



**CRA Decision #174
August 2016**

July 19, 2016

Brian J. Wildman
Executive Vice President
MB Financial Bank, National Association
6111 N. River Road
Rosemont, Illinois 60018

Subject: Application for the merger of American Chartered Bank, Schaumburg, Illinois into MB Financial Bank, National Association, Chicago, Illinois (Charter Number 13684)
OCC Control Number: 2016-CE-Combination-146441

Dear Mr. Wildman:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application to merge American Chartered Bank, Schaumburg, Illinois (American Chartered) into MB Financial Bank, National Association, Chicago, Illinois (MB Financial), under the charter and title of the latter. The OCC also approves the retention by MB Financial of Scherston Real Estate Investments, LLC (Scherston), an operating subsidiary of American Chartered that engages in holding and managing assets acquired by the bank, including property acquired through foreclosure or otherwise in good faith to compromise a doubtful claim or in the course of collecting a debt previously contracted. The OCC concludes that Scherston engages in activities permissible for national banks and its operating subsidiaries.

The approvals are granted after a thorough review of the application, other materials each of the banks and its representatives supplied, and additional information available to the OCC, including commitments and representations made in the application, and by the banks' representatives during the application process.

I. The Transaction

American Chartered is a wholly owned subsidiary of American Chartered Bancorp, Inc. (ACBI), a one-bank holding company headquartered in Schaumburg, Illinois. American Chartered is an Illinois state-chartered non-member commercial bank. American Chartered has its main office in Schaumburg, Illinois and operates 15 branches in Illinois.

MB Financial is a wholly owned subsidiary of MB Financial, Incorporated (MBFI), a one-bank holding company headquartered in Chicago, Illinois. MB Financial is a national bank with its main office in Chicago, Illinois, and 84 branches in Illinois, a branch in Indiana and a branch in Pennsylvania.

MBFI submitted an application to the Federal Reserve Bank of Chicago to acquire ACBI through a merger transaction. MB Financial proposes to merge in American Chartered immediately following the consummation of the holding company merger.

II. Legal Authority for the Transaction

The Bank applied to the OCC for approval to merge American Chartered with and into MB Financial under 12 USC 215a and 1828(c) and applied for approval to retain the offices of the merging banks as branches under 12 USC 36(b)(2). Section 215a authorizes mergers between national banks “located within the same State.” In prior decisions, the OCC has concluded that a national bank with its main office and branch offices in more than one state is “located” in each such state for purposes of section 215a.¹ Both MB Financial and American Chartered have main offices in Illinois. Consequently, both banks are located in Illinois, and the merger is authorized under 12 USC 215a.

The resulting bank’s retention of branches in a merger under 12 USC 215a is governed by 12 USC 36(b)(2). Under 12 USC 36(b)(2)(A), a national bank resulting from such a merger may retain and operate as a branch any office which immediately prior to the merger was in operation as a main office or branch office of any target bank if it may be established as a new branch of the resulting bank under 12 USC 36(c) and the OCC approves of its continued operation. Twelve USC 36(c) authorizes a national bank to establish and operate new branches within the state in which the bank is “situated,” to the extent that state law specifically authorizes such establishment and operation by state-chartered banks at that time and subject to any state law restrictions concerning location imposed on state-chartered banks. For purposes of section 36(c), a national bank is “situated” in any state in which it has a branch or main office.² Here, American Chartered is situated in Illinois. Illinois does not impose geographic limitations on the establishment of branch offices by state-chartered banks. Therefore, MB Financial may retain and operate as branches American Chartered’s main office and branch offices after the bank merger.

Under 12 USC 36(b)(2)(C), a national bank resulting from the merger of a state bank into the national bank may retain and operate any branch of the national bank that existed prior to the merger, if the OCC approves its continued operation, unless a state bank resulting from a merger would be prohibited by state law from retaining as a branch an identically situated office of the state bank. MB Financial has branches in Illinois, Indiana and Pennsylvania. There are no provisions in Illinois, Indiana or Pennsylvania state law that would prohibit a state-chartered bank, following a merger with another bank, from retaining its own similarly situated branches in

¹ See, e.g., Decision on the Application to Merge NationsBank of Texas, N.A., Dallas, Texas, into NationsBank, N.A., Charlotte, North Carolina (OCC Corporate Decision No. 98-19, April 2, 1998) (Part II-A-1) (pages 6-8).

² See *Seattle Trust & Savings Bank v. Bank of California, N.A.*, 492 F.2d 48, 51 (9th Cir. 1974), cert. denied, 419 U.S. 844 (1974). See also *Ghiglieri v. Sun World, N.A.*, 117 F.3d 309, 315-16 (5th Cir. 1997).

that state. Therefore, MB Financial may retain and operate its existing branches after the bank merger.

III. Bank Merger Act

MB Financial's proposed merger with American Chartered is also subject to OCC review under the Bank Merger Act. The OCC reviewed the proposed merger under the criteria of the Bank Merger Act, 12 USC 1828(c), and applicable OCC regulations and policies. Under the Bank Merger Act, the OCC generally may not approve a merger that would substantially lessen competition. The Bank Merger Act also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. 12 USC 1828(c)(5). The OCC must also consider the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities. 12 USC 1828(c)(11). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 USC 1828(c)(5) (as amended by section 604 of Dodd-Frank). The OCC considered these factors and found them consistent with approval of this application.

IV. Community Reinvestment Act

The Community Reinvestment Act (CRA) requires the OCC to take into account the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, when evaluating applications under the Bank Merger Act. The OCC considered the CRA performance evaluation (PE) of each bank involved in this transaction. For the reasons discussed below, after a review of these records, information provided by MB Financial in response to an additional information request, and other information available to the OCC as a result of its regulatory responsibilities, the OCC has concluded that the banks' records of helping to meet the needs of their communities support approval of this application with the conditions discussed in Section VI of this letter.

A. MB Financial Bank, National Association

MB Financial's most recent CRA PE, dated August 12, 2013, assigned the bank an overall "Outstanding" rating.³ The major factors supporting the overall "Outstanding" rating were: (i) a majority of loans were originated within its delineated assessment areas (AA); (ii) lending activity within the Chicago-Naperville-Joliet IL-IN-WI Multistate Metropolitan Statistical Area (Chicago MMSA) was excellent; (iii) the geographic distribution of home mortgage loans was good, and the geographic distribution of small loans to businesses was excellent within the

³ MB Financial was evaluated for CRA purposes as a large bank on August 12, 2013 for the period between January 1, 2010 and December 31, 2012 for its home mortgage lending and small business lending activities and between April 28, 2010 and August 12, 2013 for its community development lending, investment, and community development services and retail services. A copy of the CRA PE is available at: <http://www.occ.gov/static/cra/craeval/mar14/13684.pdf>.

Chicago MMSA; (iv) loan distribution to borrowers reflects adequate performance for small loans to businesses, and good performance for home mortgage lending in the Chicago MMSA; (v) community development lending had a significantly positive impact on the lending test in the Chicago MMSA; (vi) an excellent level of qualified community development investments and grants, often in a leadership position, and excellent responsiveness to credit and community economic development needs, especially in light of the highly competitive Chicago market; (vii) delivery systems that were reasonably accessible to geographies and individuals of different income levels within the Chicago MMSA; and (viii) a relatively high level of CD services within the Chicago MMSA that were responsive to community needs.

B. American Chartered

American Chartered's most recent CRA PE, dated April 16, 2013, assigned the bank an overall "Satisfactory" rating.⁴ American Chartered demonstrated satisfactory responsiveness to the credit needs of its AA based on the following findings: (i) lending levels that reflected good responsiveness to AA credit needs; (ii) a high percentage of loans were made in the bank's AA; (iii) the geographic distribution of loans reflected adequate penetration throughout the AA; (iv) the distribution of borrowers reflected, given the product lines offered by the institution, poor penetration among retail customers of different income levels and business customers of different sizes; (v) a relatively high level of community development loans; (vi) a significant level of qualified community development investments and grants, but not in a leadership position, particularly as to those that are not routinely provided by private investors; (vii) good responsiveness to credit and community economic development needs; (viii) occasional use of innovative and/or complex investments to support community development initiatives; (ix) delivery systems were reasonably accessible to essentially all portions of the bank's AA; (x) services, including business hours, did not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals; and (xi) a relatively high level of community development services.

V. Public Comments and Analysis

The OCC received a public comment letter addressing MB Financial's, and to a lesser extent American Chartered's, records of helping to meet the needs of their communities. Although the comment letter did not oppose the merger of MB Financial and American Chartered, the comment letter did express four categories of concerns relative to the proposed transaction. First, the commenter expressed the concern that the proposed transaction does not meet the convenience and needs of the community. Specifically, the commenter asserted that there is no evidence that MB Financial intends to use the anticipated savings from the economies of scale that are expected to result from the proposed transaction to serve the convenience and needs of the community. Further, the commenter alleged that many of the additional services that would be offered by the combined institution would be of limited use to the average consumer.

⁴ American Chartered was evaluated for CRA purposes as a large bank on April 16, 2013 for the period between January 25, 2010 and April 16, 2013. A copy of the CRA PE is available at: https://www5.fdic.gov/crapes/2013/27006_130416.PDF.

Second, the commenter asserted that the proposed transaction does not meet the needs of MB Financial's communities under the CRA, including low- and moderate-income geographies and individuals. Specifically, the commenter expressed concern with the limited number of products offered by MB Financial that would meet the existing or anticipated needs of low- and moderate-income geographies and individuals. In addition, the commenter asserted that MB Financial has not addressed deficiencies noted in its most recent CRA PE.⁵ Further, the commenter asserted that American Chartered's most recent CRA PE also reflects poor findings. In particular, the commenter focused on American Chartered's service test performance, which was rated low satisfactory, in part because none of the bank's 15 branches are located in low- or moderate-income geographies.⁶

Third, the commenter asserted that the proposed transaction lacks sufficient detail regarding the extent and locations of branch closures. Specifically, the commenter cited concerns with MB Financial's statement that "[t]here will be some limited branch consolidations in situations where a current branch of MB Financial and a branch of American Chartered Bank are located in close proximity. Final decisions on these consolidations have not yet been made." The commenter expressed concern with the fact that the term "close proximity" was undefined.

Fourth, the commenter expressed concern that MB Financial's record of making small loans to businesses with revenues of \$1 million or less was "merely adequate." (internal quotes omitted) The commenter asserted that the decline in bank lending to small businesses is "directly contributing to the growing trend of small businesses using toxic, non-bank online loan products that trap borrowers in debt."

Based on these concerns, the commenter requested that the OCC condition approval of the proposed transaction on the creation of a detailed CRA plan with community input that addressed branching, in particular by adding branches in low- and moderate-income and underserved geographies, and small business lending.

The OCC has carefully considered the commenter's concerns as they relate to the statutory and regulatory factors considered by the OCC when reviewing an application under the Bank Merger Act. The commenter's concerns are summarized and addressed below.

⁵ The deficiencies noted by the commenter were in the LaSalle County, Illinois AA (LaSalle AA), the Philadelphia, Pennsylvania AA (Philadelphia AA), the Lake County, Illinois AA (Lake County, IL AA), and the Lake County, Indiana, AA (Lake County, IN AA). In each of these AAs, the CRA PE indicated that MB Financial's performance on one or more components of the lending, investment, and service tests was poor or very poor. Based on MB Financial's performance in the LaSalle AA, MB Financial received an overall "Needs to Improve" CRA rating for the State of Illinois. The State of Illinois overall rating was based on "Needs to Improve" ratings on the lending and services tests, and a "Substantial Noncompliance" rating on the investment test. MB Financial's performance in the Philadelphia AA resulted in an overall "Needs to Improve" rating based on "Needs to Improve" ratings on the lending and service tests, and an "Outstanding" rating on the investment test.

⁶ The commenter expressed the view that MB Financial should open new branches in underserved low-and moderate-income areas, and collect and report on data reflecting the number and percent of deposit accounts and basic banking services that are offered to and used by formerly unbanked and low- and moderate-income customers in each of its AAs.

A. CRA Performance and Convenience and Needs

As mentioned above, pursuant to the requirements of the CRA, the OCC considers the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income geographies, when evaluating applications under the Bank Merger Act. In addition to reviewing the banks' past records of performance, as documented in their respective CRA PEs, the OCC considers, "the probable effects of the business combination on the convenience and needs of the community to be served." 12 CFR 5.33(e)(1)(ii)(C).⁷ The banks' overall CRA performance is summarized above. With regard to the commenter's concerns regarding the merger's effect on the convenience and needs of the proposed combined institution's community, these concerns are largely based on the banks' past CRA performance. Specifically, MB Financial's most recent CRA PE included several areas of weakness in four of its AAs, the LaSalle County, Illinois AA (LaSalle AA), the Philadelphia County, Pennsylvania AA (Philadelphia AA), the Lake County, Illinois AA (Lake County, IL AA), and the Lake County, Indiana AA (Lake County, IN AA). In addition, the commenter expressed concerns about the potential closing of American Chartered branches, none of which are located in a low- or moderate-income area. In evaluating these concerns, the OCC considered the profile and history of MB Financial, MB Financial's performance since the conclusion of the most recent CRA PE, and relevant performance context information that influences the bank's performance.

MB Financial's CRA PE describes the bank as a full service commercial bank headquartered in Chicago, Illinois. MB Financial represented that it was founded in 1911 and has served the Chicago market for over 100 years. As a result, MB Financial represented that the Chicago MMSA constitutes the bank's most significant market in terms of deposits and branch concentration, accounting for approximately 99.52 percent of total deposits and approximately 97.7 percent of the bank's branch network. In its application, MB Financial represented that its primary market is the Chicago metropolitan area (i.e., the Chicago MMSA), which includes the bank's Chicago, Illinois AA (Chicago AA),⁸ in which the bank maintains its main office and 84 branches. The CRA PE states that all but two of MB Financial's branches are located in the State of Illinois.⁹ As discussed above, based predominantly on its performance in the Chicago AA, the bank received an overall "Outstanding" rating in its most recent CRA PE.

Since the most recent CRA PE, MB Financial represented that its overall home mortgage lending activity has increased significantly. With regard to meeting the convenience and needs of low-

⁷ The OCC may impose conditions on any approval, including to address a significant CRA concern, if the OCC determines that the conditions are necessary or appropriate to ensure that approval is consistent with relevant statutory and regulatory standards and OCC policies thereunder and safe and sound banking practices. 12 CFR 5.13(a)(1).

⁸ In its most recent CRA PE, the Chicago AA consisted of Cook, DuPage, and Will counties and several communities along the eastern border of Kane County, Illinois. In the most recent CRA PE, within the Chicago MMSA, the Chicago AA was subject to a full scope review because it was where the vast majority of the bank's branches and deposits were located. MB Financial represented that since its most recent CRA PE it has designated a portion of Kane County, Illinois as a separate AA, based on US Census Bureau revised delineations of the Metropolitan Statistical Area (MSA).

⁹ MB Financial has one branch located in the Lake County, IN AA and one branch in the Philadelphia AA.

and moderate-income individuals, MB Financial represented that it offers several products that benefit such individuals by providing low- and moderate-income individuals with lower costs, lower down payment options, and underwriting flexibility.¹⁰ MB Financial also represented that it participates in a variety of forgivable down payment assistance and closing cost assistance programs designed to assist low- and moderate-income borrowers achieve homeownership throughout Illinois, Indiana, and Pennsylvania.¹¹ In addition, MB Financial represented that it is currently offering a fee waiver program (up to \$995) for loans in low- and moderate-income areas of Cook County, Illinois. In contrast, MB Financial represented that American Chartered does not currently offer any mortgage products that are designed to meet the needs of low- or moderate-income individuals or census tracts. Specifically, MB Financial represented that although American Chartered originates conventional Fannie Mae and Freddie Mac products through its correspondent relationships, it does not currently offer government guaranteed products. MB Financial represented that it intends to continue to offer these products in all of its branches following consummation of the proposed transaction.

As for the commenter's concerns regarding MB Financial's small business lending, MB Financial represented that it primarily focuses on serving the needs of small to medium sized local, privately held companies, with annual revenues of up to \$10 million. Further, MB Financial represented that its recent small business lending performance is consistent with its performance in its most recent CRA PE. MB Financial represented that its collection of small business loan products includes revolving lines of credit, term loans for capital equipment needs, mortgages for owner occupied and investment real estate, and a business credit card for smaller credit needs. In addition, MB Financial represented that it offers small business lending products through the Small Business Administration's (SBA) 504 Loan Program and 7(a) Loan Program. MB Financial further represented that it intends to continue to offer these SBA products following consummation of the proposed transaction.

Furthermore, MB Financial represented that it engages in other activities to promote small businesses. For example, MB Financial represented that it has a number of partnerships with Community Development Financial Institutions (CDFI) that provide small business financing or

¹⁰ Specifically, MB Financial represented that it offers the following products that benefit low- and moderate-income individuals: (i) HomeReady – a Fannie Mae community lending mortgage product designed for creditworthy low- and moderate-income borrowers that offers lower down payments, reduced mortgage insurance costs, and underwriting flexibility; (ii) FHA Loans – a federally insured loan program with a minimal down payment requirement for borrowers with FICO scores as low as 600; (iii) FHA DACA – a federally insured loan program that accommodates home financing for Deferred Action for Childhood Arrivals eligible consumers; (iv) State Bond Programs – loan programs with income and sales price limits designed for low- and moderate-income first time and repeat borrowers statewide in Illinois and Indiana (IHDA – Illinois At Home, which is available as a conventional and FHA loan, IHDA – Illinois First Home, which is available as a conventional and FHA loan, and ICHDA – Indiana, available as a FHA loan); (v) USDA – a federally insured loan program for eligible rural properties that offers up to 102.75 percent loan to value ratios with no borrower down payment requirement; and (vi) VA – a federally insured loan program that offers up to 100 percent national financing for qualified veteran borrowers.

¹¹ Programs in which MB Financial represented it participates include: (i) DuPage County IL Homestead Program, (ii) FHLBC DPP Program, (iii) City of Hammond IN Homebound Program, (iv) PenFed Foundation Dream Makers Grant, (v) University of Chicago Employer Assisted Housing Program, and (vi) Upper Darby Township Pennsylvania Program.

technical assistance.¹² Also, MB Financial represented that its subsidiary, MB Community Development Corporation (MBCDC), is a certified Community Development Entity (CDE) that has entered partnerships with other CDEs to form loan funds providing lower cost capital which enabled six companies to grow their business and add jobs in low-income communities. In addition, MB Financial represented that it works with a number of entities to provide technical assistance to local small businesses.¹³

In addition to its home mortgage and small business lending products, MB Financial represented that it offers, and will continue to offer, a network branded secured credit card product that provides access to a revolving line of credit secured by a savings account for customers with little to no credit history or poor credit history.¹⁴ MB Financial also represented that it participates in the Bank On Chicago Program,¹⁵ by offering a checking account product that meets, or exceeds, each of the minimum criteria established for financial institutions participating in the program.¹⁶ In addition, MB Financial stated that the proposed transaction will serve the convenience and needs of MB Financial's expanded customer base by providing American Chartered's existing customers with a wider array of banking and wealth management products and services through a larger number of offices.

¹² Examples of partnerships with CDFIs, which MB Financial represented it has entered include: (i) ACCION Chicago – a CDFI that provides loans between \$500-\$100,000 to small businesses throughout Illinois and Northwest Indiana to help build the businesses and generate jobs. MB Financial represented that it has donated over \$92,000 in the last five years, and has provided a \$1.5 million line of credit to the organization; (ii) Community Investment Corporation – a CDFI that provides loans for the acquisition, rehabilitation, and preservation of affordable rental housing, the loans are largely made to small entrepreneurs who are in the business of owning and managing smaller affordable multi-family units. MB Financial's Foundation has provided the organization with over \$30,000 in grants in the last five years and currently provides a \$10 million participation in the CDFI's loan program; (iii) IFF – a CDFI that is a mission-driven lender, real estate consultant, and developer that helps communities thrive by creating opportunities for low-income communities and people with disabilities. MB Financial has an \$8 million investment in IFF's loan consortium.

¹³ For example, MB Financial represented that it works with SCORE, a nonprofit association that helps small businesses by providing business coaching, business plan development, and resources related to small business trends. In addition, MB Financial represented that it offers free space at its banking centers to SCORE representatives to enable them to offer workshops, and has provided the organization with grant support.

¹⁴ MB Financial represented that, as of March 31, 2016, it had 1,866 active secured credit card customer accounts, of which, four were opened at the branch in the Lake County, IN AA and 21 were opened at the branch in the Philadelphia AA.

¹⁵ MB Financial represented that Bank On Chicago is a cooperative effort by the Chicago City Treasurer's Office, local banks, and community partners to offer easy-to-access checking accounts for unbanked and underbanked individuals. MB Financial represented qualifying accounts under the terms of the Bank On Chicago program must have low monthly fees, no minimum monthly balance, and free check cashing.

¹⁶ MB Financial represented that its Bank On Chicago product offers (i) low monthly fees (\$3.95 per month); (ii) a \$50 opening deposit; (iii) no monthly minimum balance; (iv) provides a pathway to a checking account for individuals with Chex System records; (v) accepts at least one form of alternative identification (e.g., foreign passport, Mexican consular card, or ITIN); (vi) free check cashing (at least two times per month); (vii) affordable bill payment options (\$0.50 per bill); (viii) clear and brief explanations of banking basics and terminology in plain language; and (ix) savings accounts, subject to eligibility requirements. Additionally, MB Financial represented that Bank On Chicago includes a financial literacy component that provides a resource guide for available community organizations offering such programs; and that the bank participates in Money Smart Week, which offers education events designed to help persons improve their money management skills.

With regard to community development activities, MB Financial represented that it originated approximately \$524.5 million in community development loans since the end of the most recent CRA PE through March 31, 2016. MB Financial represented that this community development lending, which was predominantly focused on the Chicago AA, supported affordable housing for low- and moderate-income individuals, community services for low- and moderate-income individuals, economic development, and Medicaid funded nursing homes that provide affordable housing to low- and moderate-income individuals. MB Financial represented that it also made a significant volume of qualified investments in the period since the most recent CRA PE.¹⁷ MB Financial represented that its qualified investments supported affordable housing for low- and moderate-income individuals, economic development, revitalization and stabilization of low- and moderate-income neighborhoods, and community services targeted at low- and moderate-income individuals. With regard to community development services, MB Financial represented that its employees continue to be actively involved in providing community development services throughout MB Financial's CRA AAs.¹⁸

Although the majority of MB Financial's branches are in the bank's Chicago AA, its most recent CRA PE discussed its performance with regard to five branches located outside this AA. In explaining how MB Financial came to have branches outside its primary Chicago AA, MB Financial represented that nearly all of its branch expansion has been the result of mergers and acquisitions. The four AAs with MB Financial's branches outside the Chicago AA are discussed below.

i. LaSalle AA

As stated above, MB Financial received an overall "Needs to Improve" rating in the State of Illinois in its most recent CRA PE based on its lending, investment, and service test performance in the LaSalle AA. MB Financial represented that it operates one branch and one automated teller machine (ATM) in the rural village of Seneca, Illinois in the LaSalle AA. MB Financial represented that the branch in the LaSalle AA represents 0.10 percent of the bank's deposits. MB Financial further represented that the primary products used at this branch are checking and savings accounts.

The LaSalle AA is a rural community comprised of one middle-income census tract. MB Financial represented that it acquired its branch in the LaSalle AA under an agreement with the FDIC in December 2009, when the FDIC and the Illinois Department of Financial and Professional Regulation closed Benchmark Bank, Aurora, Illinois. MB Financial represented that part of its agreement with the FDIC included retaining the LaSalle AA branch in an effort to provide banking services in the rural community, although there was limited lending demand in

¹⁷ MB Financial represented that its qualified investment balances were \$76.4 million (December 31, 2013), \$103.1 million (December 31, 2014), \$109.2 million (December 31, 2015), and \$111.0 million (March 31, 2016).

¹⁸ MB Financial provided a listing of the purpose of the community development service, and the number of hours committed to such services by different employees at the bank for the years 2013, 2014, and 2015. The community development purposes served by the activities of MB Financial's employees included affordable housing, community services, financing or economic development, and revitalization.

the AA.¹⁹ Despite the limited lending demand, MB Financial represented that it has continued to seek lending opportunities in the LaSalle AA, including through its small business credit card product and expansion of the number of residential mortgage loan originators who are available to assist residents with home loan applications. However, MB Financial represented that it is unable to meet the demand for agricultural loans in this AA because it does not offer an agricultural loan product.

MB Financial stated that opportunities for community development lending, investments, and services in the LaSalle AA are very limited given the branch's location in a middle-income, predominantly rural area with no low- or moderate-income census tracts in the county. Nonetheless, MB Financial represented that it is actively seeking a qualified investment opportunity in the LaSalle AA. MB further represented that it has allocated \$200,000 from its investment in a CRA qualified investment fund to the LaSalle AA.²⁰ In addition, MB Financial represented that the MB Charitable Foundation provided two donations to non-profit organizations servicing low- and moderate-income households in LaSalle County, one supporting affordable housing and the other supporting a food pantry. MB Financial has announced a proposed agreement to sell the branch in the LaSalle AA to the First National Bank of Dwight, which offers agricultural loans that are not available at MB Financial. The proposed sale is subject to regulatory approval by the OCC.

ii. Philadelphia AA

As stated above, MB Financial received an overall "Needs to Improve" rating in the State of Pennsylvania based on its lending and service test performance in the Philadelphia AA. With respect to MB Financial's Philadelphia AA branch, the bank represented that this branch was acquired in 2004 as part of the acquisition of First Security Federal Savings Bank, Chicago, Illinois (First Security). MB Financial represented that First Security focused on serving the Ukrainian community, and that First Security had acquired the branch in the Philadelphia AA from a failed depository institution because the branch served the Ukrainian population in that area. MB Financial represented that the Philadelphia branch represents approximately 0.38 percent of the bank's deposits. MB Financial further represented that the branch continues to primarily serve the needs of an aging Ukrainian community whose demand for credit is declining.²¹ MB Financial stated that the primary products used by the customers at the branch are checking and savings accounts.

¹⁹ To demonstrate the limited demand for lending, MB Financial represented that five lenders originated a total of 12 home mortgage loans in the LaSalle AA during 2014.

²⁰ MB Financial represented that \$200,000 from its investment in a CRA qualified investment fund has been invested in an Illinois Housing Development Authority Homeownership Mortgage Revenue Bonds, 2016 Series A, and the fund has earmarked four low- or moderate-income homebuyer loans in LaSalle County from this bond to MB Financial.

²¹ MB Financial represented that 76 percent of the branch customers are 55 or older.

MB Financial represented that its lending in the Philadelphia AA in 2013 through March 31, 2016 included 109 Home Mortgage Disclosure Act (HMDA) loans,²² which represents an increase from the 16 HMDA loans originated during the period covered by the most recent CRA PE. In addition, MB Financial represented that it made 32 loans to small businesses during this time period, compared to the two small business loans made during the period covered by the most recent CRA PE.

With regard to community development lending, investments, and services, MB Financial represented that although opportunities for such activities exist in the market, competition for such opportunities is significant, particularly with regard to larger banks that have more significant branch presence in the AA.²³ MB Financial represented that its small presence in the AA, and the branch's unique niche of focusing on the Ukrainian community, limits the availability of opportunities that align with the branch's focus as well as the bank's ability to compete for such community development opportunities. However, MB Financial represented that branch staff provide community development services by assisting a local educational institution where the majority of the students attending are low- and moderate-income individuals with marketing, fundraising, and budget development, and two branch employees serve on the Board of Directors for the Ukrainian Education and Cultural Center. Further, MB Financial represented that it has made \$1 million in qualified investments and grants in the AA.

iii. Lake County, Illinois AA

MB Financial's two branches in the Lake County, IL AA represent the northern edge of MB Financial's current branch network, and are located in the southeastern portion of the county. The majority of MB Financial's branches located to the south in the adjacent Chicago AA. The two Lake County, IL branches are located in one middle-income and one upper-income census tract, respectively. MB Financial represented that the branches represent approximately 1.23 percent of the bank's deposits. The proposed transaction will add an additional three current American Chartered branches in the southern half of the Lake County, IL AA. One of these branches is adjacent to several moderate-income census tracts. The three current American Charter branches would extend MB Financial's branch network further into Lake County, Illinois; however, the branches do not extend the bank's reach into the northern half of the county where the majority of the low- and moderate-income census tracts are located. Nonetheless, MB Financial has delineated its Lake County, IL AA to include the entire county, and as such, its future CRA performance will consider how it serves the entire county, including low- and moderate-income geographies located throughout the county.

MB Financial represented that since 2013 the percentage of its loans to low- and moderate-income individuals and in low- and moderate-income census tracts increased as compared to the

²² MB Financial represented that the percentage of the HMDA reportable loans originated to low- or moderate-income individuals was 36 percent in 2013, 12 percent in 2014, 15 percent in 2015, and 18 percent in Q1 2016. MB Financial represented that the percentage of HMDA reportable loans originated in low- or moderate-income census tracts was 27 percent in 2013, 35 percent in 2014, 23 percent in 2015, and 9 percent in Q1 2016.

²³ MB Financial represented that Wells Fargo, PNC Bank, and Bank of America collectively account for over 50 percent of deposit market share in the AA.

period covered by the most recent CRA PE.²⁴ Further, MB Financial represented that because of the close proximity of the Lake County, IL AA to the Chicago AA, MB's community partnerships in the Chicago AA may include the Lake County, IL AA in their coverage.²⁵ In addition, MB Financial represented that it provided approximately \$15,000 in grant support to organizations that serve the Lake County, IL AA. MB Financial also represented that its employees volunteer with five community development service organizations that serve the Lake County, IL AA.

iv. Lake County, IN AA

MB Financial represented that it operates one branch and one ATM in a grocery store in Dyer, Indiana. With respect to MB Financial's branch in the Lake County, IN AA, the bank represented that it established the branch located approximately two miles from the Indiana/Illinois border that replaced a branch that was previously operated by Great Lakes Bank, N.A., Blue Island, Illinois. MB Financial's Lake County, IN AA does not include all of the Gary, Indiana Metropolitan Division,²⁶ but rather, is comprised of all of the census tracts within the North, St. John, and Hanover townships.²⁷ MB Financial represented that this branch represents approximately 0.04 percent of the bank's deposits.

MB Financial represented that it has increased the percentage of home mortgage loans originated to low- and moderate-income individuals in the Lake County, IN AA.²⁸ MB Financial represented that although opportunities for community development lending, investments, and services exist, there is also significant competition for such opportunities, particularly from large banks, and MB Financial's small presence in the community limits its ability to compete for such

²⁴ MB Financial represented that the percentage of the HMDA reportable loans originated in the AA to low- or moderate-income individuals was 10 percent in 2013, 19 percent in 2014, 22 percent in 2015, and 24 percent in Q1 2016. The percentage of HMDA reportable loans originated in the AA in low- or moderate-income census tracts was 10 percent in 2013, 5 percent in 2014, 6 percent in 2015, and 12 percent in Q1 2016.

²⁵ MB Financial specifically represented that its partnership with IFF includes the Lake County, IL AA within its coverage.

²⁶ The CRA regulations specify that a bank's AAs *must*: (1) Consist generally of one or more MSAs or metropolitan divisions ... or one or more contiguous political subdivisions, such as counties, cities, or towns; and (2) Include the geographies in which the bank has its main office, its branches, and its deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. . . .12 CFR 25.41(c). The CRA regulations also state that a bank *may*: [a]djust the boundaries of its assessment area(s) to include only the portion of a political subdivision that it reasonably can be expected to serve. An adjustment is particularly appropriate in the case of an AA that otherwise would be extremely large, of unusual configuration, or divided by significant geographic barriers. 12 CFR 25.41(d). As the Interagency Guidance included in the CRA Questions and Answers explains, whether a bank's AAs comply with the requirements of the CRA regulation is determined on a case-by-case basis after considering the facts relevant to the bank's AA delineation.

²⁷ MB Financial's HMDA data indicates that it receives home mortgage applications not just from the census tracts within its Lake County, IN AA, but also from the remainder of Lake County and Porter County, IN on the eastern border of Lake County.

²⁸ MB Financial represented that the percentage of the HMDA reportable loans originated in the AA to low- or moderate-income individuals was 33 percent in 2013, 14 percent in 2014, 28 percent in 2015, and 43 percent in Q1 2016.

opportunities.²⁹ However, MB Financial represented that based on the close proximity of the Lake County, IN AA to the bank's Chicago AA, several of MB Financial's community partnerships include northwest Indiana in their coverage.³⁰ Further, MB Financial represented that it has made over \$600,000 in community development investments within the Lake County, Indiana AA.³¹

B. Branching

With regard to how the proposed transaction will affect MB Financial's branch network, merging American Chartered with and into MB Financial will add 15 branches in the Chicago MMSA, specifically in Cook County, DuPage County, and Lake County, IL.³² These branches are predominantly located to the north and west of the City of Chicago. Although none of the branches are located in low- and moderate-income census tracts, MB Financial asserted that several locations are accessible to low- and moderate-income individuals. Given that all of American Chartered's branches are located in middle- and upper-income geographies, the proposed transaction will not increase MB Financial's penetration of branches in low- and moderate-income areas within the proposed combined institution's branch footprint.

MB Financial represented that no decisions have been made regarding closing, consolidating, or relocating any branches. Further, MB Financial represented that all American Chartered branches will be operated as MB Financial branches upon consummation of the proposed transaction. Nonetheless, MB Financial represented that it is evaluating the branch network that will result from the proposed transaction, and that there will be some limited branch consolidations in situations where a branch of MB Financial and a branch of American Chartered are in close proximity. When considering branch closures or consolidations, MB Financial represented that it maintains a Branch Closing Policy. In accordance with this policy, in making recommendations for branch closures, MB Financial represented that bank management considers an analysis of the projected or actual profitability of the branch, an analysis of branch utilization and traffic to determine sufficiency of demand for continuation of current services, and demographic growth or decline trends in the community. In addition, MB Financial represented that it carefully considers the impact of a branch closure on low- and moderate-income individuals and communities, and MB Financial's CRA Officer advises on the process. MB Financial represented that additional factors it reviews when considering a branch closure are the locations of other MB Financial branches, the extent to which the area may be served by other financial institutions, and the feasibility of operating a limited service facility or an ATM at the former branch location. MB Financial stated that it has never closed a branch located in a low-income area.³³

²⁹ MB Financial represented that JP Morgan Chase, Centier Bank, and First Midwest Bank collectively account for 50 percent of the market share in the county.

³⁰ For example, MB Financial represented that ACCION Chicago and IFF operate in Northwest Indiana.

³¹ MB Financial represented that this investment is in a CRA qualified bond fund.

³² The proposed transaction will not add any branches in the LaSalle AA, Philadelphia AA, or Lake County, IN AA.

³³ MB Financial represented that it has closed six branches in moderate-income census tracts since the time period considered in the most recent CRA PE.

VI. Summary and Conditions of Approval

As reflected in its most recent CRA PE, MB Financial has a strong record of serving its community, particularly in its primary market, the Chicago AA. Moreover, information provided by the bank indicates that it has made efforts to improve lending and investment performance in its other AAs since its most recent CRA PE. Further, the proposed transaction would increase the range of lending products with features that benefit low- and moderate-income individuals and are available to current customers and through the current American Chartered branches. Nonetheless, MB Financial's CRA PE reflects that the bank had less than satisfactory performance for serving the credit needs of some of its communities. In addition, based on information provided by the bank, MB Financial's branch growth has been the result of acquisitions, and given the location of American Chartered's branches, the proposed transaction does not address weaknesses identified in the most recent CRA PE. Overall, MB Financial did not provide information that fully addressed these concerns.

In the course of the OCC's consideration of the proposed transaction, MB Financial represented that it would refrain from closing or consolidating any branches until such time as the OCC has had the opportunity to review its proposed branch closure and consolidation plan.³⁴ Further, MB Financial has committed to the OCC that it would seek the OCC's supervisory non-objection to any branch closures and consolidations recommended in connection with the proposed transaction.

As stated above, the CRA requires the OCC to consider the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income individuals and geographies, when evaluating applications under the BMA. In addition, the OCC considers the probable effects of the proposed transaction on the convenience and needs of the community to be served. Given the concerns articulated above based upon a review of the respective records of the banks involved in the proposed transaction, the application, the public comments, and MB Financial's response to the comments, information provided by MB Financial in response to additional information requested by the OCC, and other information available to the OCC based on its regulatory responsibilities, the OCC concludes that the banks' records of helping to meet the credit needs of their communities and the probable effects of the transaction on the convenience and needs of the communities to be served are consistent with approval of the application, subject to the following conditions.

1. MB Financial³⁵ shall submit a CRA Plan for the combined entity to the OCC for review and written determination of no supervisory objection within 90 days from consummation of this transaction. MB Financial's CRA Plan must comply with the following:

³⁴ This representation is set forth in a letter from MB Financial to Nancy Sundstrom, Director for District Licensing dated July 15, 2016.

³⁵ The conditions refer to MB Financial, as it will be the surviving entity of the proposed transaction.

- The CRA Plan must contain a complete description of the actions that are necessary and appropriate to ensure that on a prospective basis the bank is meeting the credit needs of all of its AAs with less than satisfactory performance in its most recent CRA PE, including but not limited to:
 - Home mortgage lending to low- and moderate-income individuals.
 - Home mortgage lending in low- and moderate-income geographies.
 - Small business lending in low- and moderate-income geographies.
 - Small business lending to businesses with revenues of \$1 million or less.
 - Community development lending.
- The CRA Plan must contain measurable annual goals and timetables for the achievement of those goals for helping to meet the credit needs of those AAs, including the credit needs of low- and moderate-income individuals and geographies and small businesses within those AAs.
- In developing the CRA Plan, MB Financial shall informally seek input from members of the public that may have information relevant to the achievement of the goals of the CRA Plan in those AAs.
- To ensure effective implementation of the CRA Plan, MB Financial will continue using its current internal CRA monitoring and reporting process to oversee the bank's actions toward fully meeting the goals and timetables outlined in the CRA Plan.
- MB Financial's CRA Plan shall specify the frequency of progress reports to the OCC indicating the results of the bank's efforts to implement the CRA Plan, which shall occur no less than annually.
- MB Financial's CRA Plan shall be effective upon written determination of no supervisory objection by the OCC. MB Financial shall make the CRA Plan available to the public within 30 days of the OCC's non-objection, such as by posting the CRA plan on its public website.
- MB Financial shall submit to the OCC, and make available to the public, such as by posting on its public website, a CRA Plan summary report that demonstrates the measureable results of the bank's efforts to implement the CRA Plan since its enactment at least one month prior to the commencement of a CRA performance evaluation.³⁶

³⁶ The OCC will factor MB Financial's measurable progress implementing the strategies and meeting the goals set forth in the CRA Plan into future CRA performance evaluations and ratings as determined by the Supervisory Office.

2. MB Financial shall comply with the representations regarding its branch closure and consolidation plan set forth in its commitment letter to Nancy Sundstrom, Director for District Licensing dated July 15, 2016.

These conditions of approval are conditions “imposed in writing by a Federal banking agency in connection with any action or any application, notice, or other request” within the meaning of 12 USC 1818. As such, the condition is enforceable under 12 USC 1818.

VI. Consummation Requirements

The Central District Office must be advised in writing 10 days in advance of the desired effective date for the merger, so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice’s injunction period and any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A Secretary’s Certificate for the target bank, certifying that a majority of the board of directors has agreed to the proposed merger.
- A Secretary’s Certificate for each bank, certifying that the required shareholder approvals have been obtained.
- A copy of the letter from the Federal Reserve Board approving the related bank holding company merger.
- Documentation that all other conditions that the OCC imposed have been met.

If the merger is not consummated within six months from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank’s representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

MB Financial Bank, National Association, Chicago, Illinois
OCC Control Number: 2016-CE-Combination-146441

A separate letter is enclosed requesting the bank's feedback on how we handled the referenced application. If you have any questions, please contact Senior Licensing Analyst Carolina M. Ledesma by telephone at (312) 360-8867 or by e-mail at carolina.ledesma@occ.treas.gov. Please include the OCC Control Number on any correspondence related to this filing.

Sincerely,

/s/

Stephen A. Lybarger
Deputy Comptroller of Licensing

Enclosure: Survey Letter