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PNC Bank wants to increase credit card use among customer base



AP

PNC Bank, the Pittsburgh region's largest bank, is looking to become a bigger player in the estimated \$4 trillion credit card industry, a move aimed at boosting revenue at a time when improving consumer finances and tight profit margins in other areas of banks' business are making credit cards increasingly attractive.

By [Chris Fleisher](#)
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PNC Bank wants to add a card to your wallet.

The Pittsburgh region's largest bank is looking to become a bigger player in the estimated \$4 trillion credit card industry, a move aimed at boosting revenue at a time when improving consumer finances and tight profit margins in other areas of the banks' business are making credit cards increasingly attractive.

Last month, PNC introduced two new credit cards — a plain vanilla "core Visa" for individual consumers and cash rewards card for businesses — which it has marketed to customers through mailings and in branches. PNC executives have said they want to use credit cards to "deepen the share of wallet" with their customers.

Bank profits have been pinched because low interest rates have made it difficult to make money on traditional lending.

With U.S. consumers racking up \$146 billion in new credit card debt since the beginning of 2011 and new regulations limiting debit card transaction fees, credit cards offer a big opportunity to banks, said Odysseas Papadimitriou, CEO of the personal finance websites CardHub and WalletHub.

"A bank's credit card department can be its most profitable revenue source, providing high rates of interest on revolving balances as well as lucrative "swipe" fees on purchases," Papadimitriou said. Swipe fees are paid by merchants when a credit card is used by customers.

PNC is relatively new to the market and remains a relatively minor competitor in an industry dominated by four companies — JPMorgan Chase, Bank of America, Citibank and Capital One. PNC ranked 11th among all Visa and MasterCard issuers in 2014, according to The Nilson Report, an industry publication. PNC's \$5.6 billion in outstanding credit card loans is a fraction of the \$129.6 billion at industry leader Chase.

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PNC Bank is looking to be a bigger player in the credit card industry by selling cards to more of its existing customers. The following are the top 15 credit card issuers ranked by outstanding balance.



Source: Nilson Report TRIB TOTAL MEDIA

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PNC is not trying to compete with the national companies, said Todd Rosenthal, the bank's head of credit cards. But it does want to be a more familiar card brand regionally and take advantage of an opportunity that the bank has largely overlooked: PNC's own customers.

"We believe we are underpenetrated into our own customer base," Rosenthal said. "If we can get the customers who are already doing business with us to have their credit cards with us, we think there is a great opportunity."

PNC wasn't in the credit card business until its purchase of National City Corp. in 2008. Outstanding credit card loans increased 4 percent from a year ago, but it is still a small part of retail business at 8.6 percent of the bank's \$51.5 billion in total consumer loans.

Rosenthal would not say how many existing customers had PNC credit cards, nor give specifics about how many more it hoped to capture, but acknowledged that PNC had been less successful than peers in penetrating its customer base.

At Wells Fargo, which has also pushed more into credit cards and ranks fifth with more than \$30 billion in outstanding credit card loans, the company says that 41.8 percent of retail customers have a credit card with the bank.

There are risks. Credit cards are unsecured debt, meaning there's no collateral backing it as with a car loan or home mortgage, which makes it more difficult for banks to collect their money if a customer defaults. A downturn in the economy, higher unemployment and lax underwriting standards could bite the banks that aren't careful, said Dan Werner, a bank analyst at Morningstar.

"It's a little bit riskier business," Werner said. "But given the current economic environment and the information available to underwrite these things quickly, it adds another stream of revenue to PNC to counteract the margin squeeze that banks have seen the last couple of years."

PNC's strategy is a conservative one. CEO Bill Demchak has said the bank must be competitive with rewards, but would not be overly aggressive with its programs. Nor will PNC seek out subprime borrowers with poor credit, Rosenthal said.

The sales pitch to customers is one of trust and convenience. That is, customers who already have a checking account or mortgage with PNC can now add credit cards to the mix and do all their banking in one place, benefiting from more streamlined customer service.

"Just making it easy and integrated for clients to use the card," Demchak said at the Sanford C. Bernstein Strategic Decisions Conference in New York recently. "That's our advantage. We're already their bank, right?"

Chris Fleisher is a staff writer for Trib Total Media. He can be reached at 412-320-7854 or cfeisher@tribweb.com.



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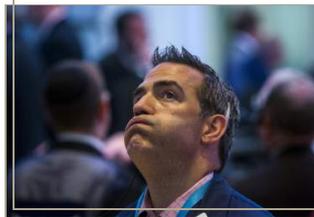
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I really wish credit card issuers would tell you the minimum credit score necessary for credit approval PRIOR to an applicant applying. If my credit score is 680, and I know PNC won't approve anyone with a credit score of under 700, then I wouldn't apply, and this would save me both the embarrassment of being rejected as well as the "ding" of having an inquiry on my credit report. If my credit score was 710? I'd apply in a heartbeat.

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