate without disruption. The transitional services will be provided for no longer than 12 months after consummation of the Holdco Acquisition. Such services will cover certain temporary data processing, technology, data center, record retention, risk management, human resources, procurement, security, accounting, retail securities brokerage, tax and leasing support functions. Forms of the Transitional Services Agreement and the Reverse Transitional Services Agreement, which are Appendices B and C to the Agreement, are provided in Exhibit 4. Copies of the final executed versions of these agreements will be provided to the Federal Reserve and the OCC promptly after they are finalized.

Share Purchase Agreement and Bank Merger Agreement

A copy of the Agreement is provided in Exhibit 1, and copies of the form of Holding Company Merger Agreement ("Holdco Merger Agreement") and the Bank Merger Agreement are provided in Exhibit 5 (along with a copy of certified board resolutions). PNC will provide the Federal Reserve with copies of the final Holdco Merger Agreement and Bank Merger Agreement promptly after they are executed.

Resolutions approving the Holdco Acquisition by PNC's Board of Directors and joint resolutions of the Boards of Directors of PNC and PNC Bank approving the Holdco Merger, the Bank Merger, entering into the related merger agreements and the filing of the related regulatory filings, as well as the related consent of PNC Bancorp as the sole shareholder of PNC after the Holdco Transactions, are provided in Exhibit 5. Relevant resolutions of the Boards of Directors of BBVA approving the Holdco Acquisition and of BBVA USA approving the filing of the Bank Merger application, and the related consent of BBVA Bancshares as the sole shareholder of BBVA USA, are provided in Exhibit 6.

The Form 8-K that PNC issued in connection with its entry in the Agreement is provided in Exhibit 7.

Below is a summary of the principal terms of the Agreement:

- Structure of Transaction: PNC will purchase 100% of the shares of BBVA Bancshares from BBVA.

- All the shares of the three Excluded Subsidiaries will be distributed out of BBVA Bancshares to BBVA (or one of its affiliates) in advance of closing the Holdco Acquisition.

- Although BBVA Securities, the broker-dealer subsidiary of BBVA Bancshares, will be distributed out of BBVA Bancshares to BBVA (or one of its affiliates) and not included in the Holdco Acquisition, the broker-dealer's retail brokerage accounts will be transferred to PNC Investments LLC, a subsidiary of PNC Bank, shortly after consummation of the Holdco Acquisition.

- Consideration: PNC will pay BBVA (a) an amount in cash equal to $11.57 billion, plus or minus (b) any tax cost or benefit resulting from the difference, if any, between the fair market value of the Excluded Subsidiaries and their tax basis, and minus (c) BBVA Bancshares' transaction expenses (inclusive of payments under retention arrangement in place at BBVA Bancshares). If the Holdco Acquisition has not closed by June 30, 2021, then PNC will also pay interest at a rate of 3% per year on the fixed cash purchase price for the period following June 30, 2021 through the date of the closing. As noted, PNC will primarily fund the purchase price from the after-tax proceeds ($11.1 billion) of its May 2020 disposition of its entire equity investment in BlackRock, Inc.

- Regulatory Matters: The parties will cooperate and use reasonable best efforts to promptly make all necessary filings and obtain required federal and state bank regulatory approvals, and regulatory approvals in connection with state money transmitter licenses, the broker-dealer (for the transfer of its retail customers to PNC) and BBVA Insurance Agency. PNC will not be required to take any action or accept any condition in connection with seeking a regulatory approval that would have a material adverse effect on the combined company.

- Tax Treatment: Taxable purchase and sale of shares for U.S. federal income tax purposes.

- Key Conditions to Closing: Each party's obligation to complete the stock purchase is subject to the following customary conditions:

  - The receipt of all required regulatory approvals;

  - The absence of any law or government order prohibiting the completion of the transaction;

  - The transfer of the Excluded Subsidiaries out of BBVA Bancshares;

  - The accuracy of the other party's representations and warranties, generally subject to a global "material adverse effect" standard and material compliance by the other party with its covenants; and

    - The receipt of all certificates, documents, evidence and agreements required to be delivered under the agreement.

- Termination Rights: Either party may terminate the agreement: (1) by mutual written consent of both parties; (2) by written notice if there is a final and non-appealable denial of a required regulatory approval or if the transaction is prohibited by law or order of a court or regulator; (3) by written notice if the closing has not occurred within one year after the date of the Agreement (unless such date is extended by either party by up to three months), unless the failure to complete the transaction by that date is due to the terminating party's breach of the agreement; or (4) by written notice if there is a breach by the other party that would cause the failure of the closing conditions described above, unless the breach is cured within 45 days following such notice.

- Termination Fee: There is no termination fee under the Agreement.

- Representations and Warranties:

    - The Agreement contains customary representations and warranties from BBVA in respect of BBVA Bancshares and BBVA USA relating to, among other things, corporate organization, capitalization, subsidiaries, authority, regulatory matters (including filings), reports and SEC filings, financial statements, material contracts, real property, conflicts with contracts or law, derivative instruments, litigation, brokers' fees, employee benefit plans and labor, taxes, insurance, intellectual property, privacy and cybersecurity, loans and extensions of credit, its trust business, environmental law matters, and use of assets.

    - The agreement also contains limited customary representations from PNC relating to corporate organization, authority, regulatory matters (including filings), brokers' fees, litigation, availability of funds, and the character of its investment.

- Negative Covenants: The Agreement includes customary covenants, including covenants requiring BBVA Bancshares and BBVA USA (and their respective subsidiaries), subject to certain exceptions, to conduct their respective businesses in the ordinary course during the interim period between the execution of the Agreement and the closing of the Holdco Acquisition.

- Survival of Representations, Warranties and Covenants: Representations and warranties generally survive for 18 months after the closing. However, representations regarding (1) certain fundamental matters (*e.g.*, corporate organization and authority) continue until the expiration of the applicable statute of limitations, and (2) tax will survive until 30 days following the expiration of the full period of all statutes of limitations. Covenants required to be performed prior to the closing will survive until performed in full.

- Indemnification: Each party will indemnify the other for losses relating to breaches of representations and warranties, covenants and certain tax and other matters, subject to the following limitations relating to breaches of representations and warranties:

    - Cap: The maximum, aggregate indemnification liability for breaches of representations and warranties (except breaches of certain fundamental representations and warranties) is capped at $1.2 billion. Absent fraud, the maximum, aggregate indemnification liability for breaches of representations and warranties (including fundamental representations) is capped at the amount of the purchase price paid at the closing.

    - Basket: A party's losses for breaches of representations and warranties (other than fundamental representations and warranties) must first exceed $200,000 on a per claim basis (or series of related claims), and $100 million in the aggregate before the other party is liable for the amount of losses in excess of such threshold.

Required Approvals

In addition to the Application, applications to regulatory agencies will include:

- An application to the OCC for prior approval for BBVA USA to merge with and into PNC Bank, with PNC Bank as the surviving institution, pursuant to the Bank Merger Act and to operate BBVA USA's branches as licensed branches of PNC Bank pursuant to the Bank Merger Act, section 36(d) of the National Bank Act and the OCC's implementing regulations (the "OCC Application");[4]

- An application is being submitted to the Alabama State Banking Department for prior approval of PNC, PNC Bancorp and PNC Bank to acquire BBVA USA, pursuant to section 5-13B-4 of the Alabama Code;[5] and

- An application is being submitted to the Texas Department of Banking for prior approval of PNC to acquire BBVA Bancshares, pursuant to section 202.001 of the Texas Finance Code.[6]

In addition, PNC or PNC Bank will submit appropriate notices of the Proposed Transaction, with copies of the Application and the OCC Application, to the relevant banking agencies of the states in which BBVA USA operates branches. In connection with the acquisition of BBVA Transfer, filings will be made to the state financial regulators in the District

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[4] 12 U.S.C. §§ 24, 24a, 36(d), 1828(c) and 1831u; 12 CFR §§ 5.26, 5.33, 5.34, 5.35, 5.36 and 5.39. The OCC Application will also cover the operating subsidiary, financial subsidiary and fiduciary aspects of the Bank Merger.

[5] Ala. Code § 5-13B-4.

[6] Under TX Fin. Code § 202.001, the Texas Department of Banking must approve a proposed acquisition of a "Texas bank holding company," which is defined as a company whose "home state" (defined in substantially the same manner as for purposes of section 3(d) of the BHC Act) is Texas. The "home state" of a bank holding company is determined by the state in which the company had the largest amount of its total deposits on the date it became a bank holding company. TX Fin. Code §§ 201.002(22) & (40). When BBVA Bancshares became a bank holding company in 2007, the largest amount of its total deposits were in Texas.

of Columbia and the 50 states (other than Montana, which does not regulate money transmitter businesses). In connection with the acquisition of BBVA Insurance Agency and the premium finance activity of BBVA USA, filings will also be made to the Texas Department of Insurance. Regulatory filings related to the transfer of BBVA Securities to BBVA (or its affiliates), and of its retail customers to PNC Investments, LLC, will also be made.

Public Notice

The form of newspaper notice for the Application is provided in Exhibit 8. We have arranged for the newspaper notice to appear in each of: (1) *Pittsburgh Post-Gazette*, a newspaper of general circulation in Pittsburgh, Pennsylvania, the city in which the headquarters of PNC is located; (2) the *Houston Chronicle*, a newspaper of general circulation in Houston, Texas, the city in which the headquarters of BBVA Bancshares is located; (3) *The News Journal*, a newspaper of general circulation in Wilmington, Delaware, the city in which the headquarters of PNC Bancorp and the main office of PNC Bank are located; and (4) *The Birmingham News*, the city in which the main office of BBVA USA is located. Copies of the publication affidavits from those newspapers will be provided to the Federal Reserve once they become available.

Factors for Federal Reserve Review

I. Interstate Banking Requirements and Liabilities Concentration

A. Interstate Banking Requirements

Section 3(d) of the BHC Act ("Section 3(d)"), as revised by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), permits the Federal Reserve to authorize a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of such bank holding company, notwithstanding contrary state law.[7] For purposes of this provision, PNC's home state is Pennsylvania, the state in which the deposits of PNC's subsidiary banks were largest when it became a bank holding company.[8] For purposes of Section 3(d), the Federal Reserve considers a bank proposed to be acquired to be "located" for these purposes "in the states in which the bank is chartered, headquartered or operates a branch."[9] BBVA Bancshares is deemed to be "located" for Section 3(d) purposes in Alabama, Arizona, California, Colorado, Florida, New Mexico and Texas.

PNC and PNC Bancorp will be both "well capitalized" and "well managed," as those terms are used in Section 3(d), when they acquire BBVA Bancshares and BBVA USA, respectively.[10] Section 3(d) also imposes requirements relating to (1) the age of the target bank,

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[7] 12 U.S.C. § 1842(d)(1)(A).

[8] 12 U.S.C. § 1841(o)(4).

[9] *See, e.g.*, *The PNC Financial Services Group, Inc.*, 94 Fed. Res. Bull. C38 (2008); *BBVA USA Bancshares Incorporated*, 93 Fed. Res. Bull. C94 (2007).

[10] *See* 12 U.S.C. §§ 1841(o)(1) and (o)(9), 12 CFR part 217, and 12 CFR § 225.2(s).

(2) concentration limits and (3) community reinvestment compliance.[11] Each of these conditions is satisfied in the case of the Acquisitions.

Age of the Acquired Bank. Section 3(d) specifies that the Federal Reserve may not approve a proposed interstate acquisition if the effect would be to permit an 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", subject to a cap of five years.[12] The earliest predecessor bank of BBVA USA was established in 1964 (under the name of Central Bank and Trust Company) and, therefore, has been in existence much longer than five years.[13] Therefore, the Federal Reserve is authorized under Section 3(d)(1)(B)(ii) of the BHC Act to approve the Holdco Acquisition regardless of any state law age requirements.[14]

Nationwide Concentration Limit. Section 3(d) provides that the Federal Reserve may not approve an interstate acquisition if, upon consummation, the applicant would control more than 10% of the total amount of deposits of insured depository institutions in the United States ("nationwide deposits").[15] On consummation, PNC and PNC Bancorp would hold only approximately 2.7% of nationwide deposits and, thus, would be well under the nationwide deposits concentration limit.

Statewide Concentration Limit. Section 3(d) also provides that the Federal Reserve may not approve an interstate acquisition if:

(1) immediately prior to consummation, the applicant controls any insured depository institution or any branch of an insured depository institution in the home state of any bank to be acquired or in any host state in which any such bank maintains a branch; and

(2) the applicant, upon consummation of the acquisition, would control 30% or more of the total amount of deposits in any such state (or such higher percentage as may be permitted by state law, regulation or order).[16]

BBVA USA's home state is Alabama and it has branches in the host states of Arizona, California, Colorado, Florida, New Mexico and Texas. PNC Bank also has branches in Alabama, Florida and Texas. Upon consummation, PNC would hold only 18.5% of total insured depository institution deposits in Alabama,[17] 2.7% of total insured depository institution deposits

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[11] 12 U.S.C. § 1842(d)(1)-(3).

[12] The Federal Reserve may approve an acquisition of a bank that has been in existence for at least five years without regard to a contrary minimum period of time specified in a host state's law. 12 U.S.C. § 1842(d)(1)(B).

[13] The name of Central Bank and Trust Company changed several times and became Compass Bank in 1993. BBVA acquired Compass Bank in 2007 and changed the bank's name to BBVA USA in 2019.

[14] Ala. Code §§ 5-13B-6, 5-13B-23 (five years); TX Fin. Code § 202.003(b) (five years). None of Arizona, California, Colorado, Florida or New Mexico has statutory age restrictions that would apply to the Proposed Transaction.

[15] 12 U.S.C. § 1842(d)(2)(A).

[16] 12 U.S.C. §§ 1842(d)(2)(B) and (D)(i).

[17] As of June 30, 2020, PNC Bank and BBVA USA had deposits totaling $3.2 billion and $20.6 billion, respectively, in Alabama. On a combined basis, they would hold $23.9 billion or 18.5% of the $129.5 billion total amount of deposits of insured depository institutions in Alabama.

in Florida,[18] and 3.2% of total insured depository institutions in Texas.[19] Therefore, the Acquisitions would comply with this statewide concentration limit.

Section 3(d) further provides that state law caps on the total amount of deposits in the state that a single banking organization may hold must also be complied with, provided that the cap does not discriminate against out-of-state banking organizations.[20] Alabama, Arizona and Florida each impose a 30% state deposit cap.[21] Colorado imposes a 25% state deposit cap,[22] and Texas imposes a 20% state deposit cap.[23] As discussed above, upon consummation, PNC would hold far less than the state deposit caps in Alabama, Florida and Texas. Upon consummation, PNC would hold 3.7% and 1.6% of total insured deposits in Arizona and Colorado, respectively. Neither California nor New Mexico impose a state deposit cap. The Proposed Transaction, therefore, would comply with the state law deposit cap requirements of Section 3(d).

Community Reinvestment Act Compliance. Section 3(d) of the BHC Act directs the Federal Reserve to consider an applicant's record under the CRA and take into account its record of compliance under state community reinvestment laws.[24] As noted, PNC Bank and BBVA USA each currently have overall CRA performance ratings of "Outstanding." Detailed information about the CRA compliance records of PNC Bank and BBVA USA are in the *Commitment to the CRA* section below. There are no applicable state community reinvestment statutes that would apply to PNC Bank or BBVA USA (or their respective bank holding companies).

Conclusion under Section 3(d). The Acquisitions would satisfy each of the conditions for an interstate acquisition in Section 3(d) of the BHC Act. Accordingly, the Federal Reserve is permitted to approve the proposal under Section 3(d) of the BHC Act.

B. Liabilities Concentration

The BHC Act and the Federal Reserve's implementing Regulation XX generally prohibit a financial company, including, among others, a bank holding company and an insured depository institution, from merging or consolidating with, or acquiring control of, another company if the total consolidated liabilities of the acquiring financial company after consummation of the transaction would exceed 10% of the aggregate consolidated liabilities of all financial companies ("Total Liabilities") at the end of the calendar year preceding the transaction.[25] As of December 31, 2019, PNC and BBVA Bancshares had consolidated

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[18] As of June 30, 2020, PNC Bank and BBVA USA had deposits totaling $13.5 billion and $5.7 billion, respectively, in Florida. On a combined basis, PNC would hold $19.1 billion or 2.7% of the $708.4 billion total amount of deposits of insured depository institutions in Florida.

[19] As of June 30, 2020, PNC Bank and BBVA USA had deposit totaling $61.3 million and $44.2 billion, respectively, in Texas. On a combined basis, PNC would hold $44.3 billion or 3.2% of the $1.36 trillion total amount of deposits of insured depository institutions in Texas.

[20] *See* 12 U.S.C. § 1842(d)(2)(C).

[21] *See* Ala. Code § 5-13B-6 (b); A.R.S. § 6-328B; Fla. Stat. § 658.2953.

[22] Col. Rev. Stat. § 11-104-202(4).

[23] TX Fin. Code §§ 202.002 and 203.004.

[24] *See* 12 U.S.C. § 1842(d)(3).

[25] 12 U.S.C. § 1852(b); 12 CFR part 251.

liabilities of $360.98 billion and $84.25 billion,[26] respectively. Assuming national liabilities of $21.23 trillion, PNC would hold only 2.1% of Total Liabilities, on a pro forma basis, on consummation of the Acquisitions.[27] Accordingly, the liabilities concentration limit would not preclude Federal Reserve approval of the Acquisitions.

II. <u>Financial and Managerial Resources and Future Prospects</u>

In acting on the Application, section 3 of the BHC Act requires the Federal Reserve to consider the financial and managerial resources and future prospects of the organizations involved.[28] The Acquisitions would represent the strategic deployment of the $11.1 billion (after tax) proceeds PNC received from the sale of its passive investment in BlackRock, Inc. earlier this year, provide PNC a strategic earnings stream, enhance PNC's and PNC Bank's core businesses, and increase their markets and efficiencies.

PNC and PNC Bank will retain their existing risk profiles, benefitting from the compatible business lines and diversification of customers and geographies acquired through the Proposed Transaction. Both PNC and BBVA Bancshares are predominantly core funded, and PNC will remain so on consummation of the Proposed Transaction. The Proposed Transaction is also expected to enable PNC and PNC Bank to achieve attractive financial and operating metrics and generate a strong internal rate of return.

PNC (including PNC Bancorp) and BBVA Bancshares and their respective subsidiary banks have strong financial, capital, liquidity and managerial resources, including effective enterprise risk management systems, that will allow PNC to consummate the Proposed Transaction, successfully integrate the operations of BBVA Bancshares into PNC, and ensure the continued safe and sound operation of PNC and PNC Bank going forward. The Proposed Transaction will benefit PNC and PNC Bank by providing access to new markets, increased efficiencies, and new revenue sources, and will enable PNC and PNC Bank to offer more products and services, including enhanced digital technologies, to meet customer needs and develop deeper relationships with customers and community organizations.

Senior management of PNC and PNC Bank will continue to take steps to ensure that the company and bank maintain appropriate capital planning, liquidity management, managerial resources, corporate governance, enterprise risk management programs and technological infrastructure that meet the Federal Reserve's and OCC's supervisory expectations. As a Category III organization under the Federal Reserve's prudential standards for large bank holding companies, PNC has already been subject to enhanced prudential supervisory standards, including among others: (1) capital planning and additional risk-based and leverage capital requirements (such as the supplementary leverage ratio), (2) liquidity risk management and stress testing requirements, (3) supervisory and company-run capital stress testing, (4) overall heightened risk management requirements, (5) resolution planning requirements, and (6) single

[26] This amount of BBVA Bancshares' liabilities is not adjusted to omit the Excluded Subsidiaries' liabilities.
[27] This percentage is estimated using the method of calculation in the Federal Reserve's Regulation XX, 12 CFR part 251, and the amount of Total Liabilities as of December 31, 2019, stated by the Federal Reserve. *Announcement of Financial Sector Liabilities*, Federal Reserve System Docket No. OP-1719 (May 27, 2020). The calculation was not adjusted to take into account the liabilities of the Excluded Subsidiaries.
[28] 12 CFR § 225.13 (b)(1)-(2).

counterparty credit exposure limits.[29] [redacted].

Based on all the information below and in the exhibits, it is evident that the financial, managerial and future prospects factors that the Federal Reserve must consider all support approval of the Acquisitions.

A. Financial, Capital and Liquidity Strength

PNC employs comprehensive and rigorous capital planning and capital stress testing programs, and the acquired operations of BBVA Bancshares and BBVA USA will be covered by these effective programs. Each of PNC (including PNC Bancorp), BBVA Bancshares and their respective subsidiary banks are currently deemed to be "well-capitalized" by the Federal Reserve and the OCC (as appropriate), and PNC and PNC Bank will remain so on consummation of the Proposed Transaction. The respective capital and leverage ratios of PNC, PNC Bank, BBVA Bancshares and BBVA USA well exceed the minimum ratios necessary for "well-capitalized" status and, on consummation of the Proposed Transaction, PNC's and PNC Bank's capital ratios and leverage and supplementary leverage ratios will well exceed the required minimum levels and otherwise meet supervisory expectations. The Proposed Transaction is expected to result in a collective company and bank with stronger financial and operating metrics, greater diversification, and increased profitability and scale that will permit the combined organization to better compete against the largest U.S. banking organizations. For more detailed information on the current, pro forma and projected financials, capital ratios and asset quality of PNC and PNC Bank, please see Exhibit 9 and Confidential Exhibit C.

Since January 1, 2020, the federal banking agencies' capital and liquidity rules classify all banking organizations with $100 billion or more in total consolidated assets into one of four categories (Category I, II, III or IV), based on the banking organization's asset size and risk profile, with the most stringent capital and liquidity requirements applicable to Category I firms and the least restrictive requirements applying to Category IV firms. The classification of any subsidiary bank of a bank holding company generally follows that of its parent bank holding company. Based on this regulatory framework, PNC and PNC Bank currently qualify as Category III organizations and they will continue to qualify as such on consummation of the Holdco Acquisition and Bank Merger, respectively.[30]

As a Category III firm, PNC is subject to the Federal Reserve's capital plan rule, capital stress testing requirements and CCAR process, and PNC and PNC Bank are subject to the Federal Reserve's and OCC's company-run stress testing requirements. In connection with the Federal Reserve's 2020 CCAR exercise, PNC filed its capital plan and stress testing results with

[29] *See* 84 *Fed. Reg.* 59,032 (Nov. 1, 2019).

[30] PNC and PNC Bank would become a Category I or II institution, and subject to more stringent capital and liquidity standards, if PNC were at some point in the future to have $700 billion or more in total consolidated assets, be designated as a "global systemically important bank" ("GSIB"), or have $75 billion or more in cross-jurisdictional assets. As of December 31, 2019, PNC had cross-jurisdictional activities for these purposes of only $13.4 billion. On consummation of the Holdco Acquisition, PNC's total consolidated assets would be $552.4 billion, and its cross-jurisdictional assets would be only $18 billion, as of September 30, 2020.

the Federal Reserve, and PNC Bank filed its stress testing results with the OCC, in April 2020. In June 2020, the Federal Reserve released the results of its supervisory stress tests under the Federal Reserve's hypothetical severely adverse scenario, which included a severe global recession. The Federal Reserve estimated that PNC's Common Equity Tier 1 ("CET1") ratio would decline by only 0.30%, to 9.2% (or 4.7% above the regulatory minimum), even under these hypothetical severely adverse conditions,[31] demonstrating the resiliency of PNC's balance sheet and its strong credit risk management practices.

In light of the economic uncertainty created by the COVID-19 pandemic, the Federal Reserve required all firms that participated in the 2020 CCAR process (including PNC) to conduct a second round of stress tests in 2020 and provided firms both a new Supervisory Severely Adverse scenario and an Alternative Severe scenario for use in these tests. PNC again fared well in this additional round of supervisory stress tests. For example, the Federal Reserve projected that PNC's minimum CET1 capital ratio would be 9.6% in both the Supervisory Severely Adverse scenario and the Alternative Severe scenario. This minimum is 0.40% higher than PNC's projected CET1 minimum in the Federal Reserve's CCAR 2020 projections under that Supervisory Severely Adverse scenario, and fully 5.1% above the regulatory minimum.[32]

PNC and PNC Bank also meet the Federal Reserve's and OCC's minimum liquidity coverage ratio (the "LCR") requirements and have taken actions to prepare for implementation of the net stable funding ratio (the "NSFR") requirements that will become effective on July 1, 2021. The LCR requirement is designed to ensure that covered banking organizations maintain an adequate level of cash and high-quality, unencumbered liquid assets to meet estimated liquidity needs in a short-term stress scenario, using prescribed liquidity inflow and outflow assumptions. The NSFR is designed to promote a stable maturity structure of assets and liabilities over a one-year time horizon. PNC and PNC Bank, as Category III institutions with less than $75 billion in weighted short-term wholesale funding, are subject to a reduced LCR and NSFR requirement. As of December 31, 2019, PNC had weighted short-term wholesale funding for these purposes of $26.3 billion. Consummation of the Proposed Transaction will not materially increase PNC's weighted short-term wholesale funding for purposes of its LCR and NSFR requirements.

PNC and PNC Bank will continue to exceed all applicable LCR requirements and will meet the NSFR requirement when it goes into effect, even after consummation of the Proposed Transaction. In this regard, PNC and PNC Bank have substantial liquidity resources, including $70.6 billion of deposits with the Federal Reserve Bank of Cleveland as of September 30, 2020, an increase of more than $47 billion since December 31, 2019.

As a Category III institution, PNC is subject to rules that, among other things, require it to conduct internal liquidity stress tests over a range of time horizons, maintain a buffer of highly liquid assets sufficient to meet projected net outflows under a 30-day liquidity stress test, and

[31] *See* Federal Reserve Board, Dodd-Frank Act Stress Test 2020: Supervisory Stress Test Results, at 67 (June 2020), available at https://www.federalreserve.gov/publications/files/2020-dfast-results-20200625.pdf.
[32] *See* Federal Reserve Board, December 2020 Stress Test Results, at 108-109 (December 2020), available at https://www.federalreserve.gov/publications/files/2020-dec-stress-test-results-20201218.pdf.

maintain a contingency funding plan that meets certain requirements. PNC maintains a robust liquidity risk management program and manages liquidity risk at the consolidated company level to help ensure that it (1) can obtain cost-effective funding to meet current and future obligations under both normal "business as usual" and stressful circumstances, and (2) maintain an appropriate level of contingent liquidity. Management monitors liquidity through a series of early warning indicators that may indicate a potential market or PNC-specific liquidity stress event, performs liquidity stress tests over multiple time horizons with varying levels of severity, and maintains a contingency funding plan to address a potential liquidity stress event. Parent company liquidity guidelines and liquidity-related risk limits are established within PNC's Enterprise Liquidity Management Policy. In addition, PNC monitors its liquidity by reference to the LCR and NSFR ratios. PNC's liquidity risk management program will cover the acquired operations of BBVA Bancshares and BBVA USA on consummation of the Proposed Transaction.

B. Managerial Resources

PNC and BBVA Bancshares and their respective subsidiary banks have diverse, highly accomplished and experienced boards of directors and senior executive management teams, providing both companies and banks with outstanding managerial resources to ensure their safe and sound operation.

1. Boards of Directors

PNC, PNC Bancorp and PNC Bank. There will be no changes to the Board of Directors of PNC, PNC Bancorp or PNC Bank as a result of the Acquisitions or the Bank Merger.

The current directors of PNC, PNC Bancorp and PNC Bank are set forth below:

Name of Director	Principal Occupation	PNC	PNC Bancorp	PNC Bank
William S. Demchak	Chairman, President and Chief Executive Officer	X		X
Joseph Alvarado	Retired Chairman and Chief Executive Officer of Commercial Metals Company	X		X
Charles E. Bunch	Retired Executive Chairman of PPG Industries, Inc.	X		X
Debra A. Cafaro	Chairman and Chief Executive Officer of Ventas, Inc.	X		X

Name of Director	Principal Occupation	PNC	PNC Bancorp	PNC Bank
Marjorie Rodgers Cheshire	President and Chief Operating Officer of A&R Development Corp.	X		X
David L. Cohen	Senior Executive Vice President of Comcast Corporation	X		X
Andrew T. Feldstein	Former Chief Executive Officer and Chief Investment Officer of Blue Mountain Capital Management; former Chief Investment Officer of Assured Guaranty Ltd.	X		X
Richard J. Harshman	Retired Chairman of Allegheny Technologies Incorporated	X		X
Daniel R. Hesse	Former President and Chief Executive Officer of Sprint Corporation	X		X
Martin Pfinsgraff	Former Senior Deputy Comptroller for Large Bank Supervision, OCC	X		X
Tony Townes-Whitley	President of U.S. Regulated Industries at Microsoft Corp.	X		X
Michael J. Ward	Former Chairman and chief Executive Officer of CSX Corporation	X		X
Robert Q. Reilly	Chief Financial Officer, PNC		X	X
E William Parsley, III	Chief Operating Officer, PNC			X
Michael P. Lyons	Head, Corporate & Institutional Banking, PNC			X

Name of Director	Principal Occupation	PNC	PNC Bancorp	PNC Bank
Janet Pilling Jolles	Senior Vice President & Fiduciary Director, PNC Delaware Trust Company		X	
James A. Hutchinson	Senior Vice President & Market Executive, PNC Asset Management Group		X	

Interim Board of Directors of BBVA USA. The Board of Directors of BBVA USA will be replaced on consummation of the Holdco Acquisition with the individuals who serve as directors on the Board of Directors of PNC Bank.

2. Senior Executive Officers

PNC and PNC Bank. At the current time, PNC, PNC Bancorp and PNC Bank do not anticipate any changes to their Senior Executive Officers (*i.e.*, members of PNC's Executive Committee) as a result of the Acquisitions and Bank Merger.

The current Senior Executive Officers of PNC, PNC Bancorp and PNC Bank are set forth below:

Name of Senior Executive Officer	Position	Entity
William S. Demchak	Chairman, President & Chief Executive Officer	PNC & PNC Bank
Robert Q. Reilly	Chief Financial Officer	PNC & PNC Bank
Carole Brown	Head of Asset Management	PNC & PNC Bank
Richard K. Bynum	Chief Corporate Responsibility Officer	PNC & PNC Bank
Deborah Guild	Head of Enterprise Technology & Chief Security Officer	PNC & PNC Bank
Vicki Henn	Chief Human Resources Officer	PNC & PNC Bank
Gregory B. Jordan	General Counsel & Chief Administrative Officer	PNC & PNC Bank
Stacy Juchno	General Auditor	PNC & PNC Bank

Name of Senior Executive Officer	Position	Entity
Ganesh Krishnan	Enterprise Chief Information Officer	PNC & PNC Bank
Karen L. Larrimer	Head of Retail Banking & Chief Customer Officer	PNC & PNC Bank
Michael P. Lyons	Head of Corporate & Institutional Banking	PNC & PNC Bank
E William Parsley, III	Chief Operating Officer, PNC	PNC & PNC Bank
Joseph E. Rockey	Chief Risk Officer	PNC & PNC Bank
Deborah Falkowski	Treasurer, Controller and Secretary	PNC Bancorp

BBVA USA. PNC anticipates that most or all of the Senior Executive Officers of BBVA USA will remain in place at least for the period of time after consummation of the Holdco Acquisition and until consummation of the Bank Merger (the "Interim Bank Period") to help ensure a smooth transition and conversion. During the Interim Bank Period, the legacy BBVA USA Senior Executive Officers will be subject to PNC's Enterprise Risk Management framework and other policies and procedures, and they will report to appropriate management officials within PNC. As part of the integration planning, PNC and PNC Bank are evaluating and considering alternative long-term positions in the combined organization for BBVA USA Senior Executive Officers.

The current BBVA USA Senior Executive Officers are set forth below:

Name of Senior Executive Officer	Position
Javier Rodríguez Soler	Chief Executive Officer
Michael W. Adler	Head of U.S. Corporate & Investment Banking
Rafael Bustillo	Chief Operating Officer
Ignacio Carnicero	Chief Risk Officer
B. Shane Clanton	General Counsel & Secretary
José Luis Elechiguerra	Head of Business Development

Name of Senior Executive Officer	Position
Larry Franco	Head of Retail Banking
Luis de la Fuente	Chief Audit Executive and General Auditor
Rosilyn Houston	Chief Talent & Culture Executive
Kevin McMahon	Head of Engineering
Celie Niehaus, CRCM	Chief Compliance Officer
José Olalla	Head of Strategy & Global Business
Kirk Pressley	Chief Financial Officer

3. Employees

PNC is dedicated to a successful transition for both BBVA USA and PNC Bank employees. In line with this vision, PNC is carefully evaluating potential overlapping areas and developing a plan to ensure any identified overlaps are carefully managed, with any related job losses and adverse consequences to either legacy employees of BBVA Bancshares and BBVA USA (together, "BBVA Employees") or PNC and PNC Bank employees (together, "PNC Employees") appropriately mitigated.

BBVA USA operates retail branches across Texas, Alabama, Arizona, California, Florida, Colorado and New Mexico with three primary lines of business: Commercial Banking and Wealth, Retail and Corporate and Investment Banking. There are only a few areas of geographical overlap between the retail branch network and operations of BBVA USA and PNC Bank. As a result, PNC Bank expects there will be relatively few branch closures or consolidations in comparison to the combined branch network of PNC Bank and BBVA USA, affecting BBVA Employees or PNC Employees as a result of the Proposed Transaction.

At the same time, the combination of PNC and BBVA Bancshares and their respective subsidiary banks will create a strong banking organization that has the national reach, comprehensive product offerings, capital resources and cutting-edge technology infrastructure and applications to better serve customers and compete with the largest bank organizations in the same markets. PNC believes that the expanded scale of the combined company will afford BBVA Employees and PNC Employees new growth and development opportunities associated with an organization that has national geographical reach. For example, PNC expects that there will be opportunities for BBVA Employees and PNC Employees to apply for new positions across the combined organization's expanded footprint, and these transitions will be supported by PNC's comprehensive talent and mobility framework. PNC offers all of its full-time employees, including retail branch employees, a $15 per hour minimum wage. PNC expects to expand this minimum wage over time to cover all BBVA Employees (including BBVA USA branch employees) who become employees of PNC. In addition, PNC offers comprehensive benefits and programs, including a defined benefit cash balance pension plan and, for those eligible employees enrolled with a PNC-offered health insurance program, access to a Health Savings Account and funded dollars earned from wellness participation, which will support employees' near-term financial and wellbeing needs and their long-term needs for financial security.

Nevertheless, PNC recognizes that there will be displacements in certain areas where redundancies exist or where operations are modified or discontinued. PNC's lines of business and functional areas are currently completing a comprehensive analysis of their respective expected staffing and talent needs within the combined organization. As part of these activities, PNC also is currently receiving and reviewing information from BBVA Bancshares and BBVA USA regarding the positions, skills and experience of BBVA Employees to help ensure that appropriate talent is identified for each position in the combined organization. Due to the number of positions involved, and PNC's desire to match the best talent with each available position, we expect this process will take at least a few months, with any resulting displacements occurring only after consummation of the Proposed Transaction.

PNC notes it has a strong track record of redeploying individuals to new positions. In fact, so far in 2020, PNC has redeployed to other job positions within PNC nearly 53% of all employees whose positions were eliminated in a restructuring. In those instances where PNC is ultimately unable to redeploy a BBVA Employee or PNC Employee and their employment ends, PNC will communicate that decision as soon as possible to the affected employee. In addition, PNC will provide a severance payment to the displaced employee, and will offer outplacement services and reduced rate medical plan coverage through COBRA to assist the employee in their transition.

4. Integration Planning and Experience

PNC and BBVA Bancshares leadership are dedicated ensuring that the integration of BBVA Bancshares and BBVA USA into the PNC organization is well-planned and effectively managed and implemented. PNC has established an Integration Working Group to guide the acquisition and integration of BBVA Bancshares and BBVA USA. The Integration Working Group includes 24 senior leaders from across PNC who are responsible for leading the execution of the integration across the firm's business lines and functional areas. As a whole, the Integration Working Group is responsible for ensuring the cohesiveness of PNC's integration strategy, driving the overall firm-wide timeline and making key enterprise-level decisions regarding the integration. Leadership of the Integration Working Group is tasked with keeping PNC's Executive Committee (PNC's most senior level management committee) informed on the progress of the integration, with a standing update included on the agenda for all Executive Committee meetings. In addition, leadership is also providing regular integration updates to the PNC Board of Directors and its Risk Committee, as well as local examination representatives from the Federal Reserve, OCC and the Federal Deposit Insurance Corporation (the "FDIC").

The Integration Working Group is supported by a Program Management Office that is responsible for assisting firm-wide and functional area integration planning, including development of detailed project plans and timelines and supporting communication of information and decisions about the integration across relevant stakeholders. The Program Management Office also serves to coordinate the multiple Project Management Offices supporting the integration work of each business line and functional area.

Both companies and banks have management and personnel with demonstrated success in integrating large acquisitions, who will provide important resources for the integration planning, management and implementation. In 2008, during the peak of the financial crisis, PNC successfully integrated the acquisition of National City Bank, a troubled institution with 1,434 branches in nine states. In 2012, PNC also successfully integrated the acquisition of RBC Bank (USA), Royal Bank of Canada's U.S. retail bank subsidiary, which included 424 branches in six states. BBVA successfully integrated the operations of Compass Bancshares and its subsidiary bank, Compass Bank, in 2007, which together involved 637 branches in seven states, as well as several earlier-acquired banks in Texas and California.

To assist in the integration planning process, PNC and PNC Bank have conducted extensive due diligence on BBVA Bancshares and BBVA USA. PNC management led a team of more than 350 individuals who conducted a thorough review of BBVA Bancshares and BBVA USA lines of business, functional areas (including human relations, finance, internal audit and legal), and risk management programs and risk exposures (including credit, compliance, operational, market, and legal risks). This due diligence review included a comprehensive review of BBVA USA's loan portfolio, including a detailed assessment of 850 commercial credit files representing approximately $33 billion of its commercial loan portfolio, as well as a thorough review of its deposit portfolio. A summary of the due diligence conducted by PNC is provided in Confidential Exhibit D.

A copy of PNC's and PNC Bank's integration planning approach and high-level timeline is provided in Confidential Exhibit E. The integration timeline will be updated as integration planning continues. Senior executive management of PNC and BBVA Bancshares will continue to take steps to ensure that the integrations and systems conversions are well planned, properly managed and effectively executed. As noted, PNC expects to operate BBVA USA as a stand-alone entity for a short period – approximately three months – after the Holdco Acquisition and before the Bank Merger to allow additional time for systems conversion. Upon the Bank Merger, the majority of BBVA USA's information technology systems will convert to those of PNC, taking advantage of PNC's significant investments in upgraded technology in recent years.

5. Enterprise Risk Management

Both PNC and BBVA Bancshares currently have robust enterprise risk management ("ERM") frameworks, including coverage of liquidity, credit, market, operational, strategic, reputational and compliance risks. At PNC, Operational Risk includes the following risk areas: Operations, Compliance, Data, Model, Technology and Systems, Information Security, Business Continuity and Third Party.

PNC and BBVA Bancshares have each prioritized ERM and have implemented an effective risk management culture in their respective organizations. Risk culture is the shared values, attitudes, competencies and behaviors that shape and influence governance practices and risk decisions at the organizations on a day-to-day basis. A strong risk culture helps PNC and BBVA Bancshares make well-informed decisions, helps ensure individuals conform to the established culture, reinforces accountability, discourages employees from taking actions for personal gain, and rewards individuals working toward a common goal rather than individual interests. Their risk cultures reinforce appropriate protocols for responsible and ethical behavior within their respective organizations.

Both PNC and BBVA Bancshares employ ERM frameworks with comprehensive oversight by the boards of directors (or their board committees) and executive management committee oversight. For example, PNC has numerous board-level committees, such as its Risk Committee, which oversees and approves the enterprise-wide Risk Governance and Oversight Framework, including related board-level policies. The Risk Committee has established a Technology Subcommittee and a Compliance Subcommittee, which assist the Risk Committee in fulfilling its oversight responsibilities with respect to technology and compliance risks, respectively. PNC management-level committees for managing risks are organized into four types: the Executive Committee, Corporate Committees, Working Committees and Transactional Committees.

The ERM frameworks at PNC and BBVA Bancshares include: an integrated risk appetite framework, board-approved risk appetite statements and risk tolerance metrics; comprehensive risk identification; regularly conducted risk assessments for each risk category; a three-lines-of-defense model (*i.e.*, line of business as the first line, an independent risk/compliance group as the second line, and independent internal audit as the third line of defense); internal controls, risk monitoring and validations; and risk aggregation, escalation and reporting systems and processes. Please see <u>Exhibit 10</u>, <u>Exhibit 11</u> and <u>Confidential Exhibit F</u> for an overview of the ERM programs of PNC and BBVA Bancshares, respectively.

In recent years, PNC has dedicated substantial resources to enhancing its risk management programs, consistent with supervisory expectations for large banking organizations. Information about the enhancements PNC has implemented to its enterprise risk management program in recent years is provided in <u>Confidential Exhibit G</u>.

PNC will apply its risk management framework to BBVA Bancshares and BBVA USA on consummation of the Holdco Acquisition. During the Interim Bank Period before the Bank Merger, BBVA USA's existing risk management systems, processes and controls would largely remain in place, with the output integrated into PNC's ERM Framework. This will provide the senior management and the Board of Directors of PNC an enterprise-wide view of the combined organization. For more information about PNC's risk management plans during the Interim Bank Period, please see <u>Confidential Exhibit H</u>.

6. <u>Compliance Risk Management</u>

Both PNC and BBVA Bancshares have implemented robust compliance risk management programs as part of their respective ERM framework. Their respective compliance risk management programs are dedicated to fulfilling both the letter and spirit of all regulatory requirements and supervisory guidance. In addition to the Consumer Compliance and BSA/AML/Sanctions Compliance programs discussed below, PNC's and BBVA Bancshares' compliance risk management programs cover: conduct in securities markets, provision of investments services and prevention of market abuse; and other areas such as, but not limited to, privacy, affiliate transactions, loans to insiders and anti-corruption. They each have established a culture that prioritizes compliance, starting at the Board of Directors and senior executive leadership and extending to all levels of the organization, which will continue after consummation of the Proposed Transaction. Compliance training is an important component of the compliance programs at PNC and BBVA Bancshares. As an example, please see Exhibit 12 for an overview of compliance training at PNC.

PNC identifies and tracks compliance issues through enterprise-wide risk assessment, monitoring and testing activities. Compliance risk issues are escalated through a comprehensive risk reporting process at both an enterprise and business line level and includes reporting to management-level and board-level committees. Risk issues also are incorporated into the development and assessment of PNC's operational risk profile and management system. A management committee, co-chaired by PNC's Chief Compliance Officer and Chief BSA/AML Officer, is responsible for regular oversight of compliance and fiduciary risk management programs across PNC, including for BSA/AML/Sanctions risk management and Consumer Compliance risk management. Enterprise Compliance within the second line of defense (Independent Risk Management) is responsible for independently overseeing compliance risk at PNC, helps PNC understand and proactively address emerging regulatory topics and risk, and assists PNC respond to changes in applicable laws and regulations, through the Regulatory Change Program (which is co-led with PNC Legal).

Consumer Compliance. PNC's Compliance Management System provides the foundation for PNC's enterprise-wide Consumer Compliance Program and leverages both PNC's ERM and Operational Risk Management ("ORM") frameworks. Leveraging these frameworks, PNC seeks to identify, independently assess, monitor and report compliance risk across the enterprise. The Consumer Compliance Program has been developed to help ensure compliance with the laws and regulations that govern the rights of PNC's consumer customers, including those designed to ensure that customers are treated fairly, such as the Equal Credit Opportunity Act ("ECOA"), the Fair Housing Act, and the Unfair, Deceptive, or Abusive Acts or Practices ("UDAAP") provisions of the Federal Trade Commission Act and the Dodd-Frank Act. PNC provides regular reports to its senior management and Board of Directors that include: (1) an assessment of its compliance risk management effectiveness, including updates regarding any identified weaknesses in business operations and the steps that PNC is taking to mitigate associated compliance risk; (2) emerging areas of compliance risk, including relevant industry-wide developments (such as enforcement actions); and (3) updates on significant compliance-related initiatives (such as efforts to implement recently adopted laws and regulations).

The central pillars of PNC's Consumer Compliance risk management program include compliance risk identification, compliance risk assessment, compliance monitoring and testing, and compliance reporting to senior management and the Board of Directors. PNC's Consumer Compliance Program employs the three-lines-of-defense model with: (1) the lines of business as the first line of defense; (2) independent Enterprise Compliance (within Independent Risk Management) as the second line of defense; and (3) independent Internal Audit as the third line of defense.

PNC has adopted compliance policies that provide additional, specific guidance to PNC's first-line-of-defense teams regarding the steps that PNC Employees are required to take to satisfy PNC's most impactful consumer regulatory compliance obligations. With that goal in mind, PNC has published policies that govern how PNC meets its obligations under, among other things, the fair lending laws (*i.e.*, ECOA and the Federal Housing Act), UDAAP standards, the Servicemembers Civil Relief Act, the Flood Disaster Protection Act, and the state and federal laws designed to protect the privacy interests of PNC's customers. PNC also provides compliance specific training to relevant employees, including training on significant consumer compliance risks.

PNC supplements its preventative compliance risk management processes with risk-based monitoring and testing designed to detect practices that may not be identified and mitigated effectively through its preventative risk management routines. Enterprise Compliance completes monitoring activities on a routine basis or through targeted reviews. Monitoring activities may include, but are not limited to, control performance monitoring, policy or procedure review, complaints review and analysis, and targeted Compliance Risk reviews.

With regard to fair lending requirements, in particular, PNC's Fair Lending Monitoring Program is designed to identify for further investigation and possible remediation instances where there may be statistically significant differences between the lending outcomes for customers who are, and who are not, members of a protected class. The Enterprise Compliance Fair Banking Compliance Group ("Fair Banking") develops and executes the Fair Lending Monitoring Program on an enterprise-wide basis. The Fair Lending Monitoring Program is informed by fair lending risk assessments, regulatory guidance, industry best practices, examination experience and fair lending enforcement actions across the industry. Additionally, the Fair Lending Monitoring Program is planned annually, working closely with the Legal Department and outside counsel, and approved by the Fair Banking Compliance Director. The fair lending monitoring process is designed to be risk-based, scalable and adaptable. The activities cover most PNC asset classes and the full product life cycle. A variety of monitoring techniques are used, including loan file and customer complaint reviews, as well as data analytics, including linear and logistic regression analyses, spatial analyses, peer data benchmarking and race, gender and ethnicity proxy estimation on products for which monitoring data are not available. For more information on the Consumer Compliance Programs (including Fair Lending Programs) at PNC and BBVA Bancshares, please see Exhibits 13 and 14.

PNC anticipates applying its existing Consumer Compliance Program to the combined bank following the Bank Merger. From a staffing perspective, PNC anticipates that there would be enhancements to existing staffing in order to reflect the increased scope of PNC Bank's consumer businesses. For example, PNC Bank anticipates that the number of its consumer products provided to customers in Spanish will increase, resulting in PNC Bank enhancing its existing compliance teams by adding bilingual compliance officers who can assist in providing oversight for those activities.

7. Management of COVID-19 Impacts

PNC Bank and BBVA USA have each actively worked to meet the unique needs of customers, communities and employees affected by the COVID-19 pandemic. To safeguard customers and employees, they implemented work-from-home strategies for employees whose jobs could be performed remotely. For employees who need to be on-site, they instituted a variety of safeguards, including temporary adjustments to retail branch access, operating branches primarily in drive-up-only mode for a period of time, and social distancing policies. PNC also instituted two-week, split-team rotations for frontline and operations employees, who receive paid time off for the two-week periods when they were not on-site, and who are also eligible for up to two weeks of paid time-off for child or elder care.

In addition, PNC and BBVA USA helped thousands of small business customers and nonprofit organizations apply for and obtain relief loans through the federal Paycheck Protection Program (the "PPP"). PNC Bank and BBVA USA funded approximately $13.0 billion and $3.3 billion in PPP loans, respectively. At PNC, thousands of PNC personnel volunteered to take on new assignments to review, document, close and fund PPP loans. PNC worked diligently to train these teams and adjust its PPP processes as the Small Business Administration (the "SBA") issued new rules and Frequently Asked Questions ("FAQs") governing the program, and utilized and refined technology solutions to automate processes wherever feasible, thereby facilitating the review, registration and funding of loans. In all, more than 4,000 PNC employees have been involved in processing PPP applications and loans, with many working through the night to deliver funding for small business customers.

In addition, the vast majority of PPP loans that PNC has registered and funded are for small dollar amounts, which demonstrates that the bank's efforts predominately aided small businesses of modest means and resources. Specifically, of PNC's registered and funded loans,[33] approximately 73% were for amounts of less than $100,000, with three-quarters of such loans for amounts of less than $50,000. Less than 0.35% of the bank's registered and funded loans were in amounts above $5 million, even though Congress authorized PPP loans in amounts of up to $10 million. This distribution is also reflected in the breakdown of PNC's PPP loans across its business lines. Approximately 86% of PNC's registered and funded PPP loans are from customers of PNC's Business Banking unit, which is the unit within PNC's Retail Bank that services business customers with less than $5 million in annual revenues.

PNC also took special care to help ensure that applications from small businesses located in LMI communities and nonprofits were not left behind. It did so in recognition of the fact that small businesses operating in LMI communities face special challenges and non-profits often support vulnerable communities. PNC funded more than 15,400 PPP loans, aggregating more than $3.3 billion, from small businesses located in LMI census tracts, and more than 4,500 PPP loans, totaling approximately $1.2 billion, from nonprofit organizations. Moreover, data indicates that loans to small businesses in LMI communities, on average, moved from application to funding at PNC *faster* than loans from non-LMI communities.

PNC and PNC Bank. As noted, PNC has a well-established ERM Framework and has established a comprehensive risk taxonomy that classifies all risks into eight categories. The ERM Framework allows executive management and the Board of Directors to have an aggregate view of the significant risks impacting the organization. PNC has applied the core components of its ERM Framework to identify, assess, monitor and report on risk impacts due to the COVID-19 pandemic and ensure that appropriate mitigation and management actions were

[33] All PNC PPP data is as of July 31, 2020, unless otherwise noted.

deployed. From a reporting standpoint, these risks have been aggregated and reported in PNC's Enterprise Risk Report and respective reports for the following categories in PNC's risk taxonomy: credit risk, market risk, liquidity risk and operational risk.

In addition, PNC has robust business continuity processes that are designed to assist the bank continue to serve customers in the event of various contingencies. In March 2020, as the pandemic began to have widespread impact on the economy, PNC began leveraging these business continuity processes, which included daily monitoring of impactful events and daily internal communication meetings, to help coordinate and manage PNC's response. In addition to reporting to PNC's senior management and Board of Directors, PNC has provided regular updates to the Federal Reserve and the OCC regarding the evolving nature of the pandemic, the associated effects on financial markets and PNC operations, and PNC's actions to assist customers and mitigate pandemic-related risks.

The spread of COVID-19 has resulted in significant economic fallout in the nation and abroad, which has severely hampered not only trade and supply chains, but also domestic consumption demand. PNC has worked diligently to assist its affected customers by, for example, waiving fees and providing loan deferrals or modifications to assist customers facing financial difficulties. For example, PNC waived millions of dollars of deposit- and lending-related fees for consumers facing hardships and donated more than $21 million to pandemic relief efforts in its local communities. In addition, PNC has assisted nearly 200,000 consumer accounts receive some form of hardship relief since the beginning of 2020.[34]

PNC also has worked closely with commercial borrowers experiencing financial difficulties as a result of the pandemic, including borrowers in the most affected sectors such as Leisure, Retail, Healthcare Facilities and Consumer Services. PNC set up Loan Modification Forums for commercial borrowers to individually assess deferral and modifications requests associated with COVID-19 and resulting challenges faced by the borrowers in servicing existing loans. These forums comprised first line of defense, second line of defense and work-out teams to ensure consistent assessments and decisions on any relief, risk ratings and risk mitigation activities. As of June 30, 2020, PNC had granted principal or interest deferrals to more than 15,700 commercial loan accounts. However, to date delinquencies remain low as borrower payment activity has remained relatively stable. As of late third quarter 2020, more than 75% of commercial principal and interest deferrals have matured and returned to contractual status. And, while PNC continues to stand ready to work with affected borrowers, only 2% of commercial borrowers that initially received principal or interest deferrals have requested an extension of such forbearance arrangements.

PNC Internal Audit proactively assessed the risks that the COVID-19 pandemic posed to PNC's internal controls and operations and, as a result, adjusted its audit plan. The audit activities were expanded to include targeted testing and enhanced continuous monitoring for expanded oversight of: (1) CARES Act and considerations for all new government programs; (2) governance and oversight structures around pandemic impacts; (3) customer treatments and business process and control adjustments; (4) technology and business continuity program,

[34] More than 80% of these accounts have since exited the hardship assistance program and more than 90% of such exited account have returned to performing status.

including information security monitoring; (5) PNC's compliance regulation reform program; (6) credit and capital management; (7) management of external crisis-related risks (*e.g.*, financial crime and False Claims Act risks); and (8) human resources program adjustments. Internal Audit also added a "top down" area of focus related to pandemic impacts and selected a dedicated COVID-19 Audit Director to monitor and test related pandemic impacts. The audit conclusions and results are reported to the Audit Committee of PNC's Board of Directors and senior management.

As the COVID-19 pandemic continues, with cases increasing in many parts of the country, PNC will continue to actively monitor and manage its commercial and consumer credit portfolios. PNC has established updated rating guidance for the commercial portfolios, instituted loan modification forums to ensure consistency in risk identification for deferrals and modification requests from borrowers across both commercial and consumer portfolios, and established an additional portfolio level stress analysis to ensure the adequacy of its Allowance for Credit Losses. PNC believes that it is well positioned should the pandemic's impact on consumer or commercial borrowers worsen in the coming months, with an Allowance for Credit Losses of more than $6.4 billion (or 2.58% of total loans) as of September 30, 2020.

PNC and PNC Bank have also worked hard to protect the health and safety of its employees during this extraordinary period. For example, PNC's Realty Services group worked with cleaning services and landlords to ensure that the Center for Disease Control guidelines were followed and potentially exposed areas properly cleaned and disinfected, and also managed any unexpected building closures. Realty Services also acquired and delivered personal protective equipment to essential and branch employees and installed plexiglass throughout the branches to allow for in-person appointments and a safe work environment. In addition, PNC put in place a contact tracing procedure and communication protocol while working with impacted areas to backfill employee resources when necessary. Corporate Communications posted timely and relevant updates to employees and speaking points for customers. Various other protocols were implemented to provide appropriate guidance and protections for employees and customers.

As the COVID-19 pandemic and the ramifications on its operational risk extended beyond the immediate physical and operational impacts, PNC created a firm-wide COVID-19 Risk Inventory. PNC developed the COVID-19 Risk Inventory in April 2020 as a means to identify the top risks associated with the pandemic, document governance oversight, describe key open concerns, monitor controls relied upon and key metrics, and document any policy compliance implications or associated issues. Consistent with Federal Reserve expectations, this COVID-19 Risk Inventory was utilized by PNC in conducting its capital stress tests through the remainder of 2020.

As the COVID-19 pandemic environment continues, PNC will continue to utilize the PNC COVID-19 Risk Inventory and the associated risk and control assessments as its framework to evaluate performance and successful risk mitigation. The inventory is monitored by the Operational Risk Committee and incorporated into Enterprise Risk Reporting, providing an escalation path to the Executive Committee and Board Risk Committee for any material unmitigated risks.

For more information on how PNC has effectively managed risks related to the COVID-19 pandemic, please see Confidential Exhibit I. Please also see the *Commitment to the CRA – PNC Bank CRA Performance Record* section below for more information about the COVID-19 pandemic activities of PNC.

BBVA Bancshares and BBVA USA. BBVA USA enhanced its governance process to allow for a streamlined approval process that would expedite implementation of relief-based initiatives without sacrificing oversight from key stakeholders, including Legal, Compliance, Risk, Fair Lending, and Lines of Business. Approvals are obtained via e-vote and are documented in the monthly Risk Committee materials. The Risk Control Assurance function placed a high focus on the control environment related to COVID-19 and associated relief efforts to prevent or quickly remedy potential issues in the fast-changing pandemic environment. The team established process change tracking to determine the impact to inherent risk by process changes, and residual risk by control modifications.

BBVA USA has offered loan payment deferments to numerous customers impacted by the pandemic. Approximately 15% of mortgage portfolio customers (5,900 accounts with a balance of $2.1 billion) were granted a deferral with only 7% of total deferrals active as of mid-November 2020. To date, only 18% of borrowers have requested a second deferral. For CRA loans, there was not a material deviation from deferrals granted compared to the overall portfolio. CRA deferrals represented 25% of the accounts and 10% of balances, which aligned closely with the total portfolio (21% of accounts and 8% of balances).

BBVA USA has contracted with a third party to deploy its end-to-end forgiveness managed service solution for PPP loan forgiveness processing. This solution is designed by the third party to facilitate rapid scaling for high volumes of forgiveness requests, capturing relevant information from digitized documents for forgiveness calculations via a borrower portal. The built-in calculators implement forgiveness determinations and include an interface with the SBA E-Tran system for information transmission.

To date, BBVA USA has opened the borrower portal for forgiveness processing to over 200 clients who applied for PPP loans originally and expanded that onboarding process to another 500 clients. A phased ramp-up will include the majority of BBVA USA's PPP borrowers by year-end 2020.

Please see the *Commitment to the CRA – BBVA USA CRA Performance Record* section below for more information about the COVID-19 pandemic activities of BBVA USA.

8. LIBOR Transition Planning

LIBOR is derived from the rates at which LIBOR panel banks borrow from other global banks. Panel banks submit rate information to an administrator that uses this information to calculate LIBOR.

LIBOR is the subject of recent national and international regulatory guidance and proposals for reform. The United Kingdom Financial Conduct Authority, which regulates the process for setting LIBOR, announced in July 2017 that it intends to no longer persuade or compel panel banks to submit rates to the administrator after 2021. Accordingly, PNC and other financial market participants were preparing for the likelihood of LIBOR cessation at year-end 2021. On November 30, 2020, the U.S. and U.K. regulators and LIBOR's administrator, ICE Benchmark Administration ("IBA"), made a series of announcements regarding the end of U.S. Dollar ("USD") LIBOR. The IBA announced its intention to cease the publication of one-week and two-month tenors of USD LIBOR after December 31, 2021, while all remaining tenors of USD LIBOR would continue to be published until June 30, 2023. The Federal Reserve issued a statement of support for the IBA announcement. In parallel, the Federal Reserve, the OCC and the FDIC issued guidance encouraging banks to transition away from USD LIBOR as soon as practicable. The statement also suggested that banks should not enter into new transactions referencing USD LIBOR after December 31, 2021.

As a result, there are ongoing efforts to establish one or more alternative reference rates to replace LIBOR upon its cessation. At present, the Secured Overnight Financing Rate ("SOFR") is the primary rate planned to be used to replace USD LIBOR for most types of transactions, including derivatives. The International Swaps and Derivatives Association, Inc. ("ISDA") launched the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol on October 23, 2020. This supplement amends ISDA's standard definitions for interest rate derivatives to incorporate robust fallbacks for derivatives linked to certain IBORs, with the changes coming into effect on January 25, 2021. From that date forward, all new cleared and non-cleared derivatives that reference the definitions will include the fallbacks (*e.g.*, SOFR compounded in arrears with a spread adjustment based upon the five-year median between LIBOR and SOFR). This announcement provides the appropriate direction for derivatives, which account for approximately 60% of PNC's notional LIBOR exposure after the second quarter of 2023. In addition, the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") defined product specifics in April 2020 for their adjustable-rate mortgage ("ARM") products indexed to the 30-day Average SOFR and will stop accepting ARMs indexed to USD LIBOR by the end of 2020. Fannie Mae and Freddie Mac are currently working on guidance regarding the transition of existing conforming mortgages, though this is only 3% of PNC's notional USD LIBOR exposure after the second quarter of 2023.

***PNC and PNC Bank*.** PNC holds instruments and services its instruments and instruments owned by others that may be impacted by the likely discontinuance of LIBOR, including loans, investments, hedging products, floating-rate obligations, and other financial instruments that use LIBOR as a reference rate. The transition from LIBOR as an interest rate benchmark will subject PNC, like other financial participants, to financial, legal, operational, and reputational risks. In order to address LIBOR cessation and the associated risks, PNC has established a cross-functional governance structure to oversee the overall strategy for the transition from LIBOR and mitigate risks associated with the transition. An initial LIBOR impact and risk assessment was performed in late 2018, which identified the associated risks across products, systems, models, and processes. PNC also established an enterprise-level program in 2019, which is actively monitoring PNC's overall firm-wide exposure to LIBOR and using these results to plan transitional strategies and track progress versus these goals. Program workstreams were formed by Line of Business to ensure accountability and alignment with the appropriate operational, technology, and customer-facing stakeholders, while establishing a centralized Program Management Office to ensure consistency in execution and communication. Project plans and established milestones were developed in late 2019 and have continued to evolve and be refined in line with industry developments and internal decisions and progress. PNC is also involved in industry discussions, preparing milestones for readiness and assessing progress against those milestones, along with developing and delivering on internal and external LIBOR cessation communication plans.

Key efforts in 2020 included:

- Enhancing fallback language in new contracts and reviewing existing legal contracts/agreements to assess fallback language impacts;
- Making preparations for internal operational readiness;
- Making necessary enhancements to PNC's infrastructure, including systems, models, valuation tools and processes;
- Developing and delivering on internal and external LIBOR cessation communication plans;
- Engaging with PNC clients, industry working groups and regulators; and
- Monitoring developments associated with LIBOR alternatives and industry practices related to LIBOR-indexed instruments.

PNC also has been an active participant in efforts with the Federal Reserve and other regulatory agencies to explore the potential need for a credit-sensitive rate or add-on to SOFR for use in commercial loans.[35] Those efforts led to the formation of the Credit Sensitive Group, which has held a series of workshops to assess how a credit-sensitive rate or add-on to SOFR might be constructed and discuss associated implementation issues.[36]

In addition, in the third quarter of 2020, PNC began offering conforming ARMs using SOFR instead of USD LIBOR in line with Fannie Mae and Freddie Mac requirements. Plans are in place to begin offering Private Student Loans and Portfolio loans using non-LIBOR rates in the second quarter of 2021. PNC has provided regular updates to Federal Reserve, OCC and FDIC examination staff regarding its LIBOR cessation and transition plans.

BBVA Bancshares and BBVA USA. BBVA USA formally established a LIBOR transition program (the "LIBOR Project") in 2019. Shortly thereafter, an impact assessment was performed by a third-party consultant and project plans were developed around impacted areas. The LIBOR Project is overseen by a steering committee, also created in 2019 (the "BBVA LIBOR Steering Committee"), which works to ensure that all relevant steps and risks are

[35] The rates submitted by panel banks on which USD LIBOR is based reflect the credit risk associated with the submitting banks and, accordingly, having a similarly credit-sensitive rate for use in the commercial lending markets would facilitate the transition away from USD LIBOR and reduce associated risks.
[36] https://www.newyorkfed.org/newsevents/events/markets/2020/0225-2020.

adequately addressed in the transition. The BBVA LIBOR Steering Committee meets monthly, is chaired by BBVA USA's Chief Financial Officer, and consists of, among other members, the General Counsel and other executive management members whose line of business or processes are impacted by the LIBOR transition.

BBVA USA's primary products impacted include derivatives, commercial and commercial real estate loans and ARMs. At the functional level, the LIBOR Project is led by a core team from BBVA USA's Legal, Finance, Engineering, and Corporate and Investment Banking ("CIB") divisions. The objectives of this team include following best practices for implementation as outlined by the Alternative Reference Rates Committee ("ARRC"). This team also oversees various working groups across the organization that contribute to the LIBOR Project.

Primary focus areas of the LIBOR Project include the development of new alternative reference rate products, the incorporation of robust fallback language in new and amended loans, and the remediation strategy for the legacy portfolios. In addition, models were inventoried and assessed, funds transfer pricing processes reviewed, pertinent information published on the BBVA USA website, and processes put in place to review new SOFR products within BBVA USA's Risk Management structures. With regard to derivatives, BBVA USA has developed the capability to enter into SOFR-based derivatives and adhered to the ISDA protocol. In addition, BBVA USA successfully participated in the derivatives clearinghouses' "Big Bang" SOFR conversion in October 2020. With respect to commercial banking, BBVA USA has implemented hardwire fallback language for new and amended loans, both bilateral and syndicated. In connection with retail banking, BBVA USA has stopped making LIBOR ARMs and has started originating SOFR-based ARMs. The foregoing changes within the CIB, Commercial and Retail divisions substantially adhere to ARRC recommendations and best practices timelines.

Plans are underway to develop SOFR commercial loan products in the first quarter of 2021. BBVA USA has not made any changes to its overall LIBOR Project process on account of the Proposed Transaction or the more recent announcement by LIBOR's administrator of its plan to continue publishing the most widely used tenors of USD LIBOR through June 30, 2023. BBVA USA is also completing a process with a third-party consultant to capture fallback information in legacy loans on its main commercial loan system. This will feed BBVA USA's LIBOR remediation strategy. In sum, the LIBOR Project remains intact and preparing for the transition continues to be a key priority, and BBVA USA does not expect the Proposed Transaction will result in delays to its overall transition timeline.

9. Management of Environmental, Social Responsibility and Governance Issues

PNC and PNC Bank. PNC's Environmental, Social and Governance ("ESG") practice helps it to navigate the rapidly changing landscape across the financial industry while building on PNC's legacy of creating positive impacts across its markets. Managing climate risk, enabling sustainable finance, lending responsibly and supporting quality early childhood education – among other matters – are critical pieces of the bank's commitments to its employees, customers, shareholders and communities.

This commitment begins at the very top of the organization, with PNC's Board of Directors having formal documented oversight of PNC's corporate social responsibility strategy and matters related to environmental, social and governance concerns. The Board's oversight includes oversight of significant climate change issues.

PNC strives to return value to its shareholders in ways that inspire confidence in the company's governance, business strategy and day-to-day operations, and acknowledges that environmental realities, including climate change, are impacting its business, clients and the communities in which it operates. PNC's approach to business balances sound risk management practices with innovative approaches to financing the transition to a low-carbon economy in ways that benefit its varied stakeholders.

PNC supports the transition to a low-carbon economy by:

- Responsibly managing its own internal operations;
- Helping clients invest responsibly and in accordance with their values;
- Supporting the sustainable financing needs of clients; and
- Establishing a risk-management culture focused on mitigating climate risk and maximizing transition opportunities.

Responsibly managing internal operations. Better building design supports greater productivity while also reducing greenhouse gas emissions, water use, and waste. PNC has designed workplaces to feature abundant natural light, energy efficient and healthy HVAC systems, and careful conservation of resources.

PNC was an early adopter of LEED certification for both its branch and office environments, and is committed to LEED-certifying all new branch construction. PNC also has set a goal to purchase 100% of its electricity from renewable sources by 2025, which is in addition to its goals to reduce both its greenhouse gas emissions and energy use by 75%, and its water use by 50%, by 2035. To date, PNC has reduced its greenhouse gas emissions by 56%, energy use by 42%, and water use by 33%.

Sustainable Finance. PNC's ESG team works with PNC's business lines in an advisory capacity, helping PNC clients achieve their financial goals in convenient, secure, and sustainable ways. Recently, PNC strengthened its commitment to sustainable finance by enhancing its Responsible Investing strategy and establishing a Renewable Energy Financing Group, focused on financing solar and wind projects. In 2019, PNC was only the third U.S. bank to issue a green bond, raising $650 million to support initiatives aligned with the transition to a low-carbon economy. Subsequently, PNC established a Sustainable Finance practice within its Debt Capital Markets team that is focused on advising clients on issuing their own sustainability-focused debt. PNC's commitment to enabling its clients' sustainable operations takes the form of providing financing and underwriting debt with an environmentally sustainable use of proceeds. Areas of focus include:

- Renewable energy;
- Energy efficiency;
- Green building;
- Brownfield remediation;
- Sustainable transportation;
- Waste management and pollution control;
- Water quality and conservation; and
- Air quality.

PNC has invested more than $28 billion in sustainable finance initiatives since 2016 and has $2.6 billion in responsible investing assets under management.

Environmental and social risk management. Responsible stewardship is critical to delivering long-term value. Through a framework that includes portfolio analysis, stress testing, and policies and procedures, PNC shapes high-performing underwriting and portfolio management practices. This approach is regularly reviewed by senior management and overseen by PNC's Board of Directors.

PNC assesses for environmental and social risks in its businesses at multiple stages and at multiple levels – from both a portfolio and an individual transaction perspective. The Environmental and Social Risk Management Rapid Risk Screen, used across all of Corporate & Institutional Banking, helps PNC better identify and mitigate risk early in the life cycle of a transaction. It encompasses environmental and human rights risks and expands the focus beyond high-impact industries to all of PNC's wholesale lending activities. Transactions identified by the screening are escalated to leaders in the business and underwriting groups for consideration and decisioning.

At the portfolio level, PNC leverages its Risk Identification Framework, which targets multiple physical and transitional climate-related risks. Some of the themes captured within the Risk Identification Framework include the chronic and acute physical effects of climate change (such as coastal erosion and natural disasters), the adoption of electric cars, and renewable energy, among others. The Risk Identification Framework includes severity and frequency assessments for each of the risks in the inventory. Additionally, PNC's Credit Portfolio Management team is actively assessing the impacts of certain climate-related risks on select PNC loan portfolios.

Stakeholder engagement. PNC regularly engages directly with its stakeholders on ESG issues, and meets with a number of investors, community activists and others throughout the year. The bank's philosophy when it comes to stakeholder engagement – whether in conversation with investors, activists, community-based organizations or its own employees – is to be transparent about its processes and procedures; to listen, share and learn; and to use key learnings to make the best possible decisions for PNC and all of its stakeholders. When it comes to making lending decisions within the C&IB business, PNC aligns its business decisions with its public ESG commitments and with its corporate values. PNC's stakeholder engagement process allows for the collection of feedback from concerned parties, and this feedback is paired with PNC's Environmental & Social Risk Management framework, which is designed to help manage and monitor the environmental, human rights and other social risks within the C&IB business. In keeping with PNC's commitment to transparency and supporting the transition to a low-carbon economy, the bank formally endorsed the recommendations of the Task Force on Climate-related Financial Disclosures and has begun assessing the work necessary to integrate the recommendations into its business operations.

External recognition. PNC's commitment to this work has resulted in external validation. PNC was the highest-rated bank on Barron's 100 Most Sustainable Companies list in 2019 and included in Newsweek's 2019 list of America's Most Responsible Companies. PNC also was ranked #1 by CreditSights in the inaugural launch of their ESG model for regional banks, and scored in the top 10% on State Street's R-Factor, a tool used to measure the performance of a company's business operations and governance as it relates to financially material ESG challenges.

Additional information regarding PNC's ESG policies and practices can be found in PNC's comprehensive 2019 Corporate Social Responsibility Report, which is available at https://www.pnc.com/content/dam/pnc-com/pdf/aboutpnc/CSR/PNC_2019_CSR_Report.pdf. This report also is included as Exhibit 15.

BBVA Bancshares and BBVA USA. In 2019, BBVA USA launched a strategic plan consisting of six strategic priorities, one of which is "helping [] clients transition toward a sustainable future," which was inspired by the United Nations' (the "UN's")Sustainable Development Goals ("SDGs") on climate change and inclusive and sustainable social development. BBVA USA's initial priorities in these areas are as follows:

- Climate change –
  - Energy efficiency;
  - Circular economy; and
  - Reduction of carbon emissions.
- Inclusive and sustainable social development –
  - Facilitation of access to financial services to underbanked or non-banked persons, including by offering basic digital banking solutions;
  - Inclusive infrastructure, including basic services and transportation systems; and

- Support for entrepreneurs and promotion of economic growth, including through full and productive employment.

At BBVA USA, the team primarily responsible for ESG management, including oversight and implementation of these priorities, is led by the Director of Sustainability and ESG Risk Management, who is part of the Communications and Responsible Business department.

Responsibly managing internal operations. To reduce its direct impacts on the environment, BBVA USA has been implementing its 2016–2020 Eco-Efficiency Plan, which supports its commitment to responsible banking. The BBVA Eco-Efficiency Plan includes the following actions:

- Implement environmental management systems based on the most advanced standards;
- Promote energy efficiency, the use of clean energy and other measures to reduce indirect emissions;
- Optimize water use through efficient technologies;
- Encourage the responsible use of paper and promote proper waste management; and
- Involve employees and suppliers in these eco-efficiency initiatives.

With 2015 as the baseline year, BBVA USA has achieved the following Eco-Efficiency Plan results through 2019:

- 16.2% reduction in energy consumption;
- 40.9% reduction in Scope 2 greenhouse gas (CO_2) emissions (pursuant to the standards of the UN Intergovernmental Panel on Climate Change); and
- 11.3% reduction in water consumption.

Sustainable Finance. BBVA USA launched a number of consumer and small business products in 2020 to provide accessible sustainable finance options to its customers. These include green residential mortgages for homes with specific sustainability certifications, green commercial real estate loans and special small business term loans for energy efficient vehicles. BBVA USA offers 11 ESG-focused mutual funds, available to all of its wealth management clients. BBVA USA also has auto dealer programs that provide incentives for the sale of electric and hybrid vehicles to consumers. In addition, BBVA USA offers sustainability-linked loans ("SLL") and green term loans through its CIB and commercial banking business lines. BBVA USA has been a participant in four U.S.-syndicated SLLs and acted as joint lead arranger and sustainable agent and coordinator for a recent sustainability-linked revolving credit facility for Invitation Homes, a U.S. REIT. Moreover, BBVA USA recently began transitioning all of its debit cards to cards made of more than 85% recycled plastics.

Environmental and social risk management. As a financial institution, BBVA USA has an impact on the environment and on society directly through its consumption of natural resources and its relationship with BBVA USA stakeholders, and indirectly through its credit activity and the projects it finances. There are two type of risks that impact the business and which BBVA USA seeks to incorporate into its overall risk management program: (1) transition risks, which are risks pertaining to the transition to a low-carbon economy and arise from changes in legislation, the markets, consumers, etc., to mitigate and address the requirements of climate change, and (2) physical risks, which stem from climate change, including from the increased frequency and severity of extreme weather events or long-term weather changes, and may imply physical damage to companies' assets, disruptions in supply chains or increase in the expenses needed to face such risks.

With oversight by the Director of Sustainability and ESG Risk Management, BBVA USA works towards integrating these climate risks into its risk appetite and management frameworks and processes, overall business strategy and day-to-day risk management, such that they form part of the risk decision-making that supports BBVA USA's clients. In furtherance of that goal, BBVA USA is adapting its policies, procedures, tools, risk limits and risk controls in a consistent manner to address these risks. The first phase of such adaptation is focused on integrating these climate risks in the "Industry Frameworks," a basic tool in the definition of BBVA USA's risk appetite in wholesale credit portfolios, and in the "Mortgage and Auto Operating Frameworks" in retail credit.

In addition, as part of its environmental and social risk management in sectors that are particularly relevant from a social and/or environmental impact perspective, BBVA USA has specific operating guidelines, called ESG Sector Norms (the "<u>Sector Norms</u>"), which complement the risk appetite perspective and restrict participation in certain activities. The effective application of the Sector Norms is based on the integration of their analysis in the ordinary processes of customers' onboarding, admission of transactions and approval of new products. BBVA USA's areas of control review the application of the Sector Norms in accordance with established procedures. The framework of standards recognized by the Sector Norms includes the SDGs, the Paris Agreement, the Commitment to Human Rights and the recommendations of the Task Force on Climate-Related Financial Disclosures. BBVA USA also adheres to the Equator Principles ("<u>EP</u>"), which include a series of standards for managing environmental and social risk in project financing. The EPs were developed on the basis of the International Finance Corporation's Policy and Performance Standards on Social and Environmental Sustainability, and the World Bank's General Guidelines on Environment, Health and Safety. Finally, BBVA USA is also a signatory to the UN Environmental Program's Principles for Responsible Banking.

In accordance with BBVA's enterprise-wide Corporate Social Responsibility Policy, through these different initiatives BBVA USA strives to cultivate a culture of responsible banking and thereby create value for all stakeholders (clients, employees, shareholders, suppliers and society).

III. Anti-Money Laundering Compliance Record

The BHC Act requires that, in considering an application under section 3 of the BHC Act, the Federal Reserve "shall take into consideration the effectiveness of the company or companies in combating money laundering activities."[37] PNC, BBVA Bancshares and their respective subsidiary banks currently have in place robust measures to combat money laundering and terrorist financing, including strong programs and infrastructure for effective BSA/AML/Sanctions Compliance.

PNC has designed and maintained its enterprise-wide BSA/AML/Sanctions Compliance Program (or the "Program") to meet the legal requirements of the OCC's regulations (12 CFR § 21.21) and comply with all applicable laws and Treasury regulations regarding AML, counter-terrorist financing, financial crimes, and economic and trade sanctions. The Program is also intended to: (1) protect PNC's reputation and minimize the likelihood that it is exploited by criminals and parties with which it is prohibited by law or regulation from doing business; (2) help ensure PNC is operating in a manner consistent with its business strategy and risk appetite; and (3) comply with applicable regulatory and supervisory guidance.

The PNC Board of Directors and senior management prioritize the important objectives associated with maintaining the integrity of the financial system as a whole, protecting national security and making appropriate referrals to law enforcement. PNC administers the program in a safe and responsible manner, leveraging more than 900 fully dedicated, appropriately trained and highly knowledgeable professional employees across the BSA/AML/Sanctions ecosystem.

PNC has a written BSA/AML/Sanctions Compliance Program (including a Customer Identification Program) approved by the Compliance Subcommittee of the Board of Directors and a board-appointed Chief BSA/AML Officer who possesses the necessary authority and resources to effectively execute all assigned duties. The Chief BSA/AML Officer is supported by an experienced, knowledgeable and competent team of AML and sanctions managers. The program and execution approach aligns with PNC's enterprise-wide defined risk and control framework components, as defined by the ERM and ORM frameworks, consistent with heightened standards, and leverages all three lines of defense. PNC applies a continuous improvement philosophy and designs and enhances program controls to ensure adherence with both legal requirements and PNC's defined business strategy and risk appetite.

All PNC Employees are required to complete enterprise-wide BSA/AML/Sanctions training annually. Specific BSA/AML/Sanctions Compliance training courses for lines of business are tailored to employee roles, responsibilities and business segments. Training is also provided to the Board of Directors. In addition, relevant information, including Suspicious Activity Reporting information, is regularly provided to senior management and the Boards of Directors.

PNC expects to fully integrate BBVA Bancshares and BBVA USA into PNC's enterprise BSA/AML/Sanctions Compliance Program following the merger of BBVA USA with and into PNC Bank. During the Interim Bank Period (between the consummation dates of the Holdco

[37] 12 U.S.C. § 1842(c)(6).

Merger and Bank Merger), BBVA Transfer and BBVA USA will continue to operate their BSA/AML/Sanctions Compliance Programs, including controls such as customer identification, customer risk rating and automated transaction monitoring on its legacy compliance systems. Information and data from their legacy systems will be provided to PNC to permit a comprehensive and timely understanding of customer transactions and conduct across the PNC enterprise. During the Interim Bank Period, PNC's standards for managing potentially suspicious activity across the combined company and banks will be implemented. This will create a unified investigative, analytic and review process, executed by a single enterprise function, enabling an effective management of potentially suspicious activity across the enterprise.

Additional information about the respective BSA/AML/Sanctions Compliance Programs at PNC and BBVA Bancshares is provided in Exhibit 16 and Exhibit 17, respectively. Please see Confidential Exhibit J for information about the BSA/AML/Sanctions compliance risk management at BBVA Transfer and BBVA USA during the Interim Bank Period.

IV. Competitive Effects

Section 3 of the BHC Act prohibits the Federal Reserve from approving the Application if it would substantially lessen competition in any banking market, unless the agency determines that the anticompetitive effects of a proposed merger or acquisition are clearly outweighed by the probable effect of the transaction in meeting the convenience and needs of the communities to be served and, thus, in the public interest.[38] PNC's proposed acquisition of BBVA Bancshares will not result in any significantly adverse impact on competition in any relevant banking market.

In evaluating the competitive effects of a proposed merger or acquisition, the Federal Reserve and the Antitrust Division of the DOJ (pursuant to the Clayton Act, as amended) consider all the facts of record. In particular, the Federal Reserve considers the number and strength of competitors that would remain in the banking markets, the relative shares of total deposits held by insured depository institutions in the banking markets that the acquirer would control as a result of the transaction, the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index (the "HHI") under the DOJ Bank Merger Competitive Review guidelines (the "DOJ Bank Merger Guidelines"),[39] small business

[38] 12 U.S.C. § 1842(c)(1); 12 U.S.C. § 1828(c)(5).

[39] In applying the DOJ Bank Merger Guidelines issued in 1995 (*see* https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995), the Federal Reserve looks to the DOJ's Horizontal Merger Guidelines issued in 1992, and amended in 1997, for the characterization of a market's concentration. *See* https://www.justice.gov/atr/horizontal-merger-guideline-08192010; https://www.justice.gov/sites/default/files/atr/legacy/2007/08/14/hmg.pdf. Under these Horizontal Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The DOJ has informed the Federal Reserve that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010 (*see* https://www.justice.gov/atr/horizontal-merger-guidelines-08192010), the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. *See* Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

lending concentration levels, potential for new entry and expansion, and other characteristics of the market.

The Federal Reserve assesses the likely competitive impact of a merger on the cluster of banking services within local geographic markets defined by the local Federal Reserve Banks to reflect "commercial and banking realities and . . . consist of the local area where the banks involved offer their services and where local customers can practically turn for alternatives."[40] This includes personal and small business banking and lending products and services. As a practical matter, regularly reported, available data upon which the Federal Reserve can rely are limited to deposits and branch locations (gathered by the FDIC annually) and small business loan originations (annually gathered by the Federal Financial Institutions Examination Council). Both databases have limitations in that they exclude data from numerous competitors (both banks and other financial institutions) and, therefore, generally overstate the competitive significance of proposed transactions. Examples of entities that may compete in a local banking market, but which are generally not captured in the agency's competitive analysis, include internet banks as platforms for deposit-taking, fintech companies, out-of-market bank lenders and money market funds. The Federal Reserve's analytical framework for evaluating bank mergers, described below and outlined in its Bank Merger FAQs,[41] uses available data to identify potential areas of competitive concern together with an analysis of market-specific competitive characteristics to determine whether a proposed transaction will substantially lessen competition in any given banking market.

As a "screening test" for competitive considerations, and based on their experience in evaluating banking mergers, the Federal Reserve and the DOJ traditionally conclude that a merger presents no competitive concerns and generally warrants no further investigation if either (1) the post-merger HHI (computed by summing the squares of deposit-based market shares of all FDIC-reporting firms in Federal Reserve defined markets) is no greater than 1800 points, or (2) the increase in the HHI as a result of the merger does not exceed 200 points. If a proposal does not exceed this 1800/200 screen and, in the Federal Reserve's case, the post-acquisition deposit market share would not exceed 35%, the proposal is considered to be within "safe harbor" level(s).

PNC Bank and BBVA USA have overlapping branch operations in only 14 banking markets, as defined by the Federal Reserve, which are listed in the summary chart below. Those overlapping banking markets include eight in Alabama, three in Florida and three in Texas. The pro forma market concentrations and market shares in the relevant 14 banking markets, based on FDIC Summary of Deposits data as of June 30, 2020, are summarized below:

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[40] *North Fork Bancorporation, Inc.*, 81 Fed. Res. Bull. 734, 736 (1993).
[41] FAQs issued by the Federal Reserve and DOJ October 9, 2014, at http://www.federalreserve.gov/bankinforeg/competitive-effects-mergers-acquisitions-faqs.htm.

	TOTAL DEPOSITS ($000s)		THRIFTS WEIGHTED 50%		
BANKING MARKET	PNC Bank	BBVA USA	CHANGE IN HHI	POST-MERGER HHI	POST-MERGER SHARE
Auburn/Opelika Area, AL	$ 166,350	$ 494,411	130	1212	18.59%
Birmingham, AL	868,778	13,838,361	85	1859	27.61
Decatur Area. AL	164,360	224,021	105	1364	14.66
Gulf Shores Area, AL	124,157	42,316	26	1212	8.28
Huntsville Area, AL	303,222	1,231,268	68	1084	14.68
Mobile Area, AL	1,106,714	1,437,973	226	1544	21.45
Montgomery Area, AL	150,681	1,594,868	54	1133	18.46
Tuscaloosa Area, AL	160,918	227,083	43	1191	9.40
Gainesville Area, FL	80,800	589,351	27	1343	11.27
Ocala Area, FL	32,487	775,904	12	1252	12.59
Tampa Bay Area, FL	1,708,022	348,959	1	1251	2.05
Dallas, TX[42]	37,338	8,950,183	0	1948	2.91
Fort Worth, TX[43]	23,964	3,582,441	0	4974	1.88
Houston, TX[44]	--	16,073,270	0	2558	5.37

This summary does not take into account whether the deposits of one or more thrifts should be weighted at 100% or whether the deposits of one or more credit unions should be weighted at 50% or 100%.[45]

[42] PNC Bank opened three additional branches in the Dallas, TX banking market after the June 30, 2020 Summary of Deposits reporting date. As of September 30, 2020, PNC Bank's aggregate deposits in the Dallas, TX banking market totaled approximately $10.5 million. If such amount of deposits were included in the HHI calculations, without consideration of additional deposits of other competitors in the market, the HHI in the Dallas, TX banking market would increase by 0.1 point and remain at 1948, and PNC's pro forma deposit market share would be only 2.93%.

[43] PNC Bank opened one additional branch in the Fort Worth, TX banking market after the June 30, 2020 Summary of Deposits reporting date. As of September 30, 2020, PNC Bank's aggregate deposits in the Fort Worth, TX banking market totaled approximately $4.3 million. If such amount of deposits were included in the HHI calculations, without consideration of additional deposits of other competitors in the market, the HHI in the Fort Worth, TX banking market would increase by 0.05 point and remain at 4974, and PNC's pro forma deposit market share would be only 1.89%.

[44] PNC Bank opened four additional branches in the Houston, TX banking market after the June 30, 2020 Summary of Deposits reporting date. As of September 30, 2020, PNC Bank's aggregate deposits in the Houston, TX banking market totaled approximately $4.9 million. If such amount of deposits were included in the HHI calculations, without consideration of additional deposits of other competitors in the market, the HHI in the Houston, TX banking market would increase by only 0.02 point and remain at 2558, and PNC's pro forma deposit market share would remain at only 5.37%.

[45] The Federal Reserve generally weights thrift deposits at 50% in calculating the pre-merger HHI, but will include specific thrifts at higher levels of deposits where those institutions are shown to be active with respect to commercial lending. In particular, the Federal Reserve will look to see if the thrift has a commercial lending staff and will also look at the thrift's commercial and industrial loans-to-total assets ratio. In addition, the Federal Reserve has stated in its FAQs and demonstrated in prior orders that it will consider the competitive significance of credit unions when the credit union: (1) has broad membership criteria; (2) offers consumer banking products; and (3) has street-level branches that are easily accessible to the public. FAQ No. 18. In addition, where a credit union provides products and services that are increasingly competitive with bank products and services, particularly as regards to commercial lending, with "a staff available for small business services," then a credit union's deposits may be "eligible for 100% weighting." FAQ No. 19. When the above criteria are not explicitly met by a credit union, the Federal Reserve may

In each of the 14 relevant banking markets, the HHI levels would meet the safe harbor criteria under the Federal Reserve's and DOJ's initial screen, and the pro forma deposit market share would be well below 35% in each market. Exhibit 18 provides: the Federal Reserve's definitions of the 14 overlapping banking markets; more detailed summary charts of the competitive effects in such markets; and the detailed market tables reflecting the resulting market concentrations (as measured by the HHI), competitors and market shares.

Only the Birmingham, AL, Dallas, TX and Houston, TX banking markets would actually be deemed highly concentrated (see below for a discussion of the Fort Worth, TX banking market). However, the change in HHI would be less than 100 in the Birmingham, AL banking market and essentially unchanged in the Dallas, TX and Houston, TX banking markets. Moreover, in each of the Birmingham, AL, Dallas, TX and Houston, TX banking markets, as well as the remaining 11 overlapping banking markets, numerous competitors would remain after consummation of the Proposed Transaction. In the Birmingham, AL banking market, Regions Financial Corporation would remain the largest competitor with a deposit market share of 19.3%, and 48 other bank and thrift competitors would remain in the market. In the Dallas, TX banking market, Bank of America ("Bank of America") and JPMorgan Chase & Co. ("JPMC") would remain the largest competitors with deposit market shares of 36.84% and 21.71%, respectively, and 128 competitors would remain in the market. In the Houston, TX banking market, JPMC and Wells Fargo & Co. ("Wells Fargo") would remain the largest competitors with deposit market shares of 12.8% and 12.3%, respectively, and 90 other bank and thrift competitors would remain in the market.

Although the Fort Worth, TX banking market is highly concentrated, as measured by the HHI, the HHI is grossly distorted by the apparent centralized booking of sweep deposits and possibly other deposits by Charles Schwab Corporation ("Schwab") in such banking market. This is evidenced by the fact that Schwab reports holding $291.7 billion in deposits – or approximately 96.7% of Schwab's total consolidated deposits ($301.6 billion) – in the Fort Worth, TX banking market.

Based on all the facts of record, consummation of the Proposed Transaction would not have a substantial adverse effect on competition or on the concentration of resources in any banking market under Federal Reserve and DOJ precedent. Accordingly, competitive considerations of the Acquisitions are consistent with approval of the Application.

V. Financial Stability Risk Considerations

Pursuant to section 3(c)(7) of the BHC Act, the Federal Reserve must consider in every application under section 3 of the BHC Act whether the proposed acquisition would result in greater or more concentrated risks to the stability of the U.S. banking or financial system.[46] As discussed below, the Proposed Transaction will not materially increase systemic risk to the U.S.

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nonetheless consider the credit union as exerting a competitive influence that mitigates in part the potential anticompetitive effects of the mergers under review. *See also* 84 *Fed. Reg.* 31,701, 31,704 (July 3, 2019) (final rule revising the Federal Reserve's delegation rules in 12 CFR § 265.11 and citing to orders with Federal Reserve precedent on the treatment of thrifts and credit unions in its competitive analysis of bank holding company expansionary proposals).

[46] 12 U.S.C. § 1842(c)(7).

banking or financial system. Instead, the Proposed Transaction would result in a stronger banking organization that is more competitive with significantly larger banking organizations, and thereby will reduce systemic risk to the U.S. banking and financial system.

Neither the Federal Reserve nor any other federal banking agency has issued or proposed regulations defining how the agencies would take financial stability considerations into account in reviewing a bank acquisition. However, the Federal Reserve has, through many approvals of bank holding company applications, set forth several metrics that the agency believes capture the potential systemic "footprint" of the resulting banking organization and the incremental effect a transaction may have on the systemic footprint of the acquiring banking organization ("Financial Stability Factors").[47] Many of the metrics considered by the Federal Reserve seek to measure an institution's activities relative to the U.S. financial system. These metrics include:

a. the size of the resulting banking organization;

b. the availability of substitute providers for any critical products and services offered by the resulting firm;

c. the interconnectedness of the resulting firm with the banking or financial system;

d. the extent of the cross-border activities of the resulting firm; and

e. the extent to which the resulting firm contributes to the complexity of the financial system.

Also interwoven into the Federal Reserve's analysis is the relative degree of difficulty of resolving the resulting firm if it were to experience financial distress. The Federal Reserve has noted that the opaqueness and complexity of an institution's internal organization are relevant to resolvability aspects of the banking organization.[48] A banking organization that can be resolved in an orderly manner is less likely to inflict material damage to the U.S. financial system or economy. The Federal Reserve has noted in its approvals that these categories are not exhaustive and additional categories could impact its decision-making.

An analysis of these metrics as applied to PNC and BBVA Bancshares (and their respective subsidiary banks) demonstrates that the proposal would not result in any meaningful increase in any of the metrics used by the Federal Reserve to evaluate the systemic footprint of a post-acquisition organization.

These metrics are similar to the categories of systemic indicators used by the Federal Reserve to identify banking organizations that should be considered GSIBs and to calculate the capital surcharge applicable to a GSIB, as well as the general categories of indicators collected in the Federal Reserve's FR Y-15 reports (Banking Organization Systemic Risk Report).[49] As of

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[47] *See Capital One Financial Corporation*, FRB Order No. 2012-2 (Feb. 14, 2012) (the "Capital One Order"). *See also BB&T Corporation*, FRB Order No. 2019-16 (Nov. 19, 2019); *CIT Group, Inc.*, FRB Order No. 2015-20 (July 19, 2015); *The PNC Financial Services Group, Inc.*, 98 Fed. Res. Bull. 16 (2012).
[48] *E.g.*, *BB&T Corporation*, FRB Order No. 2019-16 (Nov. 19, 2019).
[49] 12 CFR § 214.404; Banking Organization System Risk Report–FR Y-15, https://www.federalreserve.gov/reportforms/forms/FR_Y-1520191231_f.pdf.

September 30, 2020, PNC had a Method 1 GSIB score of only 37. Moreover, PNC's pro forma Method 1 GSIB score as of the same date – and reflecting the proposed combination with BBVA Bancshares (excluding the Excluded Subsidiaries) – would be only 42, an increase of only 5 points. Importantly, PNC's pro forma Method 1 GSIB score would remain 88 points below the threshold score (130) necessary to be considered a GSIB under 12 CFR § 217.402, and would be less than 14% of the average of the six U.S. institutions with the highest GSIB scores.

Please see Exhibit 19 for additional information comparing PNC's pro forma GSIB score to the GSIBs and other bank holding companies, as well as a snapshot summary of the systemic risk factors of the 37 bank holding companies that file FR Y-15 reports, as of December 31, 2019. Please see Exhibit 20 for a copy of the public portions of PNC's and BBVA Bancshares' respective FR Y-15 reports, as of September 30, 2020. Please also see Exhibit 21 and Confidential Exhibit K for, as of September 30, 2020, a pro forma GSIB score for PNC; a pro forma FR Y-15, which reflects BBVA Bancshares' operations without the Excluded Subsidiaries; and a pro forma FR Y-15 for PNC.

A more detailed analysis of the Proposed Transaction under each of the Financial Stability Factors is discussed below.

Size. The Financial Stability Factor relating to size and availability of substitute providers of critical products may be informed by other aspects of the BHC Act's requirements, namely compliance with: (1) antitrust standards, (2) the 10% national deposit cap for certain interstate acquisitions,[50] and (3) the 10% national liabilities cap.[51] The Proposed Transaction is consistent with the federal banking agencies' precedent reviewing the competitive effects of mergers, and the Proposed Transaction does not even come close to approaching either the national deposit cap or national liabilities cap. Accordingly, it would seem that, as a threshold matter, the Proposed Transaction is not likely to pose a separate discernible risk to the financial stability of the U.S. banking or financial system based on size metrics.

As noted, PNC accounts for only approximately 2.18% of total nationwide deposits, as of June 30, 2020.[52] The deposits of BBVA USA to be assumed account for less than 0.54% of total nationwide deposits.[53] The pro forma total deposits of PNC, as of June 30, 2020, would represent only 2.73% of nationwide deposits. This percentage is far less than the nationwide deposit concentrations of various bank holding companies in the United States classified as a GSIB, for example: Bank of America – 11.26%; JPMC – 10.99%; Wells Fargo – 10.19%; and Citigroup Inc. ("Citigroup") – 4.26%.

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[50] *See* 12 U.S.C. § 1842(d).
[51] *See* 12 U.S.C. § 1852.
[52] As of June 30, 2020, according to the FDIC Statistics on Depository Institutions, FDIC-insured banks and thrifts held $15.5 trillion in domestic deposits.
[53] If national deposit share is calculated according to the methodology for the 10% national deposit cap, PNC held 2.15% of total U.S. adjusted deposits as of December 31, 2019, and BBVA USA held 0.54%. Under that calculation, the total U.S. adjusted deposits as of such date were $16.0 trillion. Following its acquisition of BBVA USA, PNC's pro forma share of national deposits would be 2.7%.

Based on total consolidated assets, PNC would be no more than one-fifth the total consolidated asset size of the four largest U.S. banking organizations.[54] In addition, the pro forma total assets of PNC on consummation of the Holdco Acquisition would be approximately $552.4 billion as of September 30, 2020, and represent only approximately 2.6% of the total assets of the U.S. banking system[55] and a significantly smaller share of the total assets of the U.S. financial system. As noted, on a pro forma basis, PNC would only hold approximately 2.1% of total liabilities on a national basis, as of December 30, 2019.[56] This percentage is far less than the nationwide liabilities concentrations of: Bank of America – 8.16%; JPMC – 7.14%; Wells Fargo – 5.65%; and Citigroup – 5.60%.

In addition, when the pro forma asset size of PNC is measured using the total exposures of PNC and BBVA Bancshares, as defined for purposes of the size indicators section of the Federal Reserve FR Y-15 report, it becomes even clearer that the Proposed Transaction would not result in systemic risk under the size factor. Indeed, this approach demonstrates even more accurately than total assets the magnitude of the disparity in systemic risk between the combined company and those banking organizations that have been classified as U.S. GSIBs. In evaluating a bank holding company's total exposures, the relevant measures include its total derivatives, securities financing transactions, other on-balance sheet exposures and other off-balance sheet exposures. Based on PNC's and BBVA Bancshares' respective Form FR Y-15 reports as of September 30, 2020, the combined company would have total exposures (before regulatory deductions) of $657.92 billion, which is only a fraction of such total exposures of the U.S. GSIBs: JPMC – $3.99 trillion, Bank of America – $3.24 trillion, Wells Fargo – $2.28 trillion, Citigroup – $2.80 trillion, Goldman Sachs Group, Inc. ("Goldman Sachs") – $1.50 trillion, and Morgan Stanley – $1.24 trillion.[57]

For all these reasons, the Proposed Transaction should not raise systemic concerns under the size factor.

Substitutability. The substitutability factor recognizes that a banking organization is more systemically important if it provides important products and services that customers would have difficulty replacing if the banking organization were to fail. PNC and/or BBVA Bancshares through their respective bank subsidiaries offer primarily retail and commercial deposit products, consumer and commercial loan products, commercial lease financing and related services, securities brokerage and underwriting,[58] insurance agency and brokerage,

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[54] This calculation is based on the average of the total consolidated assets of the four largest bank holding companies as of September 30, 2020. The total consolidated assets of the largest bank holding companies as of such date are: JPMC – $3.246 trillion; Bank of America – $2.738 trillion; Citigroup – $2.234 trillion; and Wells Fargo – $1.992 trillion.
[55] The amount of total assets of the U.S. financial system is conservatively approximated by using total assets of FDIC-insured banks and thrifts, as of June 30, 2020, which was $21.14 trillion.
[56] This percentage is estimated using the method of calculation in the Federal Reserve's Regulation XX, 12 CFR part 251, and assumes national liabilities of $21.23 trillion as of December 31, 2019.
[57] The pro forma total exposures of the combined company were calculated by adding the total exposures of such activities reported on PNC's and BBVA Bancshares' respective FR Y-15 reports, adjusted to omit exposures of the Excluded Subsidiaries (as of September 30, 2020).
[58] As noted, PNC would not acquire BBVA Bancshares' securities broker-dealer subsidiary, BBVA Securities. BBVA Bancshares will distribute the shares of that entity and two other subsidiaries to BBVA (or an affiliate thereof) before consummation of the Holdco Acquisition. The U.S. retail brokerage business of BBVA Securities

capital markets services, investment advisory, asset management, wealth management, trust operations and fiduciary services, risk management and asset management services, community development investment, payments, merchant services and treasury management services. PNC plans to continue to offer all of these products and services to both new customers and the existing customers of PNC and BBVA Bancshares.

None of the products or services of PNC or BBVA Bancshares can be regarded as highly specialized or "critical" financial products or services that are available from only a small number of providers. Indeed, to the contrary, there are numerous providers of each of these products and services nationally, regionally and, to the extent relevant, in the local banking markets in which they operate. The Federal Reserve has previously noted that there are numerous competitors for all of these services, including for securities brokerage, securities underwriting, investment advisory, wealth management and insurance agency activities.[59] The Holdco Acquisition would result in PNC having only a modest market share in such activities.

The fact that the Proposed Transaction would have little effect on financial stability is reinforced by an evaluation of the substitutability indicators of the FR Y-15 report. In evaluating a bank holding company's substitutability, the relevant measures include a banking organization's total payments activity, amount of assets under custody and underwriting activity. Based on PNC's and BBVA Bancshares' respective FR Y-15 reports (as of September 30, 2020), but not including the payments activity of the Excluded Subsidiaries, the combined company would have total payments activity of $4.65 trillion, total assets under custody of $104.76 billion and total underwriting activity of $41.57 billion,[60] all of which are only a fraction of the activity totals reported by the U.S. GSIBs.[61]

For all these reasons, the Proposed Transaction would not raise financial stability risk concerns under the substitutability factor.

<u>Interconnectedness</u>. In evaluating systemic risk, the Federal Reserve evaluates the interconnectedness of a banking organization because the failure of a bank to meet payment obligations to other banks can accelerate the spread of financial contagion when the banking organization is highly interconnected with other financial firms. As underscored by the

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(including related customer accounts), however, will be transferred to PNC shortly after consummation of the Holdco Acquisition.

[59] *See The Toronto-Dominion Bank*, FRB Order No. 2017-23 (Sep. 13, 2107); *Canadian Imperial Bank of Commerce*, FRB Order No. 2017-15 (June 7, 2017); *Huntington Bancshares Incorporated*, FRB Order No. 2016-13 (July 29, 2016).

[60] All of BBVA Bancshares' underwriting activity is conducted in BBVA Securities, which PNC would not acquire. Therefore, the Holdco Acquisition would not increase PNC's underwriting activity.

[61] These pro forma activity amounts of the combined company were calculated by adding such activity amounts reported by PNC and BBVA Bancshares, individually, on their respective FR Y-15 reports (as of September 30, 2020), adjusted for the Excluded Subsidiaries. In contrast, the respective total payments activity, total assets under custody and total underwriting activity reported by the U.S. GSIBs on their FR Y-15 reports were as follows: JPMC – $368.4 trillion, $28.9 trillion and $693.4 billion; Bank of America – $139.6 trillion, $3.17 trillion and $674.7 billion; Wells Fargo – $52.2 trillion, $3.32 trillion and $276.9 billion; Citigroup – $172.3 trillion, $16.9 trillion and $561.7 billion; Goldman Sachs – $13.28 trillion, $1.29 trillion and $438.0 billion; and Morgan Stanley – $15.88 trillion, $2.21 trillion and $467.6 billion.

immediately preceding description, the Proposed Transaction would not materially increase the interconnectedness of the U.S. banking or financial system.

Neither PNC nor BBVA Bancshares currently engages in business activities or participates in markets to a degree that would pose significant risk to other institutions in the event of financial distress at PNC in the future. Moreover, following the Proposed Transaction, PNC would not constitute a critical services provider or be so interconnected with other firms or markets such that PNC would pose a significant risk to the financial system in the event of financial distress. For example, neither PNC nor BBVA Bancshares: (1) provides core clearing or settlement services or (2) is a significant participant in the corporate trust, repurchase, securities lending, custody, or debt or equity underwriting markets. In addition, the derivatives activities of both PNC and BBVA Bancshares are relatively limited, and neither is a dealer of credit default swaps. PNC and BBVA Bancshares, instead, offer retail and commercial banking products and services, mostly to retail consumers and businesses, including deposit products, residential home mortgages, home equity lines of credit, small business loans and commercial loans, equipment lease financing (PNC) and various other financial services, including insurance agency, investment advisory and securities brokerage services and some investment banking services (PNC). Therefore, the Proposed Transaction would not increase the interconnectedness of the combined organization in any meaningful manner.

When the interconnectedness of the combined company is measured using the interconnectedness indicators of the FR Y-15 report, the Proposed Transaction would not result in a material increase in systemic risk under such indicators. In evaluating a bank holding company's interconnectedness, the relevant measures include the banking organization's total claims on the financial system, its total liabilities to the financial system, the total value of debt and equity securities it issues and the total letters of credit outstanding to other financial institutions. Based on PNC's and BBVA Bancshares' respective FR Y-15 reports (as of September 30, 2020, but only including the BBVA Bancshares' activities to be acquired), the combined company would have total intra-financial system assets of $29.23 billion, total intra-financial system liabilities of $25.56 billion, total securities outstanding of $112.07 billion and total standby letters of credit to other financial institutions of $181.2 million. These amounts are only a fraction of the totals for such indicators reported by the U.S. GSIBs.[62]

For all these reasons, the Proposed Transaction would not raise financial stability risk concerns based on the interconnectedness factor.

<u>Cross-Border Activity</u>. In evaluating financial stability risk, the Federal Reserve evaluates a banking organization's cross-border activity because a banking organization with

[62] These pro forma activity amounts for the combined company were calculated by adding such activity volumes reported by PNC and BBVA Bancshares, individually, on the FR Y-15 report (as of September 30, 2020), adjusted for the Excluded Subsidiaries. The respective total intra-financial system assets, intra-financial system liabilities, securities outstanding and standby letters of credit to other financial institutions reported by the U.S. GSIBs on their FR Y-15 reports for the same time period were as follows: JPMC – $338.7 billion, $521.0 billion, $663.8 billion and $13.2 billion; Bank of America – $224.9 billion, $139.1 billion, $540.2 billion and $65.1 billion; Wells Fargo – $147.1 billion, $146.9 billion, $395.2 billion and $19.9 billion; Citigroup – $203.1 billion, $297.3 billion, $503.4 billion and $15.2 billion; Goldman Sachs – $236.2 billion, $84.5 billion, $413.7 billion and $222.0 million; and Morgan Stanley – $211.8 billion, $53.0 billion, $324.3 billion and $7.5 billion.

significant international activities can transmit financial problems from one country to another during a financial crisis. Banks with significant cross-border activities also may be more difficult to resolve because they require coordination with foreign authorities and access to foreign assets.

PNC will not materially increase its cross-border activities as a result of the Proposed Transaction. As an initial matter, PNC is not acquiring any entities or locations outside the U.S. as part of the Proposed Transaction. Moreover, the cross-border activities of BBVA Bancshares that PNC would acquire as part of the Proposed Transaction would be limited primarily to those of BBVA Transfer (international remittances), some international wealth advisory services and the limited cross-border payment activities of BBVA Bancshares' customers. Currently, PNC engages in only a small amount of cross-border activities. PNC has limited foreign operations through PNC Bank that, as noted above, primarily consist of the bank's Bahamas Branch, Toronto Branch and two subsidiaries, Harris Williams (financial advisory services in the European Union and U.K.) and PFS UK (asset-backed commercial loans in the U.K.).

When the cross-border activity of the combined company is measured using the cross-border indicators of the FR Y-15 report, it is evident that the Proposed Transaction would not result in material systemic risk under such indicators. In evaluating a bank holding company's cross-border activity, the relevant measures are a banking organization's total cross-jurisdictional claims and its total cross-jurisdictional liabilities. Based on PNC's and BBVA Bancshares' respective Form FR Y-15 reports (as of September 30, 2020, but not including the BBVA Bancshares' activities that PNC would not acquire), the combined company would have total cross-jurisdictional claims of $11.1 billion and total cross-jurisdictional liabilities of $6.35 billion. These amounts are only a fraction of the cross-border activity of the U.S. GSIBs.[63]

Therefore, the Proposed Transaction would not result in any meaningful increase in PNC's cross-border operations or activities and would not create difficulties in coordinating any resolution of the combined company or otherwise increase the risk to U.S. financial stability.

Complexity. The complexity of a banking organization is relevant to the Federal Reserve's financial stability risk analysis because highly complex operations have a broader impact on the financial system and generally are more difficult to resolve if they fail. The Proposed Transaction would not contribute to the overall complexity of the U.S. banking or financial system. As noted, the Proposed Transaction does not involve the purchase or assumption of any complex assets or liabilities. The consolidated banking organization would not have an organizational structure, complex interrelationships or other unique characteristics that would complicate resolution of the firm, or otherwise pose a significant risk to the financial system, in the event of financial distress. PNC and BBVA Bancshares, and their subsidiary

[63] These pro forma activity amounts for the combined company were calculated by adding such activity volumes reported on PNC's and BBVA Bancshares' FR Y-15 reports (as of September 30, 2020), adjusted for the Excluded Subsidiaries. The much larger cross-jurisdiction claims and cross-jurisdiction liabilities reported by the U.S. GSIBs on their respective FR Y-15 reports were as follows: JPMC – $898.9 billion and $1.6 trillion; Bank of America – $521.8 billion and $864.5 billion; Wells Fargo – $160.0 billion and $228.7 billion; Citigroup – $1.0 trillion and $2.0 trillion; Goldman Sachs – $474.4 billion and $850.2 billion; and Morgan Stanley – $352.1 billion and $661.0 billion.

banks, have satisfactorily complied with the regulatory requirements for resolution planning, and PNC and PNC Bank expect to continue to do so following consummation.

PNC and BBVA Bancshares each have relatively simple organizational structures and very limited nonbanking subsidiaries. Following the Bank Merger, approximately 97% of the combined organizations total assets would be held by or through PNC Bank. Accordingly, the vast majority of the combined organization's assets would continue to be subject to the well-established resolution processes under the Federal Deposit Insurance Act.

In addition, when the complexity of the combined company is measured using the relevant indicators of PNC's and BBVA Bancshares' respective Form FR Y-15 reports, it is also evident that the Proposed Transaction would not result in a material increase in systemic risk under this factor. In evaluating a bank holding company's complexity, the relevant measures are: a banking organization's total notional amount of over-the-counter ("OTC") derivatives; total amount of trading and available-for-sale securities and equity securities with readily determinable fair values not held for trading (collectively, "Trading and AFS Securities"); and total illiquid and hard-to-value assets, known as "Level 3 Assets." Based on PNC's and BBVA Bancshares' respective FR Y-15 reports (as of September 30, 2020, but not including the BBVA Bancshares activities that PNC would not acquire), PNC would have a pro forma total notional amount of OTC derivatives of $516.95 billion, total Trading and AFS Securities of $98.39 billion and total Level 3 Assets of $5.06 billion. These amounts are only a fraction of such indicator totals reported by the U.S. GSIBs.[64]

For all these reasons, the Proposed Transaction would not significantly increase financial stability risk under the complexity factor.

Conclusion on Financial Stability Risk. In view of all the foregoing, the Proposed Transaction will not result in greater or more concentrated risks to the stability of the U.S. banking or financial system, and, therefore, the financial stability risk considerations are consistent with approval of the Proposed Transaction. Moreover, instead of increasing financial stability risk, the Proposed Transaction would reduce any financial stability risks posed by PNC or BBVA Bancshares. As noted, the Proposed Transaction will enable the combined company to achieve greater diversification of business lines, customers and geographies, a strengthened balance sheet; and enhanced earnings prospects. These important benefits will enable the combined company to compete more effectively against the exponentially larger banking organizations that have steadily and disproportionately increased their banking and financial service market share concentrations during the last decade. In addition, as a result of the Proposed Transaction, the assets and liabilities of BBVA Bancshares would become subject to the Supplementary Leverage Ratio and the Countercyclical Capital Buffer requirements of the

[64] These pro forma activity amounts for the combined company are based on such activity volumes reported by PNC and BBVA Bancshares, individually, on the FR Y-15 report (as of September 30, 2020), adjusted for the Excluded Subsidiaries. In contrast, the volumes of these respective activities (total notional amounts of OTC derivatives, amounts of Trading and AFS Securities, and Level 3 Assets amounts) reported by the significantly larger banking organizations on their FR Y-15 reports were as follows: JPMC – $48.3 trillion, $238.8 billion and $16.4 billion; Bank of America – $35.8 trillion, $198.3 billion and $10.8 billion; Wells Fargo – $11.9 trillion, $102.2 billion and $9.9 billion; Citigroup – $36.9 trillion, $100.5 billion and $14.4 billion; Goldman Sachs – $39.4 trillion, $112.6 billion and $28.5 billion; and Morgan Stanley – $30.3 trillion, $142.4 billion and $15.3 billion.

banking agencies' regulatory capital rules, as well as the LCR and NSFR requirements that apply to PNC as a Category III banking organization.[65]

Additional information demonstrating that the Proposed Transaction would not result in any meaningful increase in risks to the stability of the U.S. banking or financial system is provided in response to Item 22 below and in Exhibit 22 and Confidential Exhibit L.

VI. Convenience and Needs of the Community

In acting on the Application, section 3 of the BHC Act requires the Federal Reserve to consider the effects of the proposal on the convenience and needs of the communities to be served.[66] The Proposed Transaction will bring together two banking organizations with strong customer-oriented and ethical cultures, highly compatible business models, robust risk management systems and dedication to economically empower the communities they serve. In addition, the Proposed Transaction is consistent with PNC's three strategic priorities: (1) expand its leading banking franchise to new markets and digital platforms; (2) deepen customer relationships by delivering a superior banking experience and financial solutions; and (3) leverage technology to innovate and enhance products, services, security and processes.

PNC and BBVA Bancshares have aligned priorities that will reinforce PNC's strong culture going forward. PNC will extend its operating philosophy to all of BBVA USA's constituents, including its customers, communities and employees. As PNC's CEO William Demchak has publicly stated, PNC's philosophy, as a Main Street Bank, is that "our prosperity will be proportional to the prosperity we help to create for our customers, communities where we operate and our employees." By prioritizing customers, PNC is committed to providing high-quality products and service to all its customers, no matter the channel. PNC's dedication to its communities is built on supporting the communities where it does business through strong local leadership and collaboration with local organizations and groups. By investing in its employees, PNC places great importance on building diverse teams, with development of people for the right roles with the right skills doing their best work.

PNC's and BBVA Bancshares' shared prioritization of customer service, community reinvestment and active community development is demonstrated in the *Commitment to the CRA* section below. As noted, both PNC Bank and BBVA USA have overall "Outstanding" CRA performance ratings. In fact, PNC Bank has received an overall "Outstanding" CRA performance rating in *every* evaluation since the CRA was enacted in 1977. PNC will apply its outstanding CRA program and initiatives to the communities currently served by BBVA USA, while incorporating successful strategies and programs of BBVA USA, and will maintain close ties to the community organizations now served by each organization.

The Proposed Transaction will benefit both PNC/PNC Bank and legacy BBVA Bancshares/BBVA USA customers. For example, the Proposed Transaction will benefit the

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[65] The Federal Reserve has previously noted that the expansion of more stringent prudential standards to the assets and liabilities acquired as part of a proposed transaction is a favorable consideration under the financial stability factor. *See* Morgan Stanley/E*Trade Order, FR Order 2020-05 at p. 23 (Sept. 30, 2020), available at https://www.federalreserve.gov/newsevents/pressreleases/files/orders20200930b1.pdf.

[66] 12 U.S.C. § 1842(c)(5).

legacy customers of BBVA USA and PNC Bank by providing them with access to the more expansive branch and ATM networks of the combined organization, including branches in 29 of the 30 largest metropolitan areas in the United States. As noted, PNC Bank has branches in the District of Columbia and 24 states, including many jurisdictions in which BBVA USA has no branches, and BBVA USA has branches in four states in which PNC Bank has no branches. The Proposed Transaction also will accelerate PNC's strategic plan to expand its banking franchise to new markets and help distribute its beneficial products and services to customers across the nation. As a result, PNC will be less dependent on the slower process of organic growth and de novo branching to enter these new markets. PNC intends to grow the legacy BBVA USA markets by offering a broader selection of products and services for consumer, businesses and institutions, while maintaining its priorities of customer services and community support.

As noted, there is not a significant overlap of PNC Bank's and BBVA USA's branch network. In the banking markets where they do overlap, PNC Bank will carefully evaluate and compare the locations of its branches and BBVA USA's branches, based on numerous factors under its branch closing policies (*e.g.*, performance, physical condition, costs, potential adverse impacts, alternative actions, other financial service provider presence), with a view to minimize any potential adverse impacts on local communities. In census tracts where a branch of PNC Bank and a branch of BBVA USA are extremely close together, PNC Bank may choose to consolidate the branches through a "short-distance relocation."[67] In such a branch consolidation, customers of the non-surviving branch would not be materially disadvantaged due to the close proximity of the two branches. PNC recognizes that branch closings may have an impact on segments of the local community, even when another PNC location is nearby or when a majority of the branch's customers primarily transact with PNC through non-branch channels. That is why PNC carefully considers a variety of factors before making *any* decision to close a branch, provides clear and timely communications to customers about planned branch closings, and where possible works to assist customers and the community with the transition.

PNC does not expect to close or consolidate any BBVA USA or PNC Bank branch that is located in an LMI census tract in connection with the Proposed Transaction. Furthermore, any branch consolidation or closure that do result from the Proposed Transaction will comply with all relevant law regulatory requirements and guidance.[68]

After consummation of the Proposed Transaction, PNC will introduce its Regional President model in major BBVA USA markets. Regional Presidents play an important role by allowing PNC Bank to understand, prioritize and address the needs of the consumers, businesses and communities in its local markets. The Regional President model directly supports PNC's Main Street Bank approach. PNC's Regional Presidents live, work and are involved as leaders in the communities they serve. They are responsible for ensuring that PNC's full suite of available products, services and community support activities (*e.g.*, community development investments, charitable sponsorships and philanthropic giving) are brought to the market in ways

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[67] The OCC defines a "short-distance relocation" as meaning "moving the premises of a branch . . . within a: (1) One thousand foot-radius of the site if the branch . . . is located within a principal city of an MSA; (2) One-mile radius of the site if the branch . . . is not located within a principal city, but is located within an MSA; or (3) Two-mile radius of the site if the branch . . . is not located within an MSA." 12 CFR § 5.3(l).

[68] 12 U.S.C. § 1831r-1. *See, e.g.*, *Joint Policy Statement Concerning Branch Closing Notices and Policies,* 64 *Fed Reg.* 34,944 (June 29, 1999).

that resonate most effectively in those communities, and serve as a single point of contact to PNC's CEO, accountable for being the voice of their respective markets.

The complementary cultures and businesses of PNC/PNC Bank and BBVA Bancshares/BBVA USA create other synergistic opportunities and benefits for customers. For example, the Proposed Transaction would enhance the financial solutions available for legacy customers of BBVA USA and attract new customers across a broader set of markets. Legacy customers of BBVA Bancshares and BBVA USA will benefit from PNC's innovative Virtual Wallet® digital experiences, including Calendar, Money Bar, Savings Rules and Tools, Spending Analysis and Budgets. PNC Bank also offers capabilities not currently available to BBVA USA customers, including Zelle® to make real-time secure person-to-person payments, Express Funds® to enable faster access to check deposits and PNC Pay, which is PNC's mobile wallet. BBVA USA's small business customers also would benefit from PNC Bank's Cash Flow Insight,® which provides a robust set of cash management tools to small businesses. These tools include: (1) multiple users and account delegation capabilities with custom entitlements, limits and pre-defined roles; (2) month-to-date cash flow overview for all small business deposit customers; (3) integrated invoicing with branded payment portal, auto pay and auto reminders; (4) integrated business check deposit with scanner; (5) integrated payables with document management, approval workflows and positive pay; and (6) integrated merchant sales information and merchant services statements.

PNC Bank also offers enhanced security, authentication and fraud-monitoring capabilities in its digital/mobile offerings, providing enhanced customer control and card management tools. Therefore, legacy BBVA USA customers also will benefit from PNC Bank's experience in reducing risk and increasing customer control in customer-permissioned data sharing when using external financial apps.

Moreover, the Proposed Transaction will provide PNC enhanced scale and opportunities for further technology investments to meet the evolving needs of customers for digital banking solutions and enhanced cybersecurity protections, and thereby benefit legacy PNC Bank and BBVA USA customers and new customers of the combined bank. PNC will continue to invest in products and services, including through new technologies, to meet the evolving digital needs of customers.

The Proposed Transaction also will benefit the convenience and needs of the customers and communities served by BBVA USA through the availability of PNC's and PNC Bank's broader array of products and services across multiple lines of business. For example, PNC and PNC Bank offer a broader selection of products and services in the following areas:

- Business banking (*e.g.*, broader array of deposit accounts and lending options, and industry specializations, including women- and veteran-owned businesses and universities);

- Home equity products;

- Commercial lending and lease financing services (*e.g.*, broader middle-market business offerings; asset-based lending; active equipment leasing; vendor finance;

more specialization to provide tailored services and financing solutions to commercial customers; and commercial real estate loan servicing);

- Cash and treasury management services;

- Capital markets services;

- Personal and institutional asset management (including services catered to pension/retirement plans, industry-tailored investment management solutions and other services such as outsourced chief investment officer, liquidity and fixed income management);

- Advisory services (*e.g.*, mergers and acquisitions, private equity and public equity fundraising, and ESOP services);

- Organization financial wellness solutions for employees of companies (including financial services and education); and

- Retail securities brokerage (including more products and managed money offerings).

Legacy customers and communities of BBVA Bancshares and BBVA USA will also benefit from PNC's charitable initiatives, including its signature *PNC Grow Up Great*® program that supports early childhood education for LMI children and communities. This program is discussed in more detail in the *Commitment to the CRA* section below.

PNC and PNC Bank customers will benefit from access to the international remittance services of BBVA Transfer. These services currently enable eligible users to initiate remittance transactions securely from BBVA USA retail branches for a low fee and send funds to any in-network financial institution where the designated recipient can pick up the funds upon providing appropriate identification and without a fee charged to the recipient. Eligible consumer users can also initiate transactions using BBVA USA's online banking and mobile banking options for account-to-account transfers, subject to certain security protocols. Such services will assist help PNC Bank better meet the needs of its retail and small business customers.

In addition, PNC believes that the expanded scale of the combined company and bank will benefit legacy BBVA Employees and PNC Employees by providing new growth and development opportunities associated with an organization that has national geographical reach. There will be opportunities for legacy BBVA Employees and PNC Employees to apply for new positions across the combined organization's expanded footprint. In addition, PNC offers all of its full-time employees, including retail branch employees, a $15 per hour minimum wage. PNC expects to expand this minimum wage over time to cover all BBVA Employees (including BBVA USA branch employees) who become employees of PNC. PNC will also provide its high-quality employee training, leadership and development programs to legacy BBVA Employees and PNC Employees in order to continue to retain (and attract) the industry's top talent across all its operations. As noted, PNC will also offer comprehensive benefits and programs, including a defined benefit cash balance pension plan to BBVA Employees who join PNC. For those eligible employees who are enrolled with PNC-offered health insurance programs, PNC provides access to a Health Savings Account and funded dollars earned from wellness participation, which will support the employees' near-term wellness, as well as their long-term needs for financial security.

PNC and BBVA Bancshares are both strong corporate citizens, with well-established reputations for serving all segments of their communities, including by prioritizing community reinvestment, supporting sustainable practices, promoting diversity and inclusion, addressing systemic racism and fostering the economic empowerment of disadvantaged communities. The synergies from the Proposed Transaction include the important diversity and inclusion priorities of PNC and BBVA in their respective operations. Both PNC and BBVA prioritize diversity and inclusion in their respective workplaces, as well as in their supply chains and communities. They each have developed a culture that values diversity and demonstrates inclusion.

At PNC, the commitment to diversity and inclusion starts at the top of the organization, and is reflected in the composition of PNC's Board of Directors and senior management. Of PNC's 12 outside directors, four (33%) are women and three (25%) are people of color. Likewise, of the 12 direct reports to PNC's CEO, five (42%) are women and three (25%) are people of color. In addition, PNC has a comprehensive program to support diversity and inclusion throughout the organization, including, among others: (1) training of managers and employees on unconscious bias and micro-behaviors that impact inclusion; (2) sponsored employee dialogues, including town hall meetings, on diversity, equity and inclusion across the company; (3) Employee Business Resource Groups and mentoring programs that support employees who are minorities, women, LGBTQ+, military veterans, or disabled; and (4) a Diversity Trends Tool for managers that provides a view of talent trends and models how manager decisions influence diverse representation in hiring, promotions and terminations.

PNC is committed to building a diverse, equitable and inclusive workplace at all levels. PNC's prioritization of diversity and inclusion will be reinforced by its acquisition of BBVA Bancshares. BBVA Bancshares has encouraged diversity in the workplace through their employment and workplace policies that focus on reaching and including people of color, people with disabilities, veterans and those that identify as LGBTQ+. Among other activities, BBVA Bancshares: (1) formed a Workplace Diversity and Inclusion Counsel in 2013 to lead initiatives and implement best practices companywide to promote diversity and inclusion in each business unit; (2) formed its first Business Resource Group, Women in Leadership, in 2017 to increase engagement for women in the bank and provide a forum for mentorship, sponsorship, professional development and networking; (3) launched a second Business Resource Group to support LGBTQ employees across BBVA USA's seven-state footprint (with plans underway to launch two new groups for Black and Hispanic/Latinx employees); and (4) implemented internal training on unconscious bias, racial equality and social justice to help eliminate workplace and societal inequality. To support diversity in hiring employees, BBVA USA has also partnered with Historically Black Colleges and Universities and Hispanic-serving institutions, and workforce organizations that focus on addressing the employment needs of people of color, women and military veterans.

In addition, PNC Bank and BBVA USA each have supported diverse businesses through their supplier diversity programs and supplier contracting practices. Through these supplier diversity programs and practices, PNC Bank and BBVA USA have increased the contracting opportunities for businesses owned by minorities, women, military veterans, LGBTQ+ individuals, and persons with disabilities, and other disadvantaged and small business enterprises. They have also built productive relationships with national and regional supplier organizations that certify such businesses, which will continue. After consummation of the Proposed Transaction, PNC Bank will continue its supplier diversity prioritization, programs and practices, while integrating the best practices from BBVA Bancshares as appropriate.

The combination of such strong and ethical cultures will facilitate the integration process and further strengthen PNC and PNC Bank's commitment to diversity and inclusion of all its key constituents, namely its customers, communities and employees.

For information on the many awards and recognitions that PNC and BBVA Bancshares, respectively, have received in recent years, including for employment, military and veteran support, environmental sustainability, and diversity and inclusion, please see Exhibit 23 and Exhibit 24. For more detailed information about the diversity and inclusion actions of PNC and BBVA Bancshares, please see Exhibit 25 and Exhibit 26, respectively. Additional responsive information is provided in Confidential Exhibit M.

Based on all the foregoing, it is evident that the convenience and needs of the communities and other constituents of PNC and BBVA Bancshares will be favorably served by the Proposed Transaction.

VII. Commitment to the CRA

PNC Bank and BBVA USA share an unwavering commitment to supporting the communities they serve. This commitment is reflected in PNC Bank's and BBVA USA's overall CRA performance ratings of "Outstanding" at their most recent evaluations. Moreover, PNC Bank has consistently earned the top CRA rating of "Outstanding" in every performance evaluation issued since enactment of the CRA more than 40 years ago. PNC Bank will continue the outstanding CRA performance legacies of PNC Bank and BBVA USA after consummation of the Proposed Transaction. Through executive leadership, strategic investments and employee volunteerism, PNC Bank will help to build strong communities and create financial opportunities for individuals, families and businesses throughout PNC Bank's and BBVA USA's combined communities.

Following consummation of the Proposed Transaction, PNC Bank will extend its highly successful community reinvestment program into the communities currently served by BBVA USA, while integrating successful strategies and programs of BBVA USA where appropriate. PNC Bank intends to expand its community reinvestment program and strategies that have made it successful in meeting the financial needs of all customers and communities into the new assessment areas. This will include offering deposit and lending products that are designed to address the needs of LMI families and communities. In addition, this will include serving community-based organizations, developers who work in affordable housing and other areas of community development and small businesses, while providing banking services that are convenient and accessible. Furthermore, PNC will expand its Regional President model to encompass the new BBVA USA markets. This model embeds a Regional President and Client and Community Relations teams in major local markets, which are responsible for coordinating

PNC's community and civic engagement and charitable giving, and tailoring those activities to the unique needs of the local market. PNC Bank is carefully evaluating BBVA USA's current consumer products and community development programs so that PNC Bank may integrate the strongest components into its community reinvestment program and continue its unbroken record of overall "Outstanding" CRA performance, including in its expanded assessment areas. Please see <u>Confidential Exhibit L</u> for additional information.

PNC Bank supports the communities where it conducts business through, among other things, project and organizational financing, job creation, local infrastructure investments, home loans, small business loans, financial education and sponsorships. PNC Bank plans to expand many of its current programs into BBVA USA's CRA assessment areas. These programs include, but are not limited to:

- The PNC Foundation, which, in conjunction with PNC Bank, provided more than $80 million in charitable giving in 2019, the majority of which supports education, the arts and community and economic development.

- The PNC *Grow Up Great*® program, PNC's signature $500 million, multi-year, bilingual initiative focused on early childhood education. Since the program's launch in 2004, the PNC Foundation has awarded $180 million in grants to support high-quality early education and supported more than 6.9 million children—particularly underserved children – throughout 25 states and the District of Columbia. Roughly 73,000 PNC Employees have volunteered nearly 985,000 hours through a progressive policy that provides employees with up to 40 hours of paid volunteer time off annually, and have donated more than 1.4 million items for use in preschool classrooms or for the personal well-being of young children.

- PNC's Regional President model and Community Development Banking group.

- PNC Bank's highly rated CRA program, which includes:

    - *Access to affordable rental housing, which is a fundamental need for low-income families and seniors*. PNC Bank has more than $9.9 billion in affordable housing equity investments under management and is the largest low-income housing tax credit ("<u>LIHTC</u>") syndicator/investor in the U.S. National Multifamily Housing Council.

    - *Financing to create jobs and drive investment in distressed urban and rural communities.* In 2003, PNC Bank pioneered investing in the New Market Tax Credits ("<u>NMTC</u>") program, providing equity capital to projects that create jobs and drive investment in some of the country's most distressed urban and rural communities. To date, PNC has made more than $4 billion in Qualified Equity Investments under the program and managed $758 million of NMTC allocations from the U.S. Treasury Department.

In June 2020, PNC also announced a pledge of more than $1 billion to help end systemic racism and support economic empowerment of Black and LMI communities. The majority of this additional funding will be implemented through PNC Bank's Community Development Banking team's lending and investing activities and its financial education and other community development service activities. Although PNC has long demonstrated a firm commitment to help the LMI communities in its CRA assessment areas, its work implementing this new $1 billion pledge will focus more deliberately on Black communities in its existing and post-transaction expanded CRA assessment areas. This pledge will be supplemented with $50 million in additional charitable support for national and local actions that will help eliminate systemic racism and promote social justice.

Areas of focus for the $1 billion allocation include:

- *Economic Empowerment* of LMI individuals, including leveraging PNC Bank's community development products and services and a focus on financial management behaviors – from basic money management skills to more sophisticated behaviors like homebuying, using home equity and diversifying investments.

- *Education* across every age range in LMI communities – from birth to age five through the PNC *Grow Up Great*® early childhood education initiative, to secondary and collegiate tracks focused on skill building, job readiness and achievement in higher education.

- *Entrepreneurship* support, including everything from teaching entrepreneurial basics to ensuring access to capital necessary to spur Black-owned economic growth, to creating opportunities for Black-owned firms to capitalize on professional services and other revenue opportunities.

- *Policy, Philanthropy and Cultural Investment* via strategic application of PNC's core competencies across multiple departments and leveraging the financial resources of both the company and the PNC Foundation.

PNC's pledge also includes enhancing its existing employee matching gift program to include support for qualifying nonprofit organizations that support economic empowerment and social justice educational efforts, and extending the 40 hours of paid time off that employees receive annually to volunteer through PNC *Grow Up Great*® to include volunteering for qualifying social justice and economic empowerment nonprofits.

BBVA USA has also pledged significant support to assist its local communities and empower disadvantaged individuals and families. For example, BBVA USA in 2019 announced a six-year (2020-2025) pledge to provide up to $15 billion in lending, investments and services toward supporting LMI individuals and neighborhoods. This pledge included up to $7.3 billion for small business lending, $4 billion in community development lending, $3 billion for LMI mortgage lending and $1.1 billion in community development investments. This announcement followed BBVA USA's successful completion of a five-year, $11 billion community pledge that ran through 2019, concluding with over $13 billion in loans and investments.

PNC expects to honor the community pledges previously made by both PNC and BBVA USA. At the same time, PNC is looking forward to mapping out, in consultation with BBVA

USA, new ways the combined PNC/BBVA Bancshares organization can support local communities and assist disadvantaged groups across the combined organization's entire footprint. PNC expects to engage with community partners, both in our current footprint and BBVA USA's markets, to identify ways that the combined organization can help serve the banking and credit needs of the organization's entire communities, including LMI, African American and other minority individuals and neighborhoods.

Additional details on these and other activities by PNC Bank and BBVA USA to support its communities are provided below.

A. PNC Bank CRA Performance Record

PNC Bank's CRA performance record demonstrates its firm commitment to serving the credit and other banking needs of all the communities in its CRA assessment areas. As demonstrated below, PNC Bank's outstanding CRA performance includes: active direct mortgage lending to LMI individuals, including through proprietary mortgage loan programs; offerings of low-cost deposit accounts for unbanked or under-banked individuals; a high volume of small loans to small businesses, including to businesses in LMI communities; a significant amount of community development loans, investments and grants; an extensive branch network, including in LMI communities; award-winning digital banking services; and a high level of community development services through encouragement of employee volunteerism and other initiatives.

PNC Bank's Community Development Banking group, consisting of approximately 90 employees, is dedicated to improving LMI neighborhoods and the quality of life for residents through financing and service that meets the traditional definitions of community development. Community Development Banking also serves as a connector, assisting community groups and developers to work with government agencies to identify other sources for technical, financial and investment support.

Community Development Banking is housed within PNC's Corporate Responsibility Group, as are PNC's Diversity & Inclusion team, Community Affairs (including the PNC Foundation), Corporate Social Responsibility and the Corporate Responsibility Group Operations team. This organizational structure allows PNC to maximize its enterprise-wide strengths to serve the communities across its footprint, and provides centralized governance of the commitments the company makes to those communities. The leader of the Corporate Social Responsibility Group is a member of PNC's Executive Committee, the most senior management committee within PNC.

To help expand its community reinvestment activities, PNC formed the PNC Foundation in 1969. The PNC Foundation's priority is to create partnerships with community-based nonprofit organizations to enhance educational opportunities to children of LMI families and other underserved populations, with particular emphasis on early childhood education, and to promote the growth of communities through economic development initiatives. Working in partnership with the Regional Presidents, Client and Community Relations personnel and Community Development Banking teams, grant decisions are made at the local level through local distribution committees. This is consistent with PNC's Main Street Bank approach and the understanding that local PNC Employees are best positioned to understand the needs of their communities and make the funding decisions that will have the greatest impact. As part of the PNC *Grow Up Great®* program, the PNC Foundation provides grants to nonprofit organizations that serve children, primarily from LMI families, through: (1) direct services or programs for children in their classroom or community; (2) professional development or workforce development for early childhood educators; and/or (3) family or community engagement in children's early learning.

In its economic development endeavors, the PNC Foundation prioritizes community development initiatives that strategically promote the economic growth of LMI communities and/or provide needed services to these communities. Such activities include support of the following focus areas:

- *Affordable housing*. The PNC Foundation provides support to nonprofit organizations that develop affordable housing, provide counseling and services to help LMI individuals maintain their housing, offer transitional housing units and programs, and offer credit counseling assistance to individuals to help them prepare for homeownership.

- *Economic development*. Because small businesses are critical components of community growth and help foster business development, the PNC Foundation provides support to nonprofit organizations that offer technical assistance to, or loan programs for, small businesses located in LMI areas, or support small businesses that employ LMI individuals.

- *Community services*. The PNC Foundation supports job training programs for LMI individuals, as well as organizations that provide essential services for their families. This includes the construction of community facilities that benefit LMI communities and support for a variety of community needs.

- *Revitalization and stabilization of LMI areas*. Support is provided to organizations that help stabilize communities, eliminate blight and attract and retain business and residents to the community, thus helping to improve living and working conditions for LMI individuals.

- *Arts and culture*. Support is provided for cultural enrichment programs benefitting communities.

As both PNC and BBVA Bancshares have charitable foundations, it is expected that the two foundations will be merged into a single PNC Foundation upon consummation of the Holdco Acquisition, or shortly thereafter. The PNC Foundation engages in many of the same charitable grant making efforts as the BBVA Foundation, and merging the two foundations will help simplify corporate governance and promote efficiency in meeting charitable goals. PNC Bank is also conducting due diligence regarding BBVA Foundation grants to ensure that the combination of the foundations would be consistent with applicable state and federal law. PNC looks forward to mapping out ways the combined foundation can support LMI individuals and neighborhoods throughout PNC the expanded footprint of the combined organization.

1. PNC Bank's Most Recent CRA Performance Evaluation

PNC Bank received an overall CRA performance rating of "Outstanding" at its most recent evaluation by the OCC, as of December 31, 2016, which the OCC released on March 29, 2018 (the "2018 CRA Evaluation"). PNC Bank achieved an "Outstanding" rating for each of the Lending Test, Investment Test and Service Test in the 2018 CRA Evaluation. The evaluation period for home mortgage loans, small loans to businesses and farms, and retail services was the calendar years 2012 through 2016, and the evaluation period for community development loans, qualified investments and community development services was July 9, 2012, through December 31, 2016 (collectively, the "Evaluation Period"). The 2018 CRA Evaluation covered PNC Bank's CRA assessment areas in 17 states, and also in 15 Multistate Metropolitan Areas ("MMAs").

In determining that PNC Bank's CRA performance was "Outstanding," the OCC cited the following findings as major favorable factors concerning PNC Bank's products, programs and services under the different CRA performance tests:

Lending Test

- PNC Bank's lending levels reflected excellent responsiveness to the credit needs of its CRA assessment areas.
- The geographic distribution of PNC Bank's home mortgage loans and small loans to businesses reflected excellent penetration throughout PNC Bank's CRA assessment areas.
- The borrower distribution of PNC Bank's lending activities reflected an excellent penetration amount of retail customers of different income levels and business customers of different sizes.
- PNC Bank used innovative or flexible home mortgage lending programs to serve its assessment areas' credit needs, including the following proprietary programs:
    - The PNC Community Mortgage is the bank's portfolio mortgage program that is designed for LMI borrowers and for properties in LMI geographies. This program allows for flexible underwriting guidelines, including acceptance of alternative credit sources and non-traditional credit history sources (*e.g.*, rental history and utility payments), requires a low down payment of 3%, and has no mortgage insurance requirement.
        - PNC Bank originated almost 1,900 PNC Community Mortgages totaling over $227.2 million during the PNC Bank Evaluation Period.
    - The PNC Closing Cost Assistance Grant, which provides a borrower up to $1,500 for use with the PNC Community Mortgage, Fannie Mae's HomeReady Mortgage, Freddie Mac's HomePossible Mortgage, and PNC's conventional 15-year and 30-year mortgages. This grant is a forgivable

subsidy that can be used for closing costs and prepaid items for purchase and refinance transactions.

  - PNC Bank extended over 6,600 PNC Closing Cost Assistance Grants totaling over $9.5 million during the PNC Bank Evaluation Period.

- PNC Bank made more than 1,270 community development loans totaling $5.37 billion across its CRA assessment areas during the PNC Bank Evaluation Period.

- Examples of PNC Bank's leadership in community development lending during the PNC Bank Evaluation Period include:

  - A $90 million loan to a state agency to finance the acquisition, pre-development and rehabilitation of affordable residential property and to provide supportive services to LMI families throughout Montgomery County, Maryland.

  - An $80 million loan to refinance a retail development in a moderate-income geography within the District of Columbia, which the District government had designated for redevelopment and revitalization.

  - A $76 million loan to a school district in South Carolina, with the majority of its students from LMI families, to acquire, construct and renovate essential educational facilities.

  - A $66.4 million loan for the acquisition and rehabilitation of an affordable housing development in Newark, New Jersey, with 261 units that are under Section 8 Housing Assistance Program contracts or restricted to other households earning less than 60% of the area median family income ("AMI").

  - $20.7 million in financing for the construction and renovation of education facilities in a low-income geography near downtown Birmingham, Alabama, which also helped create permanent jobs and revitalize the area.

  - Loans totaling $15.0 million to a CDFI in Philadelphia, Pennsylvania, that creates affordable housing, provides educational opportunities and promotes job creation and businesses in LMI communities.

  - $13 million in loans for a 348-unit affordable apartment LIHTC project in a low-income neighborhood adjacent to downtown Pittsburgh, Pennsylvania, with more than half of the units restricted to low-income households.

  - Loans totaling $10 million to a CDFI to support affordable housing or owner-occupied commercial facilities of emerging small businesses in the Chicago-Naperville-Elgin, Illinois-Indiana-Wisconsin MMA.

- A $6.5 million loan to rehabilitate a 96-unit property in the Miami-Fort Lauderdale-West Palm Beach, Florida Metropolitan Statistical Area ("MSA"), with all units restricted to LMI individuals.

- A $6.2 million loan for the acquisition and new construction of an LIHTC project in the Miami-Fort Lauderdale-West Palm Beach, Florida MSA with 144 units restricted to individuals making less than 60% of the AMI.

- A $5.5 million loan to fund the rehabilitation of 14 vacant historic buildings in the Louisville-Jefferson County, Kentucky-Indiana MMA to create 40 affordable rental units for LMI households.

- A $4.6 million loan to a company to construct 48 units of affordable housing in the Charlotte-Concord-Gastonia, North Carolina-South Carolina MMA.

- A $3 million loan to a CDFI in Milwaukee, Wisconsin, that provides microloans to small businesses that lack access to traditional capital resources and are located in a municipally designated revitalization zone.

- A $2.7 million loan for an LIHTC project in Alabama, which provided 96 units of affordable housing for individuals with incomes at or below 60% of the AMI.

- A $2.5 million loan to, and $4.0 million investment in, an LIHTC project to rehabilitate a vacant apartment building in Detroit, Michigan, to create 27 housing units for adults (particularly veterans) who are chronically homeless or suffer from mental illness or substance abuse.

Investment Test

- PNC Bank's qualified investments and grants were effective and responsive in addressing community credit needs.

- PNC Bank made extensive use of innovative or complex investments to support community development initiatives.

- Because PNC Bank was responsive to the credit needs of its CRA assessments areas, examiners also considered the bank's qualified investments in the broader statewide, regional or nationwide area during the PNC Bank Evaluation Period, including: (1) 102 direct investments totaling over $780.8 million in projects with LIHTCs, NMTCs or Historic Tax Credits; and (2) six investments totaling $474.4 million in nationwide community development funds operating within its footprint states.

- During the Evaluation Period, PNC Bank made more than 10,060 qualified investments and grants totaling $2.86 billion across its CRA assessment areas.

- Examples of PNC Bank's leadership in qualified investments during the PNC Bank Evaluation Period included:

- A $26.5 million investment in an LIHTC project in the New York-Newark-Jersey City, New York-New Jersey-Pennsylvania MMA, involving a 186-unit building with 100 affordable housing units restricted to low-income households.

- Investments totaling $25 million to a CDFI that was the leading lender in the Chicago, Illinois, metropolitan area for the acquisition, rehabilitation and preservation of affordable housing.

- An $18.5 million investment in an NMTC project benefitting an economically disenfranchised, highly distressed neighborhood in Pittsburgh, Pennsylvania, through adaptive re-use of a former historic trade school to develop a facility housing companies that focus on energy research, development and job training for workforce development, job creation and sustainable technology advancement.

- An $18.3 million investment in an LIHTC project that rehabilitated a 227 unit apartment building in Baltimore, Maryland, where units were restricted to elderly and disabled renters who make less than 60% of the AMI.

- A $10.5 million investment in an affordable housing project to construct senior housing apartments on a vacant site in the Philadelphia-Camden-Wilmington Pennsylvania-New Jersey-Delaware-Maryland MMA.

- An $8.5 million investment in an affordable housing preservation project in the Miami-Ft. Lauderdale-West Palm Beach, Florida MSA, which involved the acquisition and rehabilitation of an apartment complex for tenants making 50% to 60% of the AMI.

- A $5.4 million NMTC investment in the Cincinnati, Ohio-Kentucky-Indiana MMA to construct a 60-bed homeless shelter that focuses on homeless veterans and offers individualized case management support services, on-site medical and dental clinics, meal services and laundry services.

- A $4.0 million investment to a local community development agency in the Miami-Fort Lauderdale-West Palm Beach, Florida MSA, which supports the purchase and redevelopment of blighted properties in LMI geographies in accordance with a local community development plan.

- A $2 million investment in an organization that supports micro-lending activities in the bank’s Indianapolis, Indiana CRA assessment area and provides loans, savings program, credit establishment, financial education and other services to people living below the poverty line.

- A nearly $1 million investment in an organization that provided newly constructed and rehabilitated houses for LMI individuals and families in Hoover, Alabama.

Service Test

- PNC Bank's branches and alternative delivery systems were accessible to geographies and individuals of different income levels and responsive in providing services across all portions of the bank's communities.

- PNC Bank conducted or supported a high number of community development services. For example, PNC Bank representatives conducted approximately 6,900 financial education events, and more than 1,250 community organizations were benefited by PNC Bank representatives serving on their boards of directors or committees.

- The bank's community development services were effective and responsive in addressing community needs.

- PNC Bank was a leader in promoting financial education by offering home ownership and financial literacy seminars and events. For example, PNC Bank employees: (1) facilitated financial education workshops for a nonprofit organization that promoted education, vocational skills and entrepreneurship for LMI youth; (2) taught financial education classes at an organization that provides outreach and referral services to low-income and unemployed residents and offers summer program sessions to LMI youth; and (3) provided financial education classes to participants of an organization dedicated to serving the needs of economically disadvantaged residents through programs such as Head Start, employment and training, surplus food distributions, crisis assistance, welfare-to-work activities, home weatherization programs and heating assistance.

- PNC developed and implemented the PNC *Grow Up Great*® program (noted above), initially as a 10-year $100 million initiative to address an identified need for early childhood education for LMI children and communities across the bank's CRA assessment areas and beyond. As noted, PNC expanded this program to now be a $500 million, multi-year bilingual initiative.

- PNC Bank management and employees served on boards or committees of, and/or provided voluntary services to, many community development organizations throughout its CRA assessment areas. Examples of organizations to which PNC provided such community development services included those that: (1) focus on the acquisition, rehabilitation and preservation of affordable rental housing; (2) support job creation and preservation, education and community services in low-income communities; (3) focus on developing and managing resident-centered, affordable housing to promote an inclusive community; (4) provide after-school and other services to LMI youth and families; (5) offer home ownership counseling services to LMI first-time homebuyers; (6) provide crisis and drug intervention services for children of LMI individuals and families; (7) focus on affordable housing, child development services, domestic violence services and social justice programs to women, homeless school-age children and the elderly; (8) offer, as an SBA-microloan intermediary, small business loans and technical assistance to LMI individuals and women-owned businesses; (9) provide job skill training and support services for LMI, unemployed and under-employed individuals, with a focus on the developmentally disabled; and (10) offer person-to-person emergency assistance and supportive services to adults and families who are homeless or endanger of becoming homeless, including providing emergency shelter and assistance with utilities and food.

- The OCC noted many other examples of PNC Bank's community service activities, such as its membership on a working group initiated by the Mayor of the District of Columbia, in collaboration with the District government, area financial institutions and nonprofit organizations, to provide financial services and financial education to unbanked and under-banked LMI residents. In addition, PNC Bank staff provided numerous hours of community financial education in collaboration with this program.

2. PNC Bank's CRA Activities Since the PNC Bank 2018 Evaluation

Since the 2018 CRA Evaluation, PNC Bank has continued its substantial support of its local communities, including LMI individuals, families and neighborhoods. As an overview across its CRA assessment areas during 2017 through September 2020, PNC Bank: (1) originated almost 253,000 home mortgage loans totaling $50.6 billion, including loans totaling $6.2 billion to LMI borrowers; (2) made small loans to businesses (other than PPP loans described separately below), totaling approximately $32.5 billion, including loans totaling approximately $9.6 billion in amounts of less than $100,000 and loans totaling over $7.7 billion to businesses in LMI census tracts; (3) made approximately 1,700 community development loans totaling almost $8.5 billion; and (4) made qualified investments and grants totaling over $2.6 billion. In addition, PNC Bank employees engaged in approximately 21,000 community development service activities within their local communities during this same period. In addition to these activities in PNC Bank's CRA assessment areas, PNC Bank has also originated many loans and investment outside its assessment areas in regional and nationwide areas, including almost $3 billion in community development loans and over $252 million in investments.

PNC Bank continues to provide various products to help first-time and LMI homebuyers secure affordable mortgage loans, small businesses gain needed financing, and consumers obtain low-cost deposit accounts and other consumer products. In addition, PNC Bank also continues to offer a variety of innovative community development lending, investment and grant activities to support affordable housing and reinvigorate LMI and distressed communities in its CRA assessment areas. PNC Bank also continues to provide a wide range of deposit accounts to consumers, including for banked or under-banked individuals, and small businesses, through traditional and innovative digital delivery systems, to fulfill their banking needs.

Home Mortgage

PNC Bank offers a wide range of products to help first-time and LMI buyers achieve their dream of home ownership. For example, in addition to offering agency and Federal Housing Administration ("FHA") products, PNC Bank offers its proprietary PNC Community Mortgage, a 97% LMI mortgage program that does not require mortgage insurance, thereby increasing its affordability. This product, particularly when coupled with a PNC Bank Closing

Cost Assistance Grant, brings home ownership affordability and sustainability to more customers.

PNC Bank's mortgage teams are also very focused on being involved within the communities the company serves. PNC Bank has CRA mortgage loan originators ("MLOs") within each major metropolitan area, who are focused on originating mortgages in LMI areas as well as serving the needs of LMI borrowers. CRA MLOs are also responsible for ensuring that training is delivered to PNC Bank's MLOs. Additionally, while serving the market, CRA MLOs work closely with the Area Sales Managers to ensure PNC Bank has effective business plans to address the community mortgage needs.

Since the 2018 CRA Evaluation, PNC Bank has originated in its CRA assessment areas 252,294 home mortgage loans, aggregating more than $50.6 billion. These totals include 66,502 loans originated to LMI individuals, aggregating more than $6.2 billion, and 31,758 mortgage loans originated in LMI census tracts, aggregating more than $5.9 billion.

Small Business Lending

For small businesses, PNC Bank offers a variety of lending solutions, including the full range of SBA-guaranteed loan programs. As an SBA Preferred Lender, PNC Bank can offer expedited SBA loan processing. Since the 2018 CRA Evaluation, PNC Bank has originated more than: (1) 500,000 loans to small businesses, aggregating more than $32 billion; (2) 430,000 loans to small businesses in amounts of $100,000 or less, aggregating more than $9.5 billion; and (3) more than 144,000 loans to small businesses in LMI census tracts, aggregating more than $7.7 billion. These amounts do not include the substantial number of PPP loans that PNC provided eligible small businesses during the COVID-19 pandemic in 2020, which are discussed below.

In 2018, PNC Bank created the role of LMI Territory Advisor to bolster small business support in LMI communities. These LMI Advisors drive awareness of PNC Bank's dedication to small businesses through training, delivery of readiness programs and support of product and marketing initiatives. Concentrating their efforts on key CRA assessment areas, these advisors build engagement through market visits, presentations and one-on-one discussions with PNC lending leaders and their teams, and through a consistent feedback loop with CRA and product management partners. In addition to internal support, PNC's LMI Advisors engage in community-facing small business seminars geared to businesses in underserved communities. These community events are often delivered in concert with Community Development Banking partners and focus on fundamentals of small business finance and/or other community reinvestment aspects.

Community Development Finance

PNC Bank has remained committed to affordable housing, community services, neighborhood revitalization and economic development throughout its footprint since the 2018 CRA Evaluation. PNC Bank's Community Development Banking Group works to boost the quality of life in LMI neighborhoods through financial education, consumer programs and community development lending and investing. The Community Development Banking Group also provides financial education and works with community organizations in seeking PNC Foundation grants and charitable sponsorships. This group is one of several business contributors to PNC's community development work and is dedicated to performance under all three tests under the agencies' CRA regulations.

PNC Bank has continued to use innovative community development products and programs to support its affordable housing and economic development priorities. For example, PNC Bank has: (1) pioneered a new real estate equity/debt hybrid product to provide low-cost capital to real estate projects in designated "Opportunity Zones" to support reinvestment of capital into LMI communities; (2) securitized loans to provide Habitat for Humanity with capital to continue promoting home ownership opportunities for LMI households; (3) sponsored and invested in, and provided construction financing for, LIHTC projects to help develop and retain affordable housing; (4) sponsored and invested in Affordable Rental Housing Preservation funds to protect and retain affordable housing; and (5) invested in NMTC projects that create jobs and encourage investment in some of the most distressed urban and rural communities.

Through its community development activities, PNC Bank provides financing to public and private developers to build and rehabilitate affordable rental and for-sale housing. PNC Bank also assists nonprofit organizations with financing to upgrade their operations and provide a range of investment and alternative lending services. PNC Bank works closely with CDFIs, other community development organizations and various government organizations throughout its CRA assessment areas.

Since the 2018 CRA Evaluation, PNC Bank has continued its high level of community development lending, before and during the pandemic. During this period, PNC Bank provided community development loans totaling $8.5 billion across PNC's footprint. In addition, PNC Bank provided $3 billion in community development loans nationwide and regionally outside of PNC footprint states.

Examples of PNC Bank's leadership in community development lending since the Evaluation Period of the 2018 CRA Evaluation include:

- A $12 million loan in Kansas City, Kansas, as part of an LIHTC transaction, creating 220 rental units set aside for LMI individuals/families.

- A $10.4 million loan in Washington, D.C., as a direct loan into an NMTC transaction to create 34,100 square feet of retail and office space, which will create approximately 211 permanent job opportunities.

- Two loans totaling $7.2 million used to build housing targeted at LMI senior citizens, single parents and teens aging out of the foster system in Louisville, Kentucky.

- A $6 million line of credit to support the operations of a nonprofit in Pittsburgh, Pennsylvania, that provides a safe, secure and nurturing environment to children.

- A $5 million loan to a nonprofit that serves multiple areas across the country and provides funds to Habitat for Humanity affiliates, enabling them to provide affordable housing to deserving LMI families.

- A $4.25 million loan, as part of an Opportunity Zone project, for the historical renovation of a building in Birmingham, Alabama, providing 133 affordable housing units.

- A $3 million loan to a CDFI in Pennsylvania supporting its ability to finance affordable housing, community service facilities and new and emerging entrepreneurs.

- A $3 million loan to a CDFI in Philadelphia, Pennsylvania, which in turn invests capital and resources in support of business growth, community revitalization, and improved quality of life for Philadelphia and its most disadvantaged neighborhoods.

- A $500,000 loan provided to a CDC in South Carolina to develop eight permanent affordable housing units for persons with disabilities.

- A loan $390,000 loan to a nonprofit in Kokomo, Indiana, that provides transitional housing and emergency shelter, food and clothing for the area's homeless.

- A $300,000 loan in West Palm Beach, Florida, to purchase and rehabilitate an eight-unit apartment complex to provide shelter to homeless women (ages 17-23) who were either pregnant or had children.

PNC Bank and the PNC Foundation also have continued their excellent record of community development investment and grant activity since the 2018 CRA Evaluation. During this period, they provided qualified investments totaling $2.5 billion across PNC's footprint. In addition, PNC Bank invested $252 million nationally and regionally outside of PNC Bank's footprint states. PNC Bank provided CRA eligible grants totaling $140 million across PNC Bank's footprint, and an additional $2 million in grants outside of PNC Bank's footprint.

PNC was one of the first bank investors in the Opportunity Zone program introduced in the tax reform legislation of 2017. Since PNC's early investments in 2018, the bank has become a familiar voice in Opportunity Zone industry discussions and a source of guidance for banks considering a similar program. Other examples of PNC Bank's leadership in qualified investments since the 2018 CRA Evaluation include:

- Two NMTC investments totaling $19.1 million in East Point, Georgia, for the construction of a 32,000 square-foot building for a food bank.

- A $17.5 million LIHTC investment in a Louisville, Kentucky, neighborhood that is undergoing major redevelopment.

- A $12.5 million Opportunity Zone project in Chicago, Illinois, to build a 40,000 square-foot mixed-use office building, with 80% being used by a Federally Qualified Health Center.

- A $11.5 million LIHTC investment in Louisville, Kentucky, to construct 80 family units.

- A $11.4 million LIHTC investment in Pittsburgh, Pennsylvania, for the occupied rehabilitation of 225 units owned by a housing authority.

- A $11.4 million investment into an Opportunity Zone transaction in Cleveland, Ohio, to create a 95-unit multi-family, mixed-income project.

- A $10.4 million NMTC investment in Philadelphia, Pennsylvania, for the construction of a mixed-use social service facility.

- A $10.1 million LIHTC in Camden, New Jersey, for the scattered site rehabilitation of 89 units, with all units restricted to 50% of AMI.

- A $9.9 million NMTC investment in Cincinnati, Ohio, for the financing of an office building and technology center.

- A $4 million Opportunity Zone construction transaction in Pembroke, North Carolina, for a mixed-use building.

- A $1.5 million investment into a CRA in Lake Worth, Florida, to carry forth its mission of redevelopment activities.

- A $1.5 million investment to support a nonprofit's program which seeks to promote racial equity and eliminate disparities in birth outcomes between whites and people of color in Kent County, Michigan.

- A $452,998 purchase of Habitat for Humanity notes in Washington County, Maryland.

- A $250,000 investment in a minority-owned financial institution in Mobile, Alabama.

Examples of PNC Bank's leadership in providing grants through the PNC Foundation since the 2018 CRA Evaluation include:

- A $100,000 grant to a Rural Community Based Impact Building Support program in rural communities throughout Texas. The grant supported 23 partners in their efforts to improve and strengthen their rural communities for LMI individuals and families. Hurricane Harvey slammed Texas two years ago, inflicting more than $125 billion in damages. Rural regions were especially affected due to a lack of resources, infrastructure and capacity; LMI individuals were especially affected. These partners focus on improving housing conditions, infrastructure and economic development in the region.

- A $50,000 grant, as the initial installment of a two-year $100,000 commitment, to fund a partnership between a grocer in Philadelphia, Pennsylvania, and a housing and credit counseling agency. The concept was to place a credit counsellor on-site in an office within the store to help make much-needed services more accessible to low-income clients. The COVID-19 pandemic forced a transition to virtual counseling and education programs, and since March 16, 2020, over 1,100 participants have been counseled on topics such as understanding the resources available through the CARES Act. In particular, the focus has been on helping clients create emergency financial plans, coaching them through difficult conversations with lenders and landlords, and preparing them for the end of eviction and foreclosure moratoriums.

- A $50,000 grant for the renovation of the second and third floors of a building on Watson Street in Pittsburgh, Pennsylvania. This space was originally used as transitional housing for women in recovery, but funding was discontinued in 2017 for many of the HUD-funded transitional housing programs, leaving this building half-vacant. In addition to 29 private sleeping units, renovations include a new serving kitchen, ADA-compliant bathrooms and showers, and several offices for Medical Respite staff and healthcare providers. Respite guests will have easy access to on-site laundry, computer stations and the services of two other tenants in the building: a health and dental clinic staffed by Primary Care-Healthcare for the Homeless and the Wellsprings Drop-in Day Program of Operation Safety Net.

- A $27,284 grant to fund the Project Success program in Atlanta, Georgia, which addresses the education gap to help revitalize and stabilize LMI areas. Project Success has been highly regarded for guiding underserved girls and boys toward post-secondary education and becoming first-generation college students. They take a holistic approach with students that, in addition to academics, engages them in leadership development, economic empowerment, health and wellness, and civic engagement to maximize their chances of graduating from high school and attending a post-secondary institution.

- A $25,000 grant to a CDFI in Raleigh, North Carolina, in support of a Women's Entrepreneurship Center and Latino Program. In addition to providing businesses with loans, it provides business skills training, coaching and mentoring, access to a network of vetted service providers and mentors, business tools and templates, peer-to-peer networking and learning opportunities and access to credit, collateral and equity enhancements.

- A $15,000 grant for a summer youth internship program for 40 youths in Mobile, Alabama. Students must apply for the program, and if selected, they attend a 30-hour training program and are then placed in jobs with direct supervision. Constant monitoring ensures interns are engaged in meaningful activities.

- A $10,000 grant in the New Brunswick-Lakewood New Jersey MSA for a program that offers seminars for potential first-time homebuyers in the LMI community and individual counseling to help them reach their goals of homeownership. The seminars are offered in both Spanish and English and are usually very well-attended events. All attendees at the seminars and those receiving subsequent individual counseling are in the LMI population.

- An $8,500 grant that funded a *Growing Up Great*® with Inner Explorer and Mindfulness program in Tampa, Florida. The project included the implementation of an audio-guided mindfulness program in 20 preschools in Hillsborough County. Preschools will be identified and selected with the Early Learning Coalition, from a group of feeder schools linked to the Achievement Schools. Each location received two years of the programming. The content follows the Mindfulness Based Stress Reduction program, a world-renowned protocol with nearly 6,000 scientific studies proving efficacy to help kids truly "Grow up Great!" In addition, the program is available in Spanish, supporting dual-language learners.

- A $5,000 grant in Birmingham, Alabama, for a Home Buyer Education program. Funding paid for education materials and equipment to be used during home buyer education workshops. The target population is LMI households in need of affordable, quality housing with total household income between 30% and 80% of LMI.

In addition to the COVID-19 pandemic relief activities discussed below, PNC Bank and the PNC Foundation have provided substantial funding for other unexpected events impacting PNC Bank's communities, such as funding for natural disaster relief to impacted families and communities, including: (1) $500,000 in funding in North Carolina and South Carolina in the aftermath of Hurricane Florence (2018); (2) $50,000 from PNC Bank in response to tornadoes in Dallas (2019); (3) $500,000 from the PNC Foundation for Florida communities impacted by Hurricane Irma (2017); and (4) $250,000 from the PNC Foundation to assist the Houston area following Hurricane Harvey (2017). PNC also took additional actions to assist communities affected by these natural disasters, such as matching PNC employee contributions to the American Red Cross, waiving ATM fees in impacted areas and dispatching mobile banking units to assist customers in the storm's aftermath.

Banking and Community Development Services

PNC Bank provides its banking services through branches, ATMs and PNC Solution Centers, as well as by telephone, online and mobile app. As of September 30, 2020, PNC Bank had a total of 2,256 branches, of which 556 (or 24.6%) are in LMI census tracts. PNC Bank has been modernizing the design of its branches and rationalizing its branch network to better serve the current needs of customers.

PNC Bank also has invested significantly in online, mobile and other evolving digital banking delivery systems and resources. PNC Bank's sustained investments in technology have enabled the bank to deliver customers the digital banking experience many customers want, coupled with high-touch availability for important financial decisions. To assist customers in managing their finances, PNC Bank offers its Virtual Wallet® and Cash Flow Insight® products and services, which are innovative online/mobile tools that feature tools and calendars that enable customers to easily monitor their balances, conveniently move funds and plan for future cash flow needs. To further promote financial literacy, PNC Bank has invested resources into online financial education tools, including through web resources, online financial education and money management courses. PNC Bank's HomeHQ® products (including PNC Home Insight® Planner) feature tools to help prospective homebuyers understand home affordability, start the mortgage process and track their mortgage application.

To help serve the needs of unbanked or under-banked individuals, PNC Bank offers low-cost deposit and other consumer products, and has a number of consumer checking and prepaid products that enable inclusive banking and help empower its customers, including:

- *Foundation Checking* is a "second chance" product for customers who do not qualify for traditional bank accounts. The product does not allow for overdrafts and includes financial education as part of the customer experience. This product fosters inclusive banking and enables meaningful change for PNC Bank's economically challenged constituents. PNC Bank expects to further enhance this product in the first quarter 2021 with lower barriers to entry, improved usability and an enhanced path to a traditional account, if eligible.

- PNC's *SmartAccess* card is a general-purpose, reloadable debit card that, for a $5 monthly fee, can be used for payroll direct deposit and to pay bills. SmartAccess prevents overdrafts and can be used by customers as a payments vehicle, while allowing them to build a banking history and qualify for a traditional banking product.

- Savings and Transaction Account Support Programs –

    - *PNC School Bank* is a youth savings program that is offered through a school-branch alliance to encourage children to build savings accounts and is integrated with financial education. (This program currently is suspended due to the COVID-19 pandemic.)

    - PNC Bank serves as custodian of the Achieving a Better Life Experience account, the "ABLEnow® account," a tax-advantaged savings account for individuals with disabilities offered by the Virginia College Savings Plan. The ABLEnow® account generally enables eligible disabled individuals a new way to save, invest and pay for qualified disability expenses without losing eligibility for certain means-tested government benefit programs.

    - PNC Bank supports the administration of Individual Development Account ("IDA") programs offered by nonprofit organizations to help LMI families achieve savings to buy a first home or attend school.

    - Through an alliance with the Internal Revenue Services, PNC offers prepaid debit cards, check cashing and financial education to clients of free assistance from Volunteer Income Tax Assistance ("VITA").

PNC Bank has also continued its high level of community development service activity since the 2018 CRA Evaluation. In 2017 through 2019, PNC participated in over 21,000 community service events with approximately 2,600 unique organizations. Services provided are categorized as "providing technical or financial assistance, such as serving on a board or committee," or "teaching/training/providing counseling of a financial nature."

PNC Bank employees also are encouraged to provide volunteer services to community organizations. For example, employees are encouraged to become involved in PNC *Grow Up Great®* by offering employees up to 40 hours of paid time off per year to volunteer in support of early childhood education. PNC's paid time off for volunteering will be extended to include qualifying social justice and economic empowerment non-profits, as noted above. Additionally, under the bank's *Grants for Great Hours* program, a PNC employee who volunteers at least 40 hours, over a 12-month period, at an early education nonprofit organization also results in the organization receiving a $1,000 donation from PNC. Groups of employees also can volunteer as a team and seek grants of up to $3,000 for the nonprofit organization. Through PNC's employee recognition program, employees can earn points that will go towards the donation of iPads to early education centers.

Financial education has remained an overall key component of PNC Bank's community service activity. Through financial education, PNC Bank's mission is to help individuals and families gain the confidence, information and tools needed to make informed financial decisions and achieve their goals. Throughout its CRA assessment areas, PNC Bank has trained professionals to provide free financial education seminars on topics such as building good credit, financing a home and raising "money-smart" children. Since the 2018 CRA Evaluation, PNC Bank has provided more than 5,000 financial education classes focused on the needs of LMI individuals.

Employees of PNC Bank have also continued their active community service on boards and committees of a large number of community organizations throughout the bank's CRA assessment areas. Through this service, the employees share their highly valued skills and support in areas ranging from data analysis to strategic planning, including such things as:

- A PNC associate served on the Board of Directors for Access to Capital for Entrepreneurs ("<u>ACE</u>"). This nonprofit is an SBA Microloan Intermediary, a USDA Intermediary re-lender and a CDFI. ACE offers small business loans and technical assistance to entrepreneurs and small businesses. The organization targets LMI populations and women-owned business for its services.

- A PNC associate served on the Economic and Development Executive Committee and as an advisor for the Quadrant Committee for the nonprofit, Network of Woodlawn ("<u>NOW</u>"). NOW is the successor agency to the LISC New Communities Program serving Chicago's Woodlawn community. This low-income community, which houses three of the city's largest low-income housing projects, was the recipient of a HUD Choice Award, and NOW is one the community-based oversight vehicles for its implementation. NOW is also the vehicle through which this low-income community participates in the community planning process.

- A PNC associate taught Foundations of Money Management to the clients of the Women's Center and Shelter of Greater Pittsburgh. This shelter supports homeless women, helping them to find permanent residence and employment. Services also include providing childcare for the children of women living in the center.

- PNC Retail and Mortgage bankers taught several financial education courses at the PNC Fairfax Connection in Cleveland, Ohio. PNC owns and operates the PNC Fairfax Connection, a community center that reflects the needs, interests, history and hopes of the people who live and work in the Fairfax community in Cleveland, Ohio. This center is a hub connecting the Fairfax community to services and cultural events throughout greater Cleveland, Ohio. The courses taught include Banking Basics, Foundations of Money Management (PNC's second-chance banking account program), and programs focused on credit and first-time homebuying.

- A PNC associate served on the Board of Directors of Educational First Steps, in Dallas, Texas. Educational First Steps has transformed daycare centers in low-income neighborhoods into nationally accredited early learning centers by educating caregivers, who then become professional early learning teachers. The organization helps create high-quality learning environments that can repair and prevent learning gaps typical of children in poverty. Educational First Steps is focused on neighborhoods with the greatest concentration of poverty where quality centers are scarce or non-existent.

- A PNC Regional President served on the Board of Directors and led the Capital Campaign of the Jones Valley Teaching Farm in Birmingham, Alabama. Its mission is to empower students to become critical thinkers, problem solvers and change agents in their communities. To accomplish this, the nonprofit has partnered with Birmingham City Schools, located in Woodlawn (a low-income, inner-city community) to expand the Good School Food program from a Pre-K - 8 to Pre-K - 12 model. The program, which is embedded in seven schools, focuses on five core learning models: Farm Labs, Student Farmers Markets, Investigative Learning Kits, Family Kitchen and Project-Based Learning.

- PNC MLOs taught first-time homebuyer financial education to clients of Neighborhood Housing Services, d/b/a NeighborWorks Western PA ("NWWPA"). NWWPA provides credit counseling, first-time homebuyer seminars and foreclosure counseling to LMI clients. Additionally, a PNC associate served on its Board of Directors.

- A PNC employee delivered financial education to participants in the Charlotte Housing Authority Scholarship Fund ("CHASF"). The FDIC's *Money Smart Young Adults* and *Setting Financial Goals* courses were taught. The mission of CHASF is to ensure that every child living in housing subsidized by the Charlotte Housing Authority has both the opportunity and expectation of a college education.

- A PNC associate virtually taught first-time homebuyer financial education during the pandemic to clients of REACH, Inc. in Lexington, Kentucky. REACH is a consortium of 20 entities established in 1994 to help LMI families and individuals become first-time homebuyers. REACH provides homebuyer education and housing counseling services to help clients prepare for owning a home, as well as financial assistance with down payment and closing costs assistance to make purchasing a home more affordable.

Marketing Outreach to Diverse and LMI Communities

PNC aspires to be an industry leader in providing best-in-class customer experiences to all consumers and small businesses. A key part of this goal is serving and recognizing its diverse segments through credible and authentic marketing strategies, in-language marketing content online and in branches, and language support in a variety of areas throughout the enterprise. The purpose of this work not only fulfills existing customer needs, but helps create awareness and consideration from valuable new consumers and small businesses as PNC expands into new markets.

Initiatives related to the support of PNC's diverse segments include:

- Heritage and History month recognition;
- Culturally relevant marketing campaigns in English and in other languages; and
- A range of services for consumers with limited English proficiency and small businesses including:
    - New solutions for account opening to enable consumers to bank across all channels;
    - Over 8,500 ATMs featuring over 10 languages, and support offered in over 240 languages via Interpretation Services, available in branches and over the phone;
    - Various resources in Spanish, including educational materials, a designated Customer Care Center line (1-866-HOLA-PNC), as well as a mobile app and a website in Spanish;
    - Bilingual employees at select branch locations;
    - Translation services available throughout the sales/service experience;
    - In-language financial education resources; and
    - Partnerships with local markets to participate in or support diverse organizations and financial wellness events.

With these actions and the collective efforts across PNC, PNC Bank will continue to be guided by consumer insights and seek opportunities, develop initiatives and create experiences that serve the needs of diverse consumers and small businesses at each life stage, making PNC the easiest and most accessible place to bank and invest.

PNC COVID-19 Pandemic Relief

PNC Bank has taken multiple actions to assist its customers and communities address their critical needs during the COVID-19 pandemic in 2020. PNC has provided relief to more than 300,000 consumer and small business accounts, which include loan extensions, deferrals, partial payments and forbearance across various lending segments, including: home lending, automobile, credit card, education and small business. The bank halted consumer real estate foreclosures, and helped thousands of larger companies through deferred loan payments and covenant modifications.

PNC Bank was ranked the #3 PPP lender in the United States, providing approximately $13 billion in financing to more than 71,000 businesses. Additionally, PNC Bank extended nearly $10 billion of credit to Corporate & Institutional Banking borrowers to help fund liquidity needs, including to hospitals and municipalities. PNC Bank was also the first large bank to finance clients under the Federal Reserve's Main Street Lending Program.

PNC Bank's response to the high demand for PPP loans during the COVID-19 pandemic highlights the bank's ability to support small businesses in communities across its footprint. Of the more than 71,000 PNC Bank PPP loans processed, registered and funded:

- Approximately 86% were from PNC Bank's Business Banking segment, which serves businesses – including nonprofits, sole proprietors and independent contractors – with less than $5 million in annual revenue.

- Approximately 73 percent were for amounts of less than $100,000, with three-quarters of such loans for amounts of less than $50,000.

- More than 15,400 loans, aggregating more than $3.3 billion, were from small businesses located in LMI census tracts.

- More than 4,500 loans, totaling approximately $1.2 billion, were from nonprofits.[69]

To further support small businesses that may lack access to traditional financial institutions, PNC also committed more than $50 million to eight CDFIs throughout the country to support CDFI origination of PPP loans in potentially underserved geographies and sectors.

In addition to direct small business lending activities, PNC Bank and the PNC Foundation have also actively assisted small businesses and communities in the bank's CRA assessment areas through various community development support programs designed to mitigate the adverse impact of the COVID-19 pandemic. For example, PNC committed $10 million to support small businesses in Pittsburgh, particularly minority-owned small

[69] All PNC PPP data is as of July 31, 2020, unless otherwise noted.

businesses in LMI neighborhoods, through the following programs operated or managed by the Urban Redevelopment Authority of Pittsburgh:

- $6.5 million for an Emergency and Recovery Loan Fund, which was established to assist in mitigating the COVID-19 economic impact and help stabilize small businesses facing resulting financial challenges.

- $2.5 million to help finance a CDFI (pending certification from the U.S. Treasury Department), which will focus on assisting businesses located in LMI or predominantly minority communities and nonprofit organizations serving minority and LMI communities.

- $1 million in funding to expand Catapult: Startup to Storefront, an accelerator and retail business incubator for minority and women entrepreneurs who want to start or grow a business.

This funding supplements other PNC pandemic-related initiatives to support small businesses and underserved communities in PNC Bank's service area. For example, PNC provided:

- $30 million in charitable support of COVID-19 relief efforts, primarily directed toward basic needs and hardship relief programs across the PNC Bank's footprint.

- $5.3 million in funding to address COVID-19 hardship relief efforts in vulnerable communities in Indiana, including a $5 million low-rate loan to a CDFI.

- A $1 million grant in Southwestern Pennsylvania to support families struggling with food insecurity during the coronavirus pandemic.

- A $250,000 grant to support the New Jersey Pandemic Relief Fund.

- A $250,000 grant to school districts and nonprofit organizations in Cleveland, Ohio, to help them furnish students with digital learning resources, such as computer equipment, tutors and internet connectivity to enable remote learning during the pandemic.

- A $132,300 grant in Louisville, Kentucky, to provide free, diverse books to low-income preschool-aged children to help them learn at home during a time of pandemic and civil unrest.

- A $100,000 grant to help create temporary housing for people experiencing homelessness, as well as for older adults and others at high risk for COVID-19 complications, in Milwaukee, Wisconsin.

- A $75,000 grant to assist healthcare workers in Detroit, Michigan, receive meals and short-term lodging to avoid possible virus transfer to their families.

- A $55,000 grant to provide financial support for artists and performers in North Carolina who were impacted by the cancellation of events due to the pandemic.

B. <u>BBVA USA CRA Performance Record</u>

BBVA USA (formerly named "Compass Bank") has prioritized CRA compliance as evidenced by the overall CRA performance rating of "Outstanding" that it earned at its most recent evaluation by the Federal Reserve Bank of Atlanta (the "<u>Atlanta Reserve Bank</u>"), as of April 2, 2018 (the "<u>Compass Bank 2018 Evaluation</u>"). Compass Bank changed its name to BBVA USA in June 2019.

Responsibility for the CRA compliance program resides in BBVA USA's Communications and Responsible Business Group, which resides in the Office of the Chief Executive Officer, thereby elevating CRA compliance and oversight to the highest level in BBVA USA. BBVA USA's CRA compliance program is based on a framework that seeks to achieve outstanding CRA performance and informs and engages all levels of leadership in the management and direction of CRA performance. As a result, BBVA USA has a culture of CRA performance ownership through highly informed and engaged employees throughout BBVA USA's footprint.

In 2014, BBVA USA launched a new strategy to ensure that it meets the needs of LMI communities across its CRA assessment areas. In addition to creating a culture of CRA performance ownership throughout the organization, BBVA USA's strategy included: (1) initiating a recurring survey of community stakeholders to identify and assess the banking needs of individuals, families and small businesses in BBVA USA's markets to guide community development activities; (2) expanding its products and services for LMI communities through an $11 billion investment from 2015 through 2019; and (3) adding specialized teams across BBVA USA to address mortgage, small business and community development lending, as well as investing, retail services, volunteerism and governance.

BBVA USA has a nine-member Community Relations Team that is responsible for CRA performance within assigned geographic regions. Duties include deepening existing relationships and developing new relationships with nonprofit organizations, CDFIs and community groups to gain insight into the needs of LMI individuals and neighborhoods and small businesses. The Community Relations Team is also tasked with helping local bank leadership and staff expand the distribution of products and services to communities. BBVA USA also has a nine-member team that administers the CRA program and provides guidance and reporting to bank management and lines of business to ensure that the CRA strategy is executed properly.

In 2014, BBVA USA began a five-year, $11 billion CRA plan to enhance its lending, investing and services in support of LMI individuals and neighborhoods. By the end of 2019, BBVA USA met or exceeded each of its five-year objectives for community development, small business, and mortgage lending, as well as community giving and employee volunteer services. In all, BBVA USA surpassed its plan, providing a total of $13.2 billion in support to LMI individuals and communities, along with small businesses across its footprint. Under the five-year CRA plan, BBVA USA achieved: (1) $2.6 billion in home mortgage loans to LMI homebuyers and in LMI neighborhoods; (2) $6.0 billion in small business lending; (3) $3.6 billion in community development lending; and (4) $900 million in community development investments and grants.

In 2019, BBVA USA announced that it was renewing and increasing its pledge for the next six years, 2020 through 2025, to $15 billion in lending, investments and services toward supporting LMI individuals and neighborhoods. The six-year plan was developed with input from stakeholders, including BBVA USA's 20-member community advisory board. It includes: (1) $3 billion in home mortgage loans to LMI homebuyers and in LMI neighborhoods; (2) $7.3 billion in small business lending; (3) $4 billion in community development lending; and (4) $1.1 billion in community development investments and grants.

The BBVA Foundation is responsible for charitable grant-making efforts, including CRA-qualified grants. The BBVA Foundation's grants target the following six focus areas:

1) *Community development* – creating and preserving affordable housing; supporting CDFIs; revitalizing physical infrastructure of LMI neighborhoods; creating and preserving jobs, particularly for LMI individuals; supporting financial education for adults and small business owners, especially in LMI communities; and supporting entrepreneurship and providing economic development for minority and underserved groups and/or LMI areas;

2) *Education* – addressing the needs in pre-K-12 education through public school-sponsored or facilitated curriculum-based programs; improving student performance through professional development, support and teacher retention; facilitating merit-based access to higher education for underrepresented groups; and supporting research and special programs at higher education institutions;

3) *Diversity and inclusion* – providing capacity building to organizations serving minority segments, especially low-income populations; providing leadership development of underrepresented groups through organizations serving minorities, especially targeted at low-income populations; and promoting tolerance and understanding among non-minority and minority populations;

4) *Arts and culture* – facilitating access to and participation in cultural experiences for LMI and minority populations; promoting the integration of arts into comprehensive community development efforts; and ensuring the availability of a broad array of artistic opportunities and venues that reflect community diversity;

5) *Environment and natural resources* – establishing and sustaining green technology and sustainable sources of energy to LMI communities; supporting projects with significant impact on environmental protection and sustainable practices; and promoting public education about the environment and sustainability; and

6) *Health and human services* – enabling and sustaining independence for individuals and families; ensuring access to health education programs; and ensuring access to quality healthcare.

1. <u>BBVA USA's Most Recent CRA Performance Evaluation</u>

BBVA USA currently has an overall "Outstanding" CRA performance rating from the Atlanta Reserve Bank.[70] In the Compass Bank 2018 Evaluation, examiners rated BBVA USA's CRA performance "Outstanding" under both the Lending Test and Investment Test and "High Satisfactory" under the Service Test. The evaluation period for home mortgage lending and small business lending was for the full calendar years of 2015 and 2016, and the evaluation period for community development lending, qualified investments and grants and community development services was for April 1, 2015 through December 31, 2017 (collectively, the "<u>Review Period</u>"). The most recent CRA performance evaluation covered BBVA USA's CRA assessment areas in seven states. BBVA USA received an overall "Outstanding" CRA performance rating for five of those states. California and Florida each received a "Satisfactory" rating.

In the Compass Bank 2018 Evaluation, the Atlanta Reserve Bank examiners did not identify any evidence of discriminatory or other illegal credit practices. The examiners also noted that the Consumer Financial Protection Bureau which has exclusive examination and primary enforcement jurisdiction to ensure BBVA USA's compliance with federal consumer financial laws, did not provide the Atlanta Reserve Bank with any information about, or other evidence of, discrimination or other illegal credit practices under the federal consumer financial laws.

The Atlanta Reserve Bank cited the following findings as major favorable factors concerning BBVA USA's products, programs and services of Compass Bank/BBVA USA under the different CRA performance evaluation tests:

Lending Test

- BBVA USA's overall lending test performance in Texas, Alabama, Arizona, Colorado and New Mexico was excellent while performance in California and Florida was good.

- The overall geographic distribution of BBVA USA's HMDA-reportable lending reflected good penetration in LMI geographies.

- The overall distribution of BBVA USA's HMDA-reportable lending among borrowers of different income levels was good.

- The loan products offered by the bank included products with flexible terms to help meet the credit needs of LMI borrowers and small businesses.

[70] A copy of the most recent CRA Evaluation can be found at https://www.federalreserve.gov/apps/CRAPubWeb/CRA/DownloadPDF/697633_20180402.

    - The bank offers an affordable home purchase mortgage product with flexible credit terms designed for LMI families and communities, along with closing cost assistance in the form of a grant to the borrower.

    - The bank also originates FHA- and VA-guaranteed mortgage loan products that assist LMI borrowers, military members, veterans and eligible surviving spouses of veterans to become homeowners.

    - The bank has a team of dedicated Community Development Mortgage Officers who specialize in affordable housing financing for LMI individuals and families.

    - The bank is an active SBA Lender, offering SBA 504, 7(a) and Express Loan products.

- BBVA USA's overall geographic distribution of small business lending in LMI geographies and overall distribution of small business lending among businesses of different sizes was excellent.

    - BBVA USA has a strategic focus on lending to small businesses with gross annual revenues of $1 million or less. As part of such a strategy, the bank offers preapproved business credit cards, business lines of credit and term loans up to $100,000.

    - The bank provides a small business training curriculum to increase small business capacity throughout its CRA assessment areas.

- BBVA USA was a leader in making community development loans during the Review Period.

- BBVA USA achieved an excellent level of community development lending and often took a leadership role in such financing. The bank originated or renewed 431 community development loans totaling nearly $1.8 billion during the Review Period. This volume of community development lending is considered excellent given the presence of the institution in its CRA assessment areas and community development lending opportunities.

    - This community development lending met a variety of critical community development needs, including: community services for LMI individuals, including healthcare, education and social services; promotion of economic development by financing small businesses that resulted in permanent job creations, retention or improvement; permanent funding of affordable housing for LMI families; and revitalization or stabilization of LMI geographies, including FEMA-designated disaster areas.

- Examples of BBVA USA's community development loans during the Review Period include:

- Loans totaling $68 million that financed five LIHTC projects that provided over 800 units of affordable housing in Houston, Texas. This housing includes some single-room occupancy units and units set aside for permanent supportive housing targeting those transitioning out of homelessness and other units reserved for families living on extremely low incomes.

- Loans totaling $36 million to fund schools and training programs for LMI persons in the Austin, Texas, assessment area, including a public charter high school for adults that provides training to complete state certification exams in nursing assistant and administrative assistant programs.

- Loans totaling $26 million that financed three LIHTC projects providing over 550 units of affordable housing in Birmingham, Alabama, designated for individuals and families earning less than 60% of the AMI.

- A $25 million loan in Albuquerque, New Mexico, to finance the retrofitting of public buildings mainly located in LMI geographies with solar panels, saving the state government $20 million over 30 years.

- Three loans totaling $23.9 million that qualify as LIHTCs to provide nearly 500 units of affordable housing for LMI individuals and families in Laredo, Texas.

- A $15.5 million loan to finance infrastructure improvements in a moderate-income census tract in Denver, Colorado, associated with a mixed-use redevelopment project with affordable housing unit set-asides.

- A $14 million loan as part of an NMTC project that will help revitalize a low-income geography in Birmingham, Alabama, with a hotel/restaurant/retail development, creating over 130 full-time jobs.

- Loans totaling $9 million to federally qualified health centers in underserved areas in the Phoenix, Arizona, assessment area, providing primary care facilities on a sliding-fee scale to LMI individuals.

- A $7.2 million loan to an LIHTC project in Huntsville, Alabama, that provided 60 units of affordable housing for households earning less than 60% of the AMI.

- A $7 million loan to construct, equip and occupy a new manufacturing building in an Industrial Reinvestment Zone in Houston, Texas, creating 132 new jobs.

- A $6.9 million loan to rehabilitate an 80-unit senior housing complex in Riverside, California, with income restrictions and tax credit assistance.

    - A $5.6 million loan to finance the redevelopment of a vacant department store in a moderate-income geography in Jacksonville, Florida, for use as indoor community space for mentoring, tutoring and crisis intervention.

    - Loans totaling $4 million to finance Head Start programs educating children living in poverty in Dallas, Texas.

    - A $3.7 million loan to repurpose and decontaminate a Superfund site in a low-income geography with contaminated groundwater in the Phoenix, Arizona CRA assessment area.

Investment Test

- BBVA USA's overall investment test performance was rated "Outstanding" in Alabama, California, and Texas, while performance in Arizona, Colorado, Florida and New Mexico was rated "High Satisfactory."

- BBVA USA made an excellent level of investments that demonstrated excellent responsiveness to community development needs and often acted in a leadership position.

- The bank had qualified investments (not including grants) that totaled almost $1.1 billion, $694.3 million of which was funded during the Review Period.

- BBVA USA is a leader in financing affordable housing through investments in LIHTCs.

    - During the Review Period, the bank invested $492.2 million in LIHTCs that financed the development of more than 5,000 affordable housing units, along with significant debt financing for such LIHTC projects.

- The bank also supported affordable housing through investments in mortgage-backed securities and equity funds.

- The bank is a national leader in providing financial support for CDFIs.

    - During the Review Period, the bank partnered with 20 CDFIs located across its footprint and provided 21 equity equivalent loans and stock purchases totaling $62.3 million to help increase CDFI lending capacity.

    - The bank provided a two-year grant of $500,000 to the national CDFI trade association to develop an innovative leadership program designed to train a diverse group of CDFI leaders to promote innovation and address inequities in access to capital in LMI communities.

    - The bank made numerous donations to support local and regional CDFIs during the Review Period.

- During the Review Period, BBVA USA made qualified grants to community organizations totaling $19.2 million, of which $13.6 million directly benefited one of the bank's CRA assessment areas, $3.4 million benefited a broader statewide or regional area that also benefited one or more of the bank's assessment areas, and approximately $2.1 million benefited its entire footprint.

- A majority of BBVA USA's qualified grants supported organizations that provide community services to LMI individuals or communities, including financial education and literacy, education and charter schools, workforce development, youth and family programs, emergency food and housing assistance, and health services, among others.

- BBVA USA also made substantial grants to organizations that support affordable housing or economic development of LMI or distressed communities.

- Examples of BBVA USA's qualified investments and grants during the Review Period are:

  - Six LIHTC investments totaling $82.3 million to finance affordable housing in the Dallas, Texas, assessment area.

  - Investments totaling $50.6 million in four LIHTC projects in Birmingham, Alabama, that helped finance more than 1,000 affordable housing units, and responded to the need for quality affordable housing in the assessment area.

  - Investments totaling $20.3 million in two LIHTC projects in Denver, Colorado, which generated about 150 new affordable housing rental units; these investments were responsive to the region's significant need for new affordable housing.

  - A $16.8 million investment in an LIHTC project in Laredo, Texas, which provided about 125 units of affordable housing.

  - An $8.2 million LIHTC investment that financed the development of a 60-unit affordable senior housing project in Huntsville, Alabama.

  - A $7.1 million LIHTC investment to fund the rehabilitation of a 207-unit affordable housing project in Jacksonville, Florida.

  - A $3.5 million investment in the local affiliate of a national CDFI in Houston, Texas, to support affordable housing programs; this CDFI focuses on housing as a core component of a holistic revitalization strategy for LMI communities.

  - Investments totaling $2.2 million in equity equivalents for CDFIs in Albuquerque, New Mexico, during the Review Period, with $1.7 million going to support an affordable housing CDFI and $500,000 for a CDFI that provides small business financing.

- A $2.0 million investment in a CDFI focused on investing capital and creating financing solutions to increase opportunities for the Latino community and low-income families in Phoenix, Arizona.

- A $1.6 million investment in a regional CDFI to provide capital for small businesses in the Riverside, California, assessment area.

- A $1.5 million investment in a CDFI to support a lease-to-own and rehab-to-sale program in Birmingham, Alabama, involving single-family home renovations to provide affordable housing options to residents in LMI neighborhoods.

- A $1.0 million investment in a national CDFI to provide capital for loans for charter schools, affordable housing and community facilities benefiting LMI individuals and communities in Houston, Texas.

- A $250,000 investment in a regional CDFI to provide small business loans and technical assistance to small business owners in the Dallas, Texas, assessment area.

Service Test

- BBVA USA's overall service test performance was rated "High Satisfactory" in all states except Alabama, which was rated "Outstanding."

- BBVA USA's retail delivery systems in its CRA assessment areas were reasonably accessible to geographies and residents of different income levels.

- The distribution of BBVA USA's branches in low-income census tracts was similar to the percentages of households and businesses in the same geographic category. The distribution of its branches in moderate-income census tracts was less than the percentage of households but greater than the percentage of businesses in the same geographic category.

  - 29% of the BBVA USA's branches and 32.3% of its ATMs were in LMI census tracts.

- BBVA USA's record of opening and closing branches did not adversely affect the accessibility of banking services to LMI geographies in the its footprint. The bank's banking services and business hours did not vary in a manner that inconvenienced LMI individuals or geographies.

- BBVA USA engaged in an excellent level of community development services throughout its footprint. The bank's community development service performance was excellent in Alabama and Texas, with good performance in Arizona, California, Colorado, Florida and New Mexico.

- During the Review Period, BBVA USA's employees engaged in 4,136 qualified community development service activities totaling 43,821 volunteer hours.

- BBVA USA's community development services focused on community services, economic development and affordable housing. The community development service hours particularly focused on adult financial education, including homebuyer education to LMI individuals, as well as youth financial education.

- BBVA USA also provided small business education through its proprietary BBVA Momentum program. BBVA Momentum first launched in 2011 in Spain and Mexico, expanding shortly thereafter into a global network of accelerator programs in Turkey, Colombia, Peru and the United States. Each BBVA subsidiary adapts the program to the specific needs of social entrepreneurs in their country. BBVA Momentum was launched in the United States in 2017 as a five-month program in BBVA USA's footprint. Although the program differs slightly in each country, the goal of BBVA Momentum is the same, *i.e.*, to create opportunities for social entrepreneurs to scale up their ventures and increase their positive impact in the world.

  - BBVA Momentum offers participants access to online and in-person training, strategic support through one-on-one mentorship, networking opportunities, visibility and potential access to financing. BBVA Momentum includes online education in partnership with Headspring Executive Development by the *Financial Times* and in-person sessions at the University of Texas at Austin's McCombs School of Business. Each social entrepreneur is paired with a mentor from BBVA USA, selected based on their professional background and skill set to provide one-on-one strategic support for the entirety of the program.

  - At the end of the program, BBVA USA awards prizes to the participating enterprises considered most sustainable and with the highest social impact. In addition, winners may be eligible to receive further investment opportunities, including capital to implement the growth plans developed during the program. In 2017, BBVA Momentum's inaugural year in the United States, a Dallas-based social entrepreneur achieved the top spot with its restaurant training platform for juvenile offenders.

- BBVA USA supported a variety of initiatives, organizations and entities addressing disaster relief, workforce development, entrepreneurship and homelessness prevention.

- BBVA USA Employees took board service leadership roles in many community organizations engaged in affordable housing, economic development and community service, as well as at CDFIs.

2. BBVA USA's CRA Activities Since the Compass Bank 2018 Evaluation

Since the Compass Bank 2018 Evaluation, BBVA USA has continued its outstanding overall CRA performance in its assessment areas. As an overview across its CRA assessment areas for home mortgage loans and small business loans during 2017 through September 30, 2020, BBVA USA: (a) originated approximately 33,273 home mortgage loans totaling $12.5 billion, including 7,799 loans totaling $1.1 billion to LMI borrowers; (b) made approximately 97,613 small business loans to businesses, including loans totaling $3.6 billion in amounts of less than $100,000 and loans totaling $1.64 billion to businesses in LMI census tracts. In its community development activities since the Compass Bank 2018 Evaluation (during 2018 through September 30, 2020), BBVA USA made: (1) 595 community development loans totaling $2.41 billion, and (2) qualified investments and grants totaling $375.4 million. In addition, BBVA USA employees engaged in approximately 6,906 community development service activities within their local commitments, representing 32,172 volunteer service hours across its CRA assessment areas, during this same time period.

Home Mortgage and Small Business Lending

BBVA USA currently provides various products and services to help LMI households access affordable mortgages and also assists small businesses obtain needed financing.

To assist LMI borrowers achieve homeownership, BBVA USA currently offers:

- *Home Ownership Made Easier ("HOME") Mortgage Loan Product* – This is BBVA USA's proprietary mortgage loan product, which permits up to 100% loan-to-value ("LTV") ratio (temporary COVID-related guidelines limit the maximum LTV to 97%) and allowance of seller contributions and cash gifts, imposes no private mortgage insurance requirement, and provides bank assistance of up to $3,500 toward down payment and closing costs for properties located in LMI census tracts or LMI borrowers.

- *FHA Loan Product* – This loan product provides flexible underwriting, up to 96.5% financing, a low down payment requirement (3.5%) and bank assistance of up to $3,500 for properties located in LMI census tracts or LMI borrowers.

- *Veteran Affairs ("VA") Loan Product* – VA Loans provide loans for military members, veterans and eligible spouses with flexible underwriting, up to 100% financing, no down payment requirement and bank assistance up to $2,500 for properties in LMI census tracts or for LMI borrowers.

- *Fannie Mae's HomeReady® Loan Program* – This loan program provides up to 97% financing, a low down payment (3%), and bank assistance of up to $2,500 for properties located in LMI census tracts or for LMI borrowers.

- *USDA Rural Home Loan Program* – This loan program provides up to 100% financing for rural residences.

BBVA USA has a team of dedicated Community Development Mortgage Banking Officers strategically located in majority minority markets who specialize in affordable housing finance for LMI individuals. This team also plays a critical role in financial education and community outreach development.

BBVA USA has also established a referral process for branches located in remote markets with no Mortgage Banking Officer to rely on the Centralized Consumer Direct Mortgage Team to support their customer mortgage needs.

To help serve the credit needs of small businesses, BBVA USA currently offers the following products:

- *SBA Express Line of Credit or Term loan* – The SBA program loans and lines of credit are for amounts up to $350,000, with secured and unsecured options, and allows higher LTV ratios and debt-to-income ratios. No additional fees are charged for the SBA guaranty. BBVA USA has continued to be an active small business lender and participates in all of the SBA's loan programs. BBVA USA is a SBA Preferred Lender, regularly recognized as one of the leading SBA small business lenders in the country.

- *Business Visa Rewards Secured Credit Card* – Business Visa Credit Card is collateralized by an interest-bearing savings account and earns 1.5 points per $1 in qualifying purchases. The annual fee of $40 is waived for the first year.

- *Business Visa Rewards Credit Card* – The Business Visa Credit Card has no annual fee, earns rewards of 1.5 points per $1 in qualifying purchases and charges no interest on purchases for the initial nine months.

- *Convenience Line of Credit* – This revolving line of credit provides access to available funds for working capital in loan amounts from $10,000 up to $100,000, based on stated income. No interest is charged on the initial three billing cycles.

- *Business Term Loan (non-real estate loan)* – This is a fixed-rate loan, secured or unsecured, with customized repayment plans to finance major expenditures, with a minimum loan amount of $5,000 and terms of up to seven years.

Community Development Lending and Investment Activities

Since the Compass Bank 2018 Evaluation, BBVA USA has continued its high level of community development lending activity. BBVA USA has made 595 community development loans totaling $2.4 billion during that period.[71] Included in this total are loans totaling $478 million for 63 affordable housing projects that have created, sustained and supported the development of 5,503 affordable housing units. Of these 63 projects, nine projects totaling $4.3 million were supported through the Affordable Housing Program (the "AHP") of the Federal Home Loan Bank of Atlanta (the "Atlanta FHLB"). An additional $18.5 million was

[71] Data is for full calendar years 2018 and 2019 and the first nine months of 2020.

provided to CDFIs and community development corporations for direct support to organizations committed to developing affordable housing.

Examples of BBVA USA's leadership in community development lending since the Compass Bank 2018 Evaluation, in addition to the pandemic relief activities discussed above, include:

- A $100 million loan to finance a nonprofit school system that provides educational programs and services primarily to LMI students and geographies in Austin, Dallas, Houston and San Antonio, Texas. The school will use the funds to construct new facilities and renovate existing structures to house educational services. Over 80% of the students are economically disadvantaged and eligible for the free and reduced lunch program.

- A $50 million line of credit to a nonprofit school system that will be used as bridge financing for a long-term bond. The education program will use the funds to build schools in the state of California, primarily in LMI communities. Over 89% of the students in the program are eligible for the free and/or reduced lunch program.

- A $46 million loan to refinance BBVA USA's original note and allow the local government to continue development in a moderate-income area near downtown Birmingham, Alabama. The original funds were used to create and spur revitalization and stabilization in downtown Birmingham. The development resulted in a park district that eventually became home to the city's local baseball team and created additional small businesses, residential and mixed-use projects that capitalize on the park district.

- A $17.8 million loan to refinance and renovate a 300-unit apartment complex with a current housing assistance payment ("HAP") Section 8 contract in Pensacola, Florida. The contract allows tenants to pay 30% of their income toward their rent, while the HUD subsidy covers the remaining amount of the proposed rent for each unit up to rental amounts approved by HUD as fair market rents for each unit type. The current HAP contract terminates April 30, 2031.

- A $16.1 million LIHTC loan for the construction of a 120-unit affordable housing complex in Houston, Texas, that will benefit senior citizens (55+ years old) with incomes less than 60% of AMI. Additionally, BBVA USA allocated a $9.5 million equity investment that supports this project through a fund.

- A $14.6 million equity bridge loan and a $2.8 million construction loan to acquire and rehabilitate a 168-unit LIHTC development in Montgomery, Alabama, which provides affordable rental housing for families with incomes less than 60% of the AMI.

- A $13.8 million LIHTC loan for the acquisition and rehabilitation of a 72-unit multi-family complex in Stockton, California, which provides affordable housing for families with incomes at 50% to 60% of AMI. BBVA USA also provided a $9.0 million equity investment in this LIHTC project.

- A $7.9 million loan to finance an office building for an economic development corporation in McAllen, Texas, that will house other nonprofit organizations and provide job training, education and economic development opportunities in the area.

- A $6.3 million LIHTC construction loan along with HOME funding for a multi-family project in Dothan, Alabama. The 48-unit apartment building will benefit individuals and families earning 50% to 60% of the AMI. In addition to the loan, BBVA USA will provide a $6.3 million equity investment to support the project.

- A $6 million revolving line of credit to a nonprofit organization in Austin, Texas, to finance its working capital needs resulting from economic disruptions from COVID-19. The funds will support the agency with ongoing job placement and maintain local stores.

- A $4.3 million construction loan to a local nonprofit to continue its renovation project on an abandoned building in a moderate-income neighborhood and designated SBA HubZone in Jacksonville, Florida. The nonprofit organization will convert the abandoned building into a school and community center.

- A $4.1 million loan that will support the construction of a 64-unit affordable apartment complex in Birmingham, Alabama, in partnership with HUD and the Atlanta FHLB's AHP. All the rents will be under the Rental Assistance Demonstration program, pursuant to which the tenants' rental payments are capped at 30% of their income. BBVA USA also supported the transaction with a $7.6 million equity investment.

- A $1.5 million loan to a federally qualified health center located in Mobile, Alabama, to support a new clinic in a moderate-income community and SBA HubZone. Almost all of the clinic's clients are at or below 200% of the poverty level. A BBVA USA employee serves on the organization's Board of Directors and finance committee.

BBVA USA has also continued its high level of community development investment and grant activity since the Compass Bank 2018 Evaluation. For the period of January 1, 2018, through September 30, 2020, BBVA USA made qualified investments and grants totaling $375.4 million throughout its CRA assessment areas. Examples of such qualified investments and grants of BBVA USA, in addition to the pandemic-relief activities discussed below, are:

- Six LIHTC investments totaling $37.1 million to finance affordable housing in the Houston, Texas, assessment area, which created more than 700 affordable housing rental units for LMI families and seniors.

- Five LIHTC investments totaling more than $33.0 million to finance affordable housing in the Birmingham, Alabama, assessment area, which created more than 300 affordable housing rental units for LMI families and seniors.

- A $14.8 million LIHTC investment that financed the development of a 120-unit affordable senior independent living housing project located in a Fort Worth, Texas, master-planned development designed around a revitalization framework.

- A $9.0 million LIHTC investment to fund the rehabilitation of a 72-unit affordable housing project in Stockton, California, where low-income residents will benefit from reduced utility costs as a result of energy efficiency upgrades.

- A $6.8 million LIHTC investment that financed the rehabilitation of a 179-unit affordable senior high-rise project located in downtown Jacksonville, Florida, with set-asides for extremely low-income persons and persons with special needs.

- A $6.0 million investment in a regional CDFI to provide capital for affordable housing development, environment infrastructure and community facilities in rural and tribal LMI communities located in the states of Arizona, California and New Mexico.

- A $3.0 million investment in a national CDFI's affiliates in Houston and Austin, Texas, to provide microloans to low-income women entrepreneurs and $87,500 in grants to support the CDFI's microfinance program and market expansion.

- A $2.0 million investment in a national CDFI to provide for the acquisition, preservation, construction, sale, financing and ownership of affordable housing in single-family and multi-family projects in Florida and Texas.

- A $1.5 million grant to a Florida nonprofit scholarship funding organization that provides scholarships and educational opportunities to children from LMI families in six of BBVA USA's CRA assessment areas in Florida: Jacksonville, Crestview, Gainesville, Homosassa Springs, Pensacola and Tampa.

- Grants totaling $163,000, which are a portion of a total commitment of $815,000, to support the construction of a 30,510 square-foot facility in Houston, Texas, that will house an affordable housing developer's community engagement, financial education, affordable housing, federally qualified health center, early childhood education program and economic opportunity programs, as well as the organization's administrative headquarters.

- A $150,000 grant to provide classroom space for a variety of financial education activities for workforce advancement clients, employees and adult high school students offered by an organization focused on reducing generational poverty through education and career development in San Antonio, Texas.

- The final $70,000 grant of a multi-year $100,000 commitment to support a nonprofit community development housing organization's creation of an IDA savings program for LMI individuals wanting to purchase homes in the Rio Grande Valley of Texas.

Banking and Community Development Services

Branches and Online/Mobile Services. BBVA USA provides its banking services through a network of traditional branches and ATMs, as well as by telephone, online and mobile app. As of September 30, 2020, BBVA USA had 636 branches and 1,316 ATMs in seven states. The largest number of branches are in Texas, followed by (in the order of next highest branch number to lowest branch number): Alabama, Arizona, California, Florida, Colorado and New Mexico. Currently, BBVA USA has 188 branches (or 29.6% of its branch network) in LMI census tracts. The percentage of branches in LMI census tracts has increased since the Compass Bank 2018 Evaluation due to optimization of the branch network and the opening of one *de novo* branch in a low-income census tract in Fort Worth, Texas, in 2018.[72]

BBVA USA also embraces technology as the means to deliver services that help improve its customers' financial health, a key pillar for BBVA USA that is even more critical in the face of the COVID-19 pandemic. BBVA USA recognizes that its fully bilingual (English/Spanish) BBVA USA mobile banking app also significantly increases accessibility to bank services, which is critical to LMI customers.

To this end, BBVA USA launched an initiative to train branch team members as mobile banking experts to deliver face-to-face mobile banking demonstrations to customers. In addition, all branch employees have goals to teach customers to use essential mobile banking functionality. Over the course of 2019, BBVA USA's branch employees conducted more than 935,750 mobile banking demonstrations, of which 32% (or 295,035) were conducted in branches located in LMI census tracts. As of November 11, 2020, branch team members have conducted more than 468,750 functionality demonstrations, of which 31% were performed at branches in LMI census tracts.[73]

These mobile banking demonstrations show customers how to perform critical mobile banking activities, including: mobile deposit, alerts activation, bill pay, fund transfers, card management, direct deposit and other account management features. BBVA USA mobile and online banking provides access to 24 customizable alerts to help clients closely monitor their financial accounts, notifying them if their account balance reaches a critical point. These alerts can be received as push notifications or via email and are a great defense via faster detection of unusual account activity. Furthermore, BBVA USA mobile and online banking provides real-time transaction details, giving clients insight into how each transaction impacts account balances as it occurs and helping clients understand their overall financial picture and potentially avoid overdrafts and other fees.

The demonstration on the Financial Tools feature in the mobile banking app is of special value to LMI clients, offering powerful tools for financial health. Customers can link and manage external financial accounts to easily view a full financial picture in one place. Financial Tools will automatically categorize and classify transactions to track spending, and creates a

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[72] That *de novo* branch in a low-income census tract is located at 6500 NW Loop 820 Freeway, Suite 100, Fort Worth, Texas 76135.

[73] Mobile banking demonstrations were temporarily suspended in March 2020 due to the pandemic because the majority of branch lobbies were closed. In July, however, the mobile banking demonstration activity was restarted with appropriate social distancing standards.

budget that shows cash flow, trends, spending, debts and net worth. In addition, Financial Tools makes it easy to set and track financial goals, such as becoming debt free.

Similarly, the Insights feature in the mobile banking app helps clients improve their financial health by providing proactive notifications on potentially unusual account activity, such as new subscription services or price increases on recurring bills. Clients will get insights on BBVA USA accounts as well as any linked outside accounts.

Online Account Origination ("OAO") is also an available feature in the mobile banking app, which allows customers to open both deposit accounts (checking, savings, money market and CDs) and lending products (Express Personal Loan and credit cards) without physically coming to the bank. This feature is particularly valuable to customers who may have limited transportation options or limited ability to visit a branch during regular office hours due to job demands or other challenges. Banker Digital Assist was introduced in 2020 to verbally guide customers through the OAO process by phone with a live banker.

BBVA USA makes its digital services such as mobile banking and online banking accessible to those with disabilities who may use assistive technology, including screen readers, text enlargement software or programs that control a computer with voice or face to navigate online or via a mobile device. A link to download the free eSSENTIAL Accessibility™ App is available on BBVA USA's website to incorporate assistive technology such as mouse and keyboard replacements, voice recognition, speech enablement and hands-free/touch-free navigation.

Consumer Banking Products. To help serve the needs of LMI and under-banked individuals, BBVA USA currently offers consumers access to low-cost deposit accounts and other affordable consumer products, including:

- *Build My Savings* – This is a goal-based savings account that helps customers develop good savings habits with a 1% match for sticking to a six- or 12-month plan while also earning interest on the balance. This type of account requires only $25 to open and has no service charge.

- *Opportunity Banking* – a specialty program that bundles the products below:

    - *BBVA Easy Checking* – This is an account designed for those who do not qualify for a standard checking account and gives those individuals the opportunity to rebuild their credit. After 12 months, there is an opportunity to request to upgrade their Easy Checking account to another BBVA USA consumer checking account if their BBVA USA Easy Checking account is in active status and has a positive balance. There are no ATM fees at BBVA USA ATMs, and the account provides free online banking and mobile banking, mobile deposit and bill pay. This account includes one free Visa debit card per account holder. In addition, this account includes free customizable account alerts and free unlimited check writing. This type of account only requires only $25 to open and has a monthly service charge of $13.95. Overdrafts are blocked.

- *BBVA Free Checking* – This account has no monthly service charge and no ATM fees at BBVA USA ATMs. Free online banking and mobile banking, plus mobile deposit and bill pay. This account includes one free Visa debit card per account holder. In addition, this account includes free customizable account alerts, free online and paper statements, and free unlimited check writing. This account requires only $25 to open.

- *Optimizer Credit Card* – This card is designed for people who need to build or improve their credit history, and provides financial flexibility and convenience. The card looks and works like a regular credit card. The credit line is secured by an interest-bearing collateral savings account and can be increased with deposits to the savings account.

- *BBVA Online Checking* – This account requires only $25 to open and imposes no monthly service charge and no ATM fees at BBVA USA ATMs and 64,000 Allpoint Network ATMs. It also provides various free services, including: online banking and mobile banking, mobile deposit, bill pay, customizable account alerts, online statements, unlimited check writing, and a free Visa debit card.

- *BBVA Savings* – The BBVA Savings account imposes no monthly fee with a monthly automatic transfer of more than $25 or a daily balance of more than $500.

- *Business Connect Checking* – This is an account designed to be easy for small businesses, with no minimum account balance requirements; free online banking, mobile banking and bill pay; and no monthly service charge. In addition, the account provides no charges for: two in-branch deposits; five in-branch withdrawals/checks; up to $5,000 in cash processing; and one personalized Visa debit card.

- *Business Savings* – BBVA USA's business savings account allows a low minimum opening deposit of only $100.

Community Development Services. BBVA USA has continued its high level of community development service activity since the Compass Bank 2018 Evaluation. BBVA USA employees are encouraged to engage in community development services through the BBVA USA Volunteers Program, which began in 2018 and provides each employee with 16 hours of paid time off to use toward volunteer activities.

Financial education has remained a priority in BBVA USA's community service activities. BBVA USA's Center for Financial Education ("CFE") virtual platform, which began in 2016 in partnership with EverFi, provides a suite of financial education courses designed to help people access financial tools and make effective financial decisions. The courses include adult personal finance education, homebuyer education and small business financial education, in both English and Spanish.

BBVA USA launched its full financial education program with a Financial Education Summit, committing to provide financial education to 10,000 adults in 2019. The centerpiece of the summit was BBVA USA's CFE Community Partner Program. The CFE Community Partner Program is designed to provide financial education workshops through partnerships with local nonprofit organizations in BBVA USA's footprint. The nonprofit partner organizations have a demonstrated ability to provide financial capability programming to LMI families, to unbanked or under-banked populations, or to small businesses in underserved areas. Since the successful four-month pilot in 2018, which engaged 28 nonprofit organizations, the program now includes 55 organizations in 29 markets.

The CFE Community Partner Program workshops are customized to focus on home ownership, personal finance and small businesses and are led by local bank volunteers with expertise in each of the subject matter areas. The program underscores BBVA USA's purpose, bringing the age of opportunity to everyone by improving the lives and financial capabilities of the people in the communities served by BBVA USA.

In support of the current recommendations and to promote social distancing during the COVID-19 pandemic, BBVA USA's CFE executed virtual financial education workshops. BBVA USA's Social Impact team worked with nonprofit community partners across its seven-state footprint to transition to virtual financial education workshops. Virtual workshops allowed BBVA USA to continue providing financial education to LMI individuals and small businesses. In further support of adversely affected communities, BBVA USA's CFE developed and introduced new financial education modules of Debt Management and Mobile Banking.

Despite the pandemic challenges, BBVA USA employees have conducted 350 virtual financial education workshops totaling 2,904 community development service hours in 2020, as of September 30, 2020. Of those community development service hours, 31.6% supported affordable housing, 41.2 % supported economic development and 27.1% supported community services.

During 2018 through September 30, 2020, BBVA USA employees have engaged in a total of more than 6,900 community development service activities throughout its CRA assessment areas, including the 350 virtual financial education workshops in 2020. Some examples of the community development service activities include:

- Volunteering a total of 9,929 qualified board and committee service hours, of which 2,417 were provided to organizations with a community development purpose of economic development and 1,918 hours were provided to organizations with a community development purpose of affordable housing.

- Providing 967 technical assistance service hours in partnership with the VITA program to help LMI individuals in completing their tax returns.

- Providing 167 hours of affordable housing technical assistance as part of the Atlanta FHLB's AHP.

- Conducting 169 workshops and volunteering over 900 hours in workshops that benefited LMI individuals and small business owners in partnership with an organization that provides homebuyer education and community services to LMI individuals as well as small business services to small business owners.

- Volunteering 423 hours to provide 44 homebuyer, personal finance, and small business workshops for LMI individuals and small business owners in partnership with Business and Community Lenders of Texas, which supports communities of color with the financial tools and education necessary to acquire wealth-building assets such as homeownership and entrepreneurship to optimize positive economic returns.

In addition to the extensive financial education programs through the CFE, BBVA USA has other community development service programs, including:

- *BBVA Momentum Program* – In 2018 and 2019, BBVA USA continued with its proprietary BBVA Momentum program (discussed above), which creates opportunities for social entrepreneurs to scale up their ventures and increase their positive impact in the world. BBVA Momentum offers participants access to online and in-person training, strategic support through one-on-one mentorship, networking opportunities, visibility and potential access to financing. Since 2017, BBVA Momentum has supported 55 social enterprises in the United States.[74] In 2018 and 2019, BBVA USA employees provided 1,847 hours of small business technical assistance through BBVA Momentum by providing strategic support to the social entrepreneurs in the program.

    - As noted above, at the end of the program each year, BBVA USA awards prizes to participant enterprises considered most sustainable and with the highest social impact. The top prizewinner for BBVA Momentum in 2019 was a social entrepreneur from Los Angeles, who took home the $100,000 first prize for a corporate gifting company that offers life-changing products made by over 40 social enterprises. In 2018, a social entrepreneur won the $75,000 first prize for a Dallas-based company that finances fuel-efficient and reliable cars (under warranty) for lower-skilled workers with weak credit.

- *Money Fit and MoneyGuide Pro* – BBVA USA provides *Money Fit*, an online financial education resource with sections on savings and budgeting, owning a home, retirement and more. The content is designed to help customers and prospects be better money managers and planners. BBVA USA also offers customers *MoneyGuide Pro*, an online financial education program with more than 70 online mini-courses.

- *BBVA for Your Cause* – This is a bank affinity program designed for nonprofit organizations and their employees and individuals naming the nonprofit when opening up their first BBVA USA consumer checking account (this includes

[74] At a global level, over 1,500 entrepreneurs have participated in BBVA Momentum since its launch in 2011.

members and non-members of the nonprofit). Those employees and individuals who open up their first BBVA USA consumer checking account using the program receive a cash bonus, as does their associated nonprofit organization. The nonprofit organization also receives 25 basis points on debit card transactions (related to the checking account) by employees and individuals. In addition, financial education programs are offered online and in person to BBVA USA customers. (Free Checking and Premium Checking accounts qualify for this in Alabama, Arizona, Colorado, New Mexico and Texas; Convenience Checking and Premium Checking accounts qualify in California and Florida.)

- *Workplace Solutions* – This program is designed for companies and their employees, and employee families. In addition to receiving discounts on products, financial education is a key program benefit and available through webinars, in-person meetings and BBVA USA online content, including the *MoneyGuide Pro* series.

BBVA USA COVID-19 Pandemic Relief

To help consumers during the COVID-19 pandemic, BBVA USA expanded the eligibility criteria for standard short-term payment assistance programs to include all retail customers with a COVID-19-related hardship regardless of the length of their relationship with BBVA USA, previous payment history or previous short-term hardship assistance granted. An online portal was established to allow customers to request loan payment assistance during this time of unprecedented inbound call volumes. This allowed BBVA USA to provide extensions to over 70,000 retail customers.

BBVA USA has also started the groundwork on medium-term loss mitigation solutions to better assist those customers coming off a deferral who are in need of further assistance. During the height of the pandemic, outbound collection dialing and repossession efforts were temporarily suspended, and the suspension of foreclosures remains in place. Additionally, BBVA USA waived the requirement of many in-person activities, such as replacing full appraisals with drive-by appraisals, allowing digital signatures instead of “wet” signatures and enhancing the online experience to reduce the need for in-branch servicing.

BBVA USA’s participation in the SBA’s PPP significantly helped small businesses in its CRA assessment areas address their pandemic-related financial challenges. BBVA USA made 22,436 PPP loans totaling $3.2 billion and impacting approximately 360,000 jobs. The average size of BBVA USA’s PPP loans was $141,260. The aggregate amount of PPP loans of less than $100,000 that BBVA USA made approximated $533.3 million. In addition, BBVA USA made 24% of the total number of its PPP loans to borrowers in LMI census tracts; the aggregate amount of such loans was approximately $851.5 million. BBVA USA’s PPP loans supported diverse industries from medical providers to restaurants to manufacturing plants. BBVA USA also make PPP loans aggregating $149.3 million to 325 nonprofit organizations.

As noted, BBVA USA has contracted with a third party to deploy its end-to-end forgiveness managed service solution for PPP loan forgiveness processing. This solution is designed by the third party to facilitate rapid scaling for high volumes of forgiveness requests, capturing relevant information from digitized documents for forgiveness calculations via a borrower portal. The built-in calculators implement forgiveness determinations and include an interface with the SBA E-Tran system for information transmission. To date, BBVA USA has opened the borrower portal for forgiveness processing to over 200 clients who applied for PPP loans originally and expanded that onboarding process to another 500 clients. A phased ramp-up will include the majority of BBVA USA's PPP borrowers by year-end 2020.

Additionally, BBVA USA provided small business disaster loans of up to $50,000 to small businesses impacted by the pandemic and other natural disasters. The disaster loans allowed small businesses to use the funds for unexpected expenses, make payroll or purchase inventory. This is a 36-month term loan with no payment for 90 days. BBVA USA originated 292 small business disaster loans totaling $7,330,100. Additional relief actions taken during the pandemic include:

- ATM and NSF/overdraft fee refunds per customer request and automatic waiver of extended service fees;
- Customer-requested late fee waivers and payment deferrals on small business conventional loans and SBA Express, 7(a) and 504 loans;
- Client requests to lower rates on existing loans; and
- Business credit card offers with an introductory interest rate of 0%.

BBVA USA also offered commercial lending clients a streamlined product that included 90 days of loan payment relief and a covenant holiday through September 30, 2020.[75] In addition to this streamlined product, BBVA USA has also worked with borrowers to modify covenants and address the COVID impact from a covenant perspective. In some cases, BBVA USA also offered liquidity facilities to assist with short-term COVID relief. Second payment deferral requests have been minimal.

Some of the additional COVID-19 pandemic-related lending activity of BBVA USA included the following loans, which qualified as community development loans:

- Fifty PPP loans totaling $76.5 million to nonprofit organizations such as affordable housing agencies, charter schools, federally qualified health centers, food banks and homeless shelters;
- A $6.7 million PPP loan to a printing company located in a low-income census tract and within an SBA HubZone in Denver, Colorado, to support the retention of approximately 450 jobs;
- A $5.2 million PPP loan to a regional grocery distributor in a low-income census tract and within an SBA HubZone in Birmingham, Alabama, to support the distributor's efforts to retain 410 jobs and provide essential business services during the pandemic; and

[75] BBVA USA granted this relief if requested by a pandemic-impacted borrower.

- A $1.2 million PPP loan to a Native American tribe located in Albuquerque, New Mexico, to support its Native American cultural center, small businesses and other activities and help retain approximately 260 jobs.

BBVA USA also has provided COVID-19 relief through community development support programs. The BBVA Foundation has committed over $3 million in grants to 172 nonprofit community organizations during the pandemic. The response effort was designed to take into account the immediate, interim and long-term needs of communities in response to the following community-identified needs: basic assistance (food insecurity, financial/wage loss, rent/utility relief), public healthcare, and microenterprise and small business support. The pandemic-related grants committed by BBVA USA include:

- $1.3 million in grants to CDFIs and other organizations to offer zero- and low-interest rate loans, payment deferment and technical assistance for small businesses;

- $1 million in Rapid Response Relief grants to local organizations providing basic needs assistance; and

- A $600,000 grant to Feeding America which assisted 28 local food banks across the United States.

In addition, BBVA USA provided customer assistance through CDFI investments in response to COVID-19. The CDFI COVID-19 Response Plan was geared toward CDFIs with an economic and small business focus, offering relief in the form of comprehensive interest payment deferral for up to six months, with deferred payments due at termination. BBVA USA also provided consent waivers for cross-defaults from other lenders and financial institutions. In addition, BBVA USA provided up to $10 billion to CDFIs at 0% interest in the first year and for up to 10 years. To date, BBVA USA has provided nearly $268,000 in deferred interest payments to six CDFI organizations and closed $3.2 million in investments to CDFI organizations with an additional $3.2 million in the pipeline. BBVA USA expects to continue its support offers in 2021 to help ensure the health and wellness of CDFI organizations that need assistance as the pandemic continues.

Conclusion

The Proposed Transaction will join two banking organizations with highly compatible cultures, business models, risk management systems and dedication to superior customer service, resulting in a stronger PNC that is better able to serve consumers, businesses and other customers across the nation. All of the statutory factors that the Federal Reserve must consider in acting on the Application are consistent with approval. PNC has ample financial and managerial resources to successfully consummate the Proposed Transaction. PNC, PNC Bancorp and BBVA Bancshares, as well as their respective subsidiary banks are well-capitalized, and PNC, PNC Bancorp, PNC Bank and BBVA USA will remain so upon consummation of the Proposed Transaction.

PNC will have the necessary risk management systems, experienced management and extensive experience for a successful integration of BBVA Bancshares and BBVA USA into

PNC and PNC Bank and continue to operate in a safe and sound manner. Both PNC and BBVA Bancshares have robust enterprise risk management systems and programs, including for BSA/AML/Sanctions Compliance and Consumer Compliance, which will assist the integration process.

The Proposed Transaction will not adversely impact competition in any banking market. The pro forma market concentrations in the 14 overlapping banking markets are all within the Federal Reserve's and the DOJ's "safe harbor" levels and multiple competitors will remain in each banking market.

In addition, the Proposed Transaction will not result in any material increased risk to the U.S. banking or financial system. Instead, the Proposed Transaction will have a systemically stabilizing impact by creating a combined company that is more geographically diversified and has increased earnings capability and financial strength. These benefits will enable the combined organization to compete more effectively against the largest U.S. banking organizations that operate nationally and are aggressively seeking to increase their deposit market shares, particularly in the major metropolitan areas of the United States. PNC's increased financial strength will also support its continued high level of investment in technologies and innovation to address effectively the evolving needs of customers and communities for innovative banking services and cybersecurity protections.

The continuation of the outstanding CRA performance records of PNC Bank and BBVA USA will benefit the customers and communities served by the combined bank. Customers of PNC and BBVA Bancshares will also benefit from the resulting larger branch and ATM networks, and broader banking product and service offerings of the combined organization. In addition, customers and communities will benefit from the reinforced culture and dedication of PNC that is focused on providing superior customer service to consumers and businesses alike; economic support to all its communities, including LMI and other underserved communities, including to help bridge the financial and economic difficulties caused by the COVID-19 pandemic; educational support for young children from LMI families; and financial education for all ages. In addition, the continuation of PNC's and BBVA Bancshares' shared prioritization and actions supportive of diversity and inclusion of customers, communities and employees will benefit all of PNC's constituents.

For all the reasons discussed in this Application, including the exhibits, PNC respectfully submits that the Application should be approved as promptly as possible.

RESPONSES TO THE FORM FR Y-3 INFORMATION REQUEST ITEMS

Proposed Transaction

1. Describe the transaction's purpose. Identify any changes to the business plan of the Bank/Bank Holding Company to be acquired or the Resultant Institution. Identify any new business lines.

The purpose of the transaction is to combine two highly compatible banking organizations with complementary cultures, business models, strong financials and capital ratios, rigorous risk management and dedication to the communities they serve. PNC and PNC Bank will gain enhanced ability to serve customers and communities, including LMI and other disadvantaged customers and communities; a banking franchise stretching coast-to-coast; greater diversification; stronger financial and operating metrics, efficiencies and revenue generation; as well as broader technological capabilities to meet customers' growing digital banking and information security needs.

Please see the discussion in the *Preliminary Statement* for additional responsive information and Confidential Exhibit N.

2. Provide the following with respect to the Bank/Bank Holding Company to be acquired:

a. Total number of shares of each class of stock outstanding;

The authorized capital stock of BBVA Bancshares, as of November 15, 2020, consists of (1) 300,000,000 shares of BBVA Bancshares common stock, par value $0.01 per share, of which 222,963,891 shares are issued and outstanding and none are held in treasury and (2) 30,000,000 shares of BBVA Bancshares preferred stock, par value $0.01 per share, of which 1,150 shares are issued and outstanding and none are held in treasury.

b. Number of shares of each class now owned or under option by the applicant, by subsidiaries of the applicant, by principals of the applicant,[76] by trustees for the benefit of the applicant, its subsidiaries, shareholders, and employees as a class, or by an escrow arrangement instituted by the applicant;

To the best of PNC's knowledge, none of PNC or PNC Bank, or any of their subsidiaries or principals (including directors or senior executive officers), or any trustee for the benefit of any of the foregoing or employees of PNC or its subsidiaries (as a class), own or hold an option

[76] **The term principal as used herein means any individual, corporation, or other entity that (1) owns, or controls, directly or indirectly, individually or as a member of a group acting in concert, 10 percent or more of any class of voting securities or other voting equity interest of the entity; (2) is a director, trustee, partner, or executive officer; or (3) with or without ownership interest, participates, or has the authority to participate in major policy-making functions, whether or not the individual has an official title or is serving without compensation. If the applicant believes that any such individual should not be regarded as a principal, the applicant should so indicate and give reasons for such opinion.**

to acquire any shares of BBVA Bancshares. All the shares of BBVA Bancshares are owned by BBVA.

Similarly, to the best of BBVA Bancshares' knowledge, none of BBVA, BBVA Bancshares, or their subsidiaries or principals (including directors or senior executive officers), or any trustee for the benefit of any of the forgoing or employees of BBVA, BBVA Bancshares or its subsidiaries (as a class), own or hold an option to acquire any shares of PNC, except for a *de minimis* amount of shares held in a director's Rollover IRA (1,000 shares).

c. Number of shares of each class to be acquired by cash purchase; the amount to be paid, per share and in total; and the source of funds to be applied to the purchase;

PNC will pay BBVA $11,566,740,000 cash consideration for all the Capital Stock of BBVA Bancshares (noted in response to item 2.a. above), minus (1) certain net tax effects and (2) company transaction expenses. For any period following June 30, 2021 until the date the Holdco Acquisition closes, PNC will also pay BBVA interest (at a rate of 3.0% per annum) on the consideration amount. Please see Article II of the Agreement in Exhibit 1 for more detailed information on the consideration to be paid by PNC to BBVA.

PNC will fund the cash consideration with funds on hand, including from the $11.1 billion (after tax) proceeds of PNC's sale of its passive investment in Black Rock, Inc. in May 2020.

d. Number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of the applicant's shares to be exchanged; and

As discussed in the *Preliminary Statement – Structure and Terms of the Proposed Transaction*, the Holdco Acquisition is an all cash transaction for all the shares of BBVA Bancshares' capital stock.

e. A copy of the purchase, operating, shareholder, trust or other agreements associated with the proposed transaction. Also, provide the expiration dates of any contractual arrangement between the parties involved in this application and a brief description of any unusual contractual terms, especially those terms not disclosed elsewhere in the application. Note any other circumstances that might affect timing of the proposal. Note any other circumstances that might affect timing of the proposal.

A summary of the principal terms of the Proposed Transaction is provided in the *Preliminary Statement – Structure and Terms of the Proposed Transaction* section above. A copy of the execution version of the Holdco Agreement is provided in Exhibit 1. A copy of the forms of Holdco Merger Agreement and Bank Merger Agreement are provided in Exhibit 5 (together with the certified resolutions). PNC will provide the Federal Reserve copies of the final agreements promptly after they are executed.

A copy of the certified resolutions of the Board of Directors of PNC approving the Holdco Acquisition and the certified joint resolutions of the Boards of Directors of PNC and PNC Bank approving the Holdco Merger and the Bank Merger, entering into the related merger agreements (copies of which are attached to the joint resolutions) and the filing of the related regulatory filings, as well as the related consent of PNC Bancorp as the sole shareholder of PNC Bank, are attached as Exhibit 5.

A copy of the certified resolutions of the Boards of Directors of BBVA, approving the Holdco Acquisition, and BBVA USA, approving the Bank Merger, as well as the related sole shareholder consent of BBVA Bancshares in respect of the Bank Merger, are provided in Exhibit 6.

The Holdco Agreement may be terminated by mutual written consent of both parties, by either party on written notice if the Holdco Acquisition has not been consummated by November 15, 2021 (unless extended for a three-month period by either party), and on certain other limited bases. PNC and BBVA Bancshares are planning to consummate the Proposed Transaction as soon as practicable, in order to preserve the benefits of the Proposed Transaction and minimize the loss of employees and customers that results from a protracted period between announcing and closing a transaction.

3. If the proposed transaction is an acquisition of assets and assumption of liabilities, indicate the total price and the source of funds that the applicant intends to use for the proposed purchase, and discuss the effect of the transaction on the operations of the applicant.

Not applicable. The Proposed Transaction is not an acquisition of assets and assumption of liabilities.

4. If the proposed transaction involves the acquisition of an unaffiliated banking operation or otherwise represents a change in ownership of established banking operations, describe briefly the due diligence review conducted on the target operations by Applicant. Indicate the scope of and resources committed to the review, explain any significant adverse findings, and describe the corrective action(s) to be taken to address those weaknesses.

A summary of PNC's due diligence review is provided in Confidential Exhibit D and the *Preliminary Statement – Financial and Managerial Resources and Future Prospects/Managerial Resources/Integration Planning* section above.

5. Provide a list of all regulatory approvals and filings required for the proposed transaction and the status of each filing.

Please see the *Preliminary Statement – Required Approvals* section above for responsive information.

6. Provide a copy of any findings, orders, approvals, denials or other documentation regarding the proposed transaction issued by any regulatory authority.

Not applicable. There is no such documentation regarding the Proposed Transaction issued by any regulatory authority.

7. For applications filed pursuant to section 3(a)(1) of the BHC Act, if the proposed transaction would result in an organization other than a shell one-bank holding company, submit a pro forma organization chart showing the applicant's percentage of ownership of all banks and companies, both domestic and foreign, in which it directly or indirectly will own or control more than 5 percent of the outstanding voting shares.

Not applicable. The Application is filed pursuant to sections 3(a)(3) and 3(a)(5) of the BHC Act.

<u>Financial and Managerial Information</u>

8.

a. For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction,[77] provide parent company balance sheet as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheet. The pro forma balance sheet should reflect the adjustments required under business combination and fair value accounting standards.

Not applicable. PNC is subject to consolidated capital standards, which will continue to be the case after consummation of the Holdco Acquisition.

b. For an applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction,[78] provide parent company and consolidated balance sheets as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheets; and the financial information provided should be prepared in accordance with GAAP, and be in sufficient detail to reflect any:

- **Common equity and preferred stock;**

[77] **This type of applicant includes a company or similar organization that on a pro forma basis would be subject to the Board's Small Bank Holding Company Policy Statement.**

[78] **This type of applicant includes a company or similar organization that on a pro forma basis would not be subject to the Board's Small Bank Holding Company Policy Statement.**

- **Other qualifying capital;**[79]

- **Long- and short-term debt;**

- **Goodwill and all other types of intangible assets; and**

- **Material changes between the date of the balance sheet and the date of the application (explained by footnotes).**

Please see Confidential Exhibit C, which includes the requested balance sheet information, as of September 30, 2020.

c. Provide a broad discussion on the valuation of the target entity and any anticipated goodwill and other intangible assets. Also discuss the application of fair value and any election to apply push-down accounting adjustments, as appropriate.

Please see Confidential Exhibit C, which includes the requested information in the Notes or Assumptions to the financial charts provided.

9. For an applicant that is or would be subject to consolidated capital requirements under Regulation Q (12 CFR part 21) following consummation of the proposed transaction, provide a breakdown of the organization's existing and pro forma risk-weighted assets as of the end of the most recent quarter, showing each principal group of on and off-balance sheet assets and the relevant risk-weight. Also, identify the existing and pro forma components of common equity tier 1, additional tier 1 and tier 2 capital pursuant to the capital adequacy regulations as of the end of the most recent quarter, and provide calculations of applicant's existing and pro forma common equity tier 1 capital, tier 1 capital, total capital, and leverage ratios pursuant to the capital adequacy regulations. If applicable, also provide the applicant's existing and pro forma supplementary leverage ratio pursuant to the capital adequacy regulations.

Please see Confidential Exhibit C, which includes the requested capital-related information for the Proposed Transaction.

10. Provide for the applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal:

a. A description of any plans (in connection with the proposed transaction, or otherwise) to issue, incur, or assume additional common equity, preferred stock, other qualifying capital, and/or debt. Specify the amount, purpose, name and location of the issuer and/or lender; provide a copy of any loan agreement, loan commitment letter from the lender, or other underlying agreement which provides the interest rate, maturity, collateral, and proposed amortization

[79] **Other qualifying capital includes, but is not limited to, trust preferred securities.**

schedule; and discuss what resources would be used to service any debt or capital instruments arising from the proposed transaction.

Please see Confidential Exhibit O for responsive information.

b. If the proposed transaction results in a change in ownership of the company (e.g., due to an exchange of stock), provide a current and pro forma shareholders list.

Not applicable. As a cash transaction, there would be no change in ownership of PNC as a result of the Proposed Transaction.

c. Cash flow projections under the following limited circumstances:

(i) For an applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt in the proposal such that parent company long-term debt would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement. If an applicant projects that dividends or other payments from subsidiary banks will be used to service parent company debt and/or other obligations, provide projections of subsidiary bank(s) assets, earnings, and dividends, as well as common equity tier 1, additional tier 1, total capital, and leverage ratios (including the supplementary leverage ratio, if applicable) pursuant to the capital adequacy regulations. If the combined assets of the subsidiary banks exceed the asset threshold of the Board's Small Bank Holding Company Policy Statement, subsidiary bank data may be shown on an aggregate basis;

Not applicable. PNC's long-term debt currently does not exceed, and on consummation of the Proposed Transaction would not exceed, 30% of its equity capital.

(ii) For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt or other obligations in the proposal such that parent company debt[80] would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next twelve years, along with supporting schedules for each material cash receipt and disbursement. These projections must clearly demonstrate the ability of the parent company to reduce the debt to equity ratio to 30 percent or less within twelve years of consummation and must take into account the schedule of principal reduction required by the parent company's creditor(s). Include

[80] **Including any debt issued/incurred by nonbanking subsidiaries, such as trust preferred securities.**

projections of subsidiary bank(s) assets, earnings, dividends, and other payments to affiliates, as well as common equity tier 1 capital, tier 1 capital, total capital and leverage ratios. Explain the methods and assumptions utilized in the projections, and support all assumptions which deviate from historical performance.

Not applicable. PNC is subject to consolidated capital standards, which will continue to be the case after consummation of the Proposed Transaction.

d. If the subject transaction will be funded in whole, or in part, through the issuance of additional stock instruments, describe the current status of the stock raising efforts. Provide copies of the prospectus, private placement memorandum, and other documents associated with the capital raise. In addition, provide copies of any stock commitments, subscription agreements, or escrow account statements evidencing capital raised. Before submitting a final application, please contact the appropriate Federal Reserve Bank to discuss the timing considerations of the capital raising efforts with regard to submission of the application.

Not applicable. Please see the response to Item 10.a. above.

11. For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for the applicant and the Bank a list of principals (including changes or additions to this list to reflect consummation of the transaction), providing information with respect to each as follows:

a. Name and address (City and State/Country). If the principal's country of citizenship is different from his or her country of residence, then state the country of citizenship;

b. Title or positions with the applicant and the Bank;

c. Number and percentage of each class of shares of the applicant and the Bank owned, controlled, or held with power to vote by this individual;[81]

d. Principal occupation if other than with the applicant or the Bank;

e. Percentage of direct or indirect ownership, if such ownership represents 10 percent or more of any class of shares, or positions held in any other depository institution or depository institution holding company.[82] **Give the name and location of such other depository institution or depository institution holding company. (Information that has been collected or updated within the**

[81] **Include shares owned, controlled or held with power to vote by principal's spouse, dependents and other immediate family members. Give record ownership and, to the extent information is available, beneficial ownership of shares held by trustees, nominees, or in street names.**

[82] **For purposes of this application, a "depository institution" is defined as a commercial bank (including a private bank), a savings bank, a trust company, a savings and loan association, a homestead association, a cooperative bank, an industrial bank, or a credit union.**

past 12 months may be submitted, unless the applicant has reason to believe that such information is incorrect.);

f. **Interagency Biographical and Financial Reports (IBFRs) are required for certain individuals. Consult with the appropriate Reserve Bank for guidance on who should provide an IBFR. See SR 15-8 Name Check Process for Domestic and International Applications for more details; and**

g. **If the principal is a corporation or partnership, provide financial statements (balance sheets and income statements) for the two most recent fiscal years and the most recent quarter end. Discuss any negative trends in the financial statements.**

Not applicable. The Application is being filed under sections 3(a)(3) and 3(a)(5) of the BHC Act.

12. For applications filed pursuant to sections 3(a)(3) or 3(a)(5) of the BHC Act, list any changes in management or other principal relationships for the applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal. For any existing or proposed principal of the applicant or the Bank/Bank Holding Company that is also a principal of any other depository institution or depository institution holding company, provide the following information:

a. **Name, address, and title or position with Applicant, Bank/Bank Holding Company, and any other depository institution or depository institution holding company (give the name and location of the other depository institution or depository institution holding company);**

b. **Number and percentage of each class of shares of the applicant and the Bank/Bank Holding Company owned, controlled, or held with power to vote by this individual;**[83]

c. **Principal occupation if other than with the applicant or the Bank/Bank Holding Company; and**

d. **Percentage of direct or indirect ownership held in the other depository institution or depository institution holding company if such ownership represents 10 percent of more of any class of shares (Information that has been collected or updated within the past 12 months may be submitted, unless the applicant has reason to believe that such information is incorrect.); and**

e. **For any new (to applicant) principal shareholders, directors, or senior executive officer, provide an IBFR including completion of all required financial information.**

[83] **As defined in footnote number 81.**

Please see the *Preliminary Statement – Financial and Managerial Resources and Future Prospects* section above for information on the directors and senior executive officers of PNC, PNC Bancorp, PNC Bank and BBVA USA (during the Interim Bank Period) on consummation of the Acquisitions.

No principal of PNC, PNC Bank, PNC Bancorp, BBVA Bancshares or BBVA USA is a principal of any other unaffiliated insured depository institution or insured depository institution holding company.

13. If the consolidated assets of the resulting organization are less than the asset threshold of the Board's Small Bank Holding Company Policy Statement for each principal of the applicant who either would retain personal indebtedness or act as guarantor for any debt that was incurred in the acquisition of shares of the applicant or the Bank/Bank Holding Company, provide the following:

- **a. Name of borrower and title, position, or other designation that makes the borrower a principal of the applicant;**
- **b. Amount of personal indebtedness to be retained;**
- **c. A description of the terms of the borrowing, the name and location of the lender, and a copy of any related loan agreement or loan commitment letter from the lender;**
- **d. Statement of net worth as of a date within three months of the applicant's final filing of the application. The statement of net worth should be in sufficient detail to indicate each principal group of assets and liabilities of the reporting principal, and the basis for the valuation of assets (provide supporting documentation, as appropriate). In addition to debts and liabilities, the reporting principal should state on a separate schedule, any endorsed, guaranteed, or otherwise indirect or contingent liability for the obligation of others; and**
- **e. Statement of most current year's income. In addition to indicating each principal source of annual income, the reporting principal should list annual fixed obligations arising from amortization and other debt servicing. (If the most current year's statement is not representative of the future, the reporting principal should submit a pro forma income statement and discuss the significant changes and the basis for those changes.)**

Not applicable. The total banking assets of the resulting organization will exceed the asset threshold of the Board's Small Bank Holding Company Policy Statement.

14. Describe any litigation or investigation by local, state, or federal authorities involving the applicant or any of its subsidiaries or the target or any of its subsidiaries that is currently pending or was resolved within the last two years.

For responsive information, please see Exhibits 27 and 28, and Confidential Exhibits P and Q.

Competition

If the subject transaction is a bank holding company formation involving only one bank or an application filed pursuant to section 3(a)(3) or 3(a)(5) of the BHC Act to acquire a *de novo* bank, a response to items 14 and 15 is not required. Otherwise, the applicant should contact the appropriate Reserve Bank to determine whether a response to items 14 and 15 will be necessary. If a response is required, the applicant should obtain a preliminary definition of the relevant banking markets from the appropriate Reserve Bank. If the applicant disagrees with the Reserve Bank's preliminary definition of the banking market(s), it may in addition to supplying the information requested on the basis of the Reserve Bank's definition of the banking market(s), include its own definition of the banking market(s), with supportive data, and answer the questions based on its definition. If later analysis leads Federal Reserve staff to alter the preliminary definition provided, The applicant will be so informed.

15. Discuss the effects of the proposed transaction on competition considering the structural criteria specified in the Board's Rules Regarding Delegation of Authority (section 265.11c(11)(v)). The applicant may be required to provide additional information if Federal Reserve staff determines that the proposal exceeds existing competitive guidelines. Also, if divestiture of all or any portion of any bank or nonbanking company constitutes part of this proposal, discuss in detail the specifics and timing of such divestiture.

For a response to this Item, please refer to the *Preliminary Statement – Competitive Effects* and Exhibit 18.

16. If the proposal involves the acquisition of nonbank operations under sections 4(c)(8) and 4(j) of the Bank Holding Company Act, a Form FR Y-4 should be submitted in connection with FR Y-3 filing. At a minimum, the information related to the nonbank operations should include the following:

a. A description of the proposed activity(ies);

b. The name and location of the applicant's and the Bank's direct or indirect subsidiaries that engage in the proposed activity(ies);

c. Identification of the geographic and product markets in which competition would be affected by the proposal;

d. A description of the effect of the proposal on competition in the relevant markets; and

e. A list of major competitors in each affected market.

Not applicable. PNC intends to acquire the nonbanking operations of BBVA Bancshares that remain on consummation of the Holdco Acquisition under section 4(k) of the BHC Act and the Federal Reserve's implementing regulations.

In addition, the applicant should identify any other nonbank operations to be acquired, with brief descriptions of the activities provided.

Information on the nonbanking subsidiaries of BBVA Bancshares and the subsidiaries of BBVA USA are provided in Exhibit 2 and Confidential Exhibit A. Please see Exhibit 3 for existing organization charts of (1) PNC and PNC Bank and (2) BBVA Bancshares and BBVA USA. A pro forma organization chart of PNC and PNC Bank is provided in Confidential Exhibit B.

17. In an application in which any principal of the applicant or the Bank/Bank Holding Company is also a principal of any other insured depository institution or depository institution holding company, give the name and location of each office of such other institution that is located within the relevant banking market of the Bank/Bank Holding Company, and give the approximate road miles by the most accessible and traveled route between those offices and each of the offices of Bank/Bank Holding Company.

Not applicable. Please see the response to Item 12 above.

Convenience and Needs

18. Describe how the proposal would assist in meeting the convenience and needs of the community(ies) to be served, including but not limited to the following:

a. Summarize efforts undertaken or contemplated by the applicant to ascertain and address the needs of the community(ies) to be served, including community outreach activities, as a result of the proposal.

b. For the combining institutions, list any significant anticipated changes in services or products offered by the depository subsidiary(ies) of the applicant or target that would result from the consummation of the transaction.

c. To the extent that any products or services of the depository subsidiary(ies) of the applicant or target would be offered in replacement of any products or services to be discontinued, indicate what these are and how they would assist in meeting the convenience and needs of the communities affected by the transaction.

d. Discuss any enhancements in products or services expected to result from the transaction.

Please see the *Preliminary Statement – Convenience and Needs Considerations and Commitment to the CRA* sections above for information on how the Proposed Transaction will meet the convenience and needs of the communities to be served by the combined company and bank, including the expanded products and services that customers of BBVA Bancshares and BBVA USA will have access to as a result of the Proposed Transaction.

PNC expects to honor the prior community pledges previously made by both PNC Bank and BBVA USA. At the same time, PNC Bank is looking forward to mapping out, in consultation with BBVA USA, new ways the combined bank can support local communities and assist disadvantaged groups across the combined organization's entire footprint. PNC Bank expects to engage with community partners, both in PNC Bank's current footprint and BBVA USA's markets, to identify ways that the combined organization can help serve the banking and credit needs of the organization's entire communities, including LMI, African American and other minority individuals and neighborhoods.

19. Describe how the applicant and resultant institution, including its depository subsidiary(ies) would assist in meeting the existing and anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) and its implementing regulations, including the needs of low and moderate income geographies and individuals. This discussion should include, but not necessarily be limited to, a description of the following:

a. The significant current and anticipated programs, products, and activities, including lending, investments, and services, as appropriate, of the depository subsidiary (ies) of the applicant and the resultant institution.

Please see the *Preliminary Statement – Convenience and Needs and Commitment to the CRA* sections above for information on the CRA performance records, including their products and programs that are designed to meet the needs of LMI communities and individuals, and other responsive information. PNC Bank is carefully reviewing BBVA USA's products and community development programs so that PNC Bank may integrate the strongest components into its community reinvestment program and continue its unbroken record of overall "Outstanding" CRA performance, including in its expanded CRA assessment areas. Please see Confidential Exhibit M for additional information.

b. The anticipated CRA assessment areas of the depository subsidiary(ies) of the combined institution. If assessment areas of the depository subsidiary(ies) of the resultant institution would not include any portion of the current assessment area of that subsidiary, describe the excluded areas.

Please see Exhibit 29 for the CRA assessment areas of BBVA USA that will be added to PNC Bank's CRA assessment areas upon consummation of the Bank Merger, to the extent they are not already included in PNC Bank's current CRA assessment areas. PNC will inform the Federal Reserve and OCC if there are any changes to these CRA assessment areas.

c. The plans for administering the CRA program for the depository subsidiary(ies) of the resultant institution following the transaction.

Please see the *Preliminary Statement – Commitment to the CRA* section above for a discussion of the plans for administering the CRA Program at BBVA USA during the Interim Bank Period and at PNC Bank after consummation of the Bank Merger.

d. The plans for administering the CRA program for the depository subsidiary (ies) of the resultant institution following the transaction. For a subsidiary of the applicant or target that has received a CRA composite rating of "needs to improve" or "substantial noncompliance" institution-wide or, where applicable, in a state or multi-state Metropolitan Statistical Area (MSA), or has received an evaluation of less than satisfactory performance in an MSA or in the non-MSA portion of a state in which the applicant is expanding as a result of the transaction, describe the specific actions, if any, that have been taken to address the deficiencies in the institution's CRA performance record since the rating.

Not applicable. PNC Bank and BBVA USA received overall "Outstanding" ratings at their most recent respective CRA performance evaluations. Neither PNC Bank nor BBVA USA received a "needs to improve" or "substantial noncompliance" rating in any state or multi-state MSA or non-MSA portion of a state in their most recent respective CRA performance evaluations.

20. List all offices of the depository subsidiary (ies) of the applicant or target that (a) will be established or retained as branches, including the main office, of the target's depository subsidiary (ies), (b) are approved but unopened branch(es) of the target's depository subsidiary (ies), including the date the current federal and state agencies granted approval(s), and (c) are existing branches that will be closed or consolidated as a result of the proposal (to the extent the information is available) and indicate the effect on the branch customers served. For each branch, list the popular name, street address, city, county, state, and zip code specifying any that are in low and moderate-income geographies.[84]

Please see Exhibit 30 for a list of the current branch offices of BBVA USA, which will be retained as branch offices of PNC Bank and Exhibit 32 for branch consolidation or closure considerations. Please also see Exhibit 31 for a list of BBVA USA branches that BBVA plans to open, all of which have received regulatory approval. In addition, please see Confidential Exhibit R for certain nonpublic branch actions of PNC Bank and BBVA USA that are unrelated to the Proposed Transaction.

PNC Bank and BBVA USA believe that customers will be well served by the combined bank's resulting branch network following consummation of the Proposed Transaction. Because there is some (albeit limited) overlap in the legacy branch networks of PNC Bank and BBVA USA and in order to reduce redundancy and make the delivery of customer services more efficient, PNC Bank expects it will consolidate or close a limited number of branch locations (in relation to the size of the combined branch networks), either legacy PNC Bank or legacy BBVA USA locations, in connection with the Bank Merger. Where a PNC Bank branch and a BBVA

[84] **Please designate branch consolidations as those terms are used in the Joint Policy Statement on Branch Closings, [64 FR 34844 (June 29, 1999)].**

USA branch are so close to each other to warrant a consolidation or short-distance relocation (rather than a closure) under relevant agency regulations and guidance, the customers of the non-surviving branch likely would not be materially disadvantaged due to the close proximity of the surviving branch.

At this time, PNC Bank continues to analyze which branches may be consolidated or closed as a result of the Proposed Transaction. Additional time is needed to conduct the thorough analysis that PNC undertakes in connection with any decision to consolidate or close a branch. *Although this analysis is ongoing, PNC does not expect to close or consolidate any BBVA USA or PNC Bank branch that is located in an LMI census tract in connection with the Proposed Transaction.* PNC Bank and BBVA USA will follow their respective branch consolidation and closing policies and abide by all applicable regulatory requirements and guidance in connection with any future branch consolidations or closures.

Interstate Banking

21. If the transaction involves the acquisition of a bank located in a State other than the home State of the applicant, please provide the following information, as applicable:

- **a. Identify any host state(s) involved with this transaction that require the target to be in operation for a minimum number of years and discuss compliance with this age requirement.**
- **b. Discuss compliance with nationwide and statewide deposit concentration limits to the transaction.**
- **c. Discuss compliance with state-imposed deposit caps.**
- **d. Discuss compliance with community reinvestment laws.**
- **e. Discuss any other restrictions that the host state(s) seek to apply (including state antitrust restrictions).**

Please see the *Preliminary Statement – Interstate Banking Requirements* section above for an analysis of the Holdco Acquisition's compliance with section 3(d) of the BHC Act.

Financial Stability

If either the acquirer or the target's total assets exceeds $10 billion as of the most recent quarter for which data is available, address the following questions:

22. If either the acquirer or the target conducts any cross-border activities, please describe the nature of these activities and the amounts of cross-border assets and liabilities as of the most recent quarter for which data is available.

23. For each financial service below, if the dollar volume related to the service provided either by the acquirer or the target exceeds $1 billion, please report the annual volume over the past 12 months (otherwise, do not report).

Financial Service	Acquirer	Target
Short-term funding (e.g., in repos, fed funds)		
Underwriting services (e.g., equity, corporate bonds, commercial paper, ABS)		
Trading activities (e.g., equity, corporate bonds, derivatives)		
Payments, clearing, settlement, and custody services		
Prime brokerage		
Securities lending		
Corporate trust		
Correspondent banking		
Wealth management		
Insurance (including reinsurance)		

Please see the *Preliminary Statement – Financial Stability Risk Considerations* section above for a discussion of why the Proposed Transaction would not result in greater or more concentrated risks to the stability of the United States banking or financial system. In addition, please see Exhibits 19, 20, 21 and 22 and Confidential Exhibits K and L for responsive information to this Item.

EXHIBIT VOLUME INDEXES

Public Exhibits Volume I:

1. Share Purchase Agreement
2. Subsidiaries of BBVA Bancshares and BBVA USA
3. Current Organizational Charts
4. Forms of Transitional and Reverse Transitional Services Agreements
5. Certified Resolutions of the Boards of Directors of PNC and PNC Bank and Sole Shareholder Consent of PNC Bancorp
6. Certified Resolutions of the Boards of BBVA and BBVA USA and Sole Shareholder Consent of BBVA Bancshares
7. Form 8-K Report Filed by PNC with the SEC Announcing the Proposed Transaction
8. Form of Newspaper Notice
9. Balance Sheets, Income Statements, Regulatory Capital and Asset Quality (redacted)
10. PNC Enterprise Risk Management Framework Overview
11. BBVA Bancshares Enterprise Risk Management Framework Overview
12. PNC/PNC Bank Compliance Training Overview

Public Exhibit Volume II:

13. PNC/PNC Bank Fair Lending and Consumer Compliance Program Overview
14. BBVA USA Fair Lending and Consumer Compliance Program Overview
15. Overview of PNC Environmental, Social Responsibility and Governance Practices
16. PNC BSA/AML/Sanctions Compliance Program Overview
17. BBVA Bancshares BSA/AML/Sanctions Compliance Program Overview
18. Competitive Effects Summary Charts and Market Tables
19. Financial Stability Risk Information
20. PNC and BBVA Bancshares FR Y-15 Systemic Risk Reports

21. PNC Pro Forma GSIB Score and FR Y-15 Systemic Risk Report (redacted)

22. Additional Financial Stability Risk Information (redacted)

23. PNC/PNC Bank Awards and Recognitions

24. BBVA Bancshares/BBVA USA Awards and Recognitions

25. PNC/PNC Bank Diversity and Inclusion Overview

26. BBVA Bancshares/BBVA USA Diversity and Inclusion Overview

27. Information on PNC/PNC Bank Litigation Matters

28. Information on BBVA Bancshares/BBVA USA Litigation Matters

29. BBVA USA CRA Assessment Areas

30. BBVA USA Branches

31. BBVA USA Branches Scheduled to Open

32. Branch Considerations

Confidential Exhibits Volume:

A. Additional Information on Subsidiaries of BBVA Bancshares and BBVA USA

B. Pro Forma Organization Chart

C. Balance Sheets, Income Statements, Regulatory Capital and Asset Quality

D. Due Diligence Summary

E. Integration Planning Overview and Timeline

F. Additional Information on BBVA Bancshares' Enterprise Risk Management Framework

G. Additional Information on PNC's Enterprise Risk Management Framework

H. PNC Risk Management During Interim Bank Period

I. Additional Information on PNC Management of COVID-19 Risks

J. Additional Information on BSA/AML/Sanctions Compliance Risk Management

K. PNC Pro Forma GSIB Score and FR Y-15 Systemic Risk Report

L. Additional Information Regarding Financial Stability Risk Analysis

M. Additional Information on Convenience and Needs

N. Additional Information on Business Plans

O. Information on Debt

P. Information Regarding PNC/PNC Bank Litigation Matters

Q. Information Regarding BBVA Bancshares/BBVA USA Litigation Matters

R. Additional Information