

OFFICE OF THRIFT SUPERVISION

Application Requesting Exemption Under The Depository Institution Management Interlocks Regulations

Order No.: 2004-03
Date: January 27, 2004
Docket No.: 14191

The Office of Thrift Supervision (OTS) has reviewed an application (Application) requesting an exemption under the Depository Institution Management Interlocks Act (Act) and 12 C.F.R. § 563f.6(a) of the OTS management interlocks regulations (Interlocks Regulations) on behalf of Anat Bird (Individual). The Application requests approval of the Individual's proposed service as a member of the board of directors of MidFirst Bank, Oklahoma City, Oklahoma, (MidFirst) while serving as a director of First Indiana Bank, Indianapolis, Indiana (First) and as a director of Sterling Bank, Houston, Texas (Sterling).

The Individual serves as a director of First and Sterling under an exemption granted by the Office of the Comptroller of the Currency on August 19, 2003. The Act and 12 C.F.R. § 563f.3(c) of the Interlocks Regulations generally prohibit a management official of a depository organization from simultaneously serving as a management official of an unaffiliated depository organization, regardless of where the depository organizations are located, if one of the depository organizations in question has total assets in excess of \$2.5 billion and the other depository organization has total assets in excess of \$1.5 billion. MidFirst and Sterling each has total assets that exceed \$2.5 billion, and First has total assets that exceed \$1.5 billion. The request to OTS for an exemption from the § 563f.3(c) prohibition has been made to facilitate the Individual's proposed service as a director of MidFirst while serving as a director of both First and Sterling.

Pursuant to 12 C.F.R. § 563f.6(a), OTS may grant an exemption for an otherwise prohibited interlock if it determines that the interlock would not result in a monopoly or substantial lessening of competition or threaten safety and soundness. In analyzing the competitive effects of a proposed interlock, OTS must consider the product lines of the entities involved, their geographic locations and market areas to determine whether the entities are substantial competitors.

MidFirst engages in mortgage lending and deposit gathering through a network of 39 branches in Oklahoma, where its residential lending and deposit gathering activities are concentrated. Neither First nor Sterling maintains any offices in Oklahoma. MidFirst

holds minimal deposits from customers with Indiana and Texas addresses. The relatively small deposit amounts indicate that MidFirst is not a significant competitor in either Indiana or Texas.

While the focus of MidFirst's mortgage lending activities is in Oklahoma, the institution holds mortgages in the primary market areas served by both First and Sterling. In the Houston market, which reported mortgage loan originations of \$37.1 billion in 2002,¹ Sterling had a 2.1% market share, while MidFirst had a 0.1% share of the market. In the Indianapolis market, which reported mortgage loan originations of \$13.5 billion in 2002, First had a 0.2% market share, while MidFirst had a 0.02% share of the market. Both the Houston and Indianapolis mortgage markets are highly competitive with Herfindahl-Hirschman Indexes (HHI) of 265.15 and 249.68, respectively. In MidFirst's Oklahoma market area, Sterling and First reported two loan originations subject to HMDA in 2002. MidFirst reported a market share of 3.6% in its highly competitive market area, which had an HHI of 295.34.

With respect to trust activities, MidFirst's fiduciary subsidiary manages approximately \$196 million in trust assets. Although First and Sterling also provide trust services, MidFirst's fiduciary activities are concentrated in Oklahoma, while the other two institutions' activities are concentrated elsewhere.

MidFirst's holding company, Midland Financial Co., engages in financial transaction processing, reserve and clearinghouse activities. First's holding company, First Indiana Corporation, provides businesses and wealthy individuals with a variety of financial services that includes tax planning and preparation, accounting services, retirement and estate planning, and investment and wealth management. Our review of securities disclosure materials filed by Sterling's holding company, Sterling Bancshares, Inc., did not indicate that the bank holding company, or any of its subsidiaries, engages, to any significant extent, in any activity other than banking. Accordingly, OTS concludes that the institutions' holding companies and their non-depository institution subsidiaries do not compete to any significant extent in any product market.

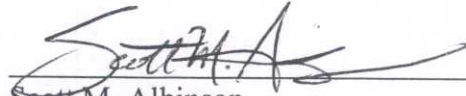
Based on the foregoing, OTS concludes that the proposed interlock will not have a significant effect on competition.

OTS has evaluated the proposed interlock from a supervisory perspective, and has concluded that the interlock will not present safety and soundness concerns.

¹ The market area totals, and the analysis of each institution's share of mortgage originations in a particular geographic area used herein are based on Home Mortgage Disclosure Act (HMDA) data for 2002.

Based on the Application and the foregoing analysis, OTS concludes that the Individual's proposed interlock meets the applicable approval criteria. Accordingly, the Application is hereby approved.

By order of the Director of the Office of Thrift Supervision, or his designee, effective
January 27, 2004.



Scott M. Albinson
Managing Director
Office of Supervision