FRB Order No. 2014-12
June 30, 2014

FEDERAL RESERVE SYSTEM

MB Financial, Inc.
Chicago, Illinois

Order Approving the Acquisition of a Bank Holding Company

MB Financial, Inc. ("MB Financial"), Chicago, has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act")[1] to merge with Taylor Capital Group, Inc. ("Taylor Capital"), Rosemont, and thereby indirectly acquire its subsidiary bank, Cole Taylor Bank, Chicago, all of Illinois. Following the proposed acquisition, Cole Taylor Bank would be merged into MB Financial's subsidiary bank, MB Financial Bank, National Association ("MB Financial Bank"), Chicago.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (78 Federal Register 59938 (September 30, 2013)). The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

MB Financial, with consolidated assets of approximately $9.6 billion, is the 101st largest insured depository organization in the United States, controlling approximately $7.4 billion in consolidated deposits.[3] MB Financial Bank operates in Illinois, Indiana, and Pennsylvania. MB Financial Bank is the 12th largest

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[1] 12 U.S.C. § 1842.

[2] The merger of Cole Taylor Bank into MB Financial Bank is subject to the approval of the Office of the Comptroller of the Currency ("OCC") pursuant to section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c).

[3] Asset and nationwide deposit-ranking data are as of December 31, 2013, unless otherwise noted.

depository institution in Illinois, controlling deposits of approximately $7.5 billion, which represent 1.8 percent of the total deposits of insured depository institutions in the state.[4] In addition, MB Financial Bank is the 199th largest depository institution in Pennsylvania, controlling deposits of $46.7 million, and is the 168th largest depository institution in Indiana with approximately $3.0 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in each of those states.

Taylor Capital, with total consolidated assets of $5.7 billion, controls Cole Taylor Bank, which operates in Illinois. Cole Taylor Bank is the 18th largest insured depository institution in Illinois, controlling deposits of approximately $3.8 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, MB Financial would become the 81st largest insured depository organization in the United States, with total consolidated assets of approximately $15.3 billion. MB Financial would have total consolidated deposits of approximately $11.0 billion. In Illinois, MB Financial would become the ninth largest depository organization, controlling deposits of approximately $11 billion, which represent 2.8 percent of the total deposits of insured depository institutions in that state.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also

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[4] State deposit data are as of June 30, 2013, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[5]

MB Financial and Taylor Capital have subsidiary depository institutions that compete directly in the Chicago, Illinois, banking market.[6] The Board has considered the competitive effects of the proposal in this banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking market; the relative shares of total deposits in insured depository institutions in the markets ("market deposits") controlled by MB Financial and Taylor Capital;[7] the concentration levels of market deposits and the increase in those levels, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[8] and other characteristics of the market.

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[5] 12 U.S.C. § 1842(c)(1).

[6] The Chicago banking market is defined as Cook, Du Page, and Lake counties, all in Illinois.

[7] Deposit and market share data are as of June 30, 2013, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989) and National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[8] Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines for this market. On consummation of the proposal, the banking market would remain moderately concentrated, as measured by the HHI, and numerous competitors would remain.[9]

The DOJ has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the banking market in which MB Financial and Taylor Capital compete directly or in any other relevant banking

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HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice ("DOJ") has informed the Board 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, 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), www.justice.gov/opa/pr/2010/August/10-at-938.html.

[9] MB Financial operates the 10th largest depository institution in the Chicago banking market with approximately $7.3 billion in deposits, which represent 2.6 percent of market deposits. Taylor Capital operates the 14th largest depository institution in the same market, controlling deposits of approximately $3.8 billion, which represent 1.3 percent of market deposits. On consummation of the proposed transaction, MB Financial would operate the seventh largest depository institution in the market, controlling weighted deposits of approximately $11.0 billion, which represent 3.9 percent of market deposits. The HHI would increase by seven points to 1016, and 147 competitors would remain in the market.

market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and a consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. Further, the Board has considered the future prospects of the organizations involved in the proposal in light of the financial and managerial resources and the proposed business plan.

The Board has considered the financial factors of the proposal. MB Financial and MB Financial Bank are both well capitalized and would remain so on consummation of the proposed acquisition. The proposed transaction is a bank holding company merger that is structured as a cash and share exchange.[10] The asset quality, earnings, and liquidity of both MB Financial Bank and Cole

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[10] As part of the proposed transaction, each share of Taylor Capital common stock would be converted into a right to receive cash and MB Financial common stock based on an exchange ratio.

Taylor Bank are consistent with approval, and MB Financial appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of MB Financial, Taylor Capital, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money-laundering laws.

MB Financial, Taylor Capital, and their subsidiary depository institutions are each considered to be well managed. MB Financial's existing risk-management program and its directorate and senior management are considered to be satisfactory. The directors and senior executive officers of MB Financial have substantial knowledge and experience in the banking and financial services sectors.

The Board has also considered MB Financial's plans for implementing the proposal. MB Financial is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. MB Financial would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, MB Financial's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and MB Financial plans to integrate Cole Taylor Bank's existing management and personnel in a manner that augments MB Financial's management.

MB Financial's supervisory record, managerial and operational resources, and plans for operating the combined institutions after consummation provide a reasonable basis to conclude that managerial factors are consistent with approval.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of MB Financial and Taylor Capital in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[11] The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,[12] and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[13]

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[11] 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

[12] 12 U.S.C. § 2901(b).

[13] 12 U.S.C. § 2903.

The Board has considered all the facts of record, including reports of examination of the CRA performance of MB Financial Bank and Cole Taylor Bank, data reported by MB Financial Bank and Cole Taylor Bank under the Home Mortgage Disclosure Act ("HMDA"),[14] other information provided by MB Financial, confidential supervisory information, and the public comment received on the proposal. The commenter does not oppose approval of the proposal but expressed concerns about Cole Taylor Bank's lending record to minority and LMI borrowers as reflected in 2011 HMDA data.

A. Records of Performance Under the CRA

As provided in the CRA, the Board evaluates an institution's performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.[15] The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.[16] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, onsite evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

CRA Performance of MB Financial Bank

MB Financial Bank, the lead bank for the Applicant, was assigned an overall "outstanding" rating at its most recent CRA performance evaluation by the

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[14] 12 U.S.C. § 2801 et seq.

[15] See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (March 11, 2010).

[16] 12 U.S.C. § 2906.

OCC, as of August 12, 2013 ("MB Financial Bank Evaluation").[17] MB Financial Bank received "outstanding" ratings on both the Lending Test and the Investment Test and a "high satisfactory" rating on the Service Test.[18]

In evaluating the Lending Test, examiners observed that the bank's overall lending activity in the Chicago AA was excellent. Examiners found that the geographical distribution of the bank's home mortgage lending and small business lending in the Chicago Multi-State MSA was adequate and excellent, respectively.[19] Examiners found that the bank's distribution of home mortgage

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[17] The MB Financial Bank Evaluation was conducted using Large Institution CRA Examination Procedures. The evaluation period for the Lending Test was from January 1, 2010, through December 31, 2012, except for community development loans, which had an evaluation period from April 28, 2010, through August 12, 2013. The evaluation period for the Investment Test and the Service Test was April 28, 2010, through August 12, 2013.

[18] The MB Financial Bank Evaluation included a full-scope review of three assessment areas: the Chicago, Illinois, Assessment Area ("Chicago AA"); the LaSalle County, Illinois, Assessment Area; and the Philadelphia, Pennsylvania, Assessment Area. A limited-scope review was performed in the Lake County, Illinois, Assessment Area and the Indiana Assessment Area. Examiners placed greater weight on the bank's performance in its assessment areas falling within the Chicago-Naperville-Joliet Multi-State Metropolitan Statistical Area ("Chicago Multi-State MSA"), which comprises the Chicago AA and the assessment areas selected for limited-scope review, because these areas represented the bank's most significant market in terms of deposit concentrations, branch distributions, and CRA-reportable loans.

[19] Examiners placed more emphasis on the bank's distribution of small business loans than the distribution of home mortgage loans because of MB Financial Bank's higher market share in small business lending. MB Financial Bank's market share as of June 30, 2011, in the Chicago AA was 0.9 percent and 0.2 percent for small loans to businesses and mortgage lending, respectively. Within the home mortgage loan category, greater weight was placed on home refinance loans because they composed more than half of MB Financial Bank's home mortgage lending.

loans by income level of borrower in the Chicago Multi-State MSA was adequate, given the product lines offered by the institution, and its distribution of small loans to businesses with gross annual revenues of $1 million or less was adequate based on economic conditions and the competitive market in which the bank operates.

Examiners found that MB Financial Bank's community development lending in the Chicago AA was significant, and that the bank originated an excellent level of community development loans during the evaluation period. Examiners also noted that the bank is a participant in a number of governmental and privately sponsored programs that are designed to provide more flexible loan terms to LMI individuals and to small businesses.

In evaluating the Investment Test, examiners found that MB Financial Bank's responsiveness to the community development needs in the Chicago AA was excellent. During the evaluation period, the bank made investments and grants in the Chicago AA totaling approximately $42 million. Examiners noted that 76 percent of the bank's qualifying investments were to organizations that focus on affordable housing, a critical need in the Chicago AA; 15 percent were made to organizations that support community development financing by financing small businesses; and 9 percent went to organizations that support the revitalization of LMI geographies.

For the Service Test, examiners found that MB Financial Bank's performance in the Chicago AA was good. Examiners observed that the bank's branch distribution in these areas was adequate, and that the bank's record of opening and closing branches had not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or to LMI individuals. Examiners found that MB Financial Bank provided an excellent level of community development services, which had a significantly positive impact on the

Service Test rating, and that the bank is a leader in providing community development services, which are highly responsive to community needs.

CRA Performance of Cole Taylor Bank

Cole Taylor Bank was assigned an overall "outstanding" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Chicago ("Reserve Bank"), as of April 9, 2012 ("Cole Taylor Bank Evaluation"). Examiners noted that Cole Taylor Bank's lending levels reflected good responsiveness to assessment area credit needs, and that the bank was a leader in making community development loans.[20] Cole Taylor Bank received a "high satisfactory" rating for the Lending Test, and an "outstanding" rating on both the Investment Test and the Service Test.

For the Lending Test, examiners noted that Cole Taylor Bank's level of home mortgage, small business, and consumer lending activity reflected good responsiveness to assessment area credit needs considering the bank's resources, business strategy, community needs and opportunities, as well as strained economic conditions during the evaluation period.[21] Reserve Bank examiners

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[20] The evaluation period for the Lending Test in the Cole Taylor Bank Evaluation was from January 1, 2009, through December 31, 2011, except for community development loans, which had an evaluation period from January 19, 2010, through April 9, 2012. The evaluation period for the Investment Test and the Service Test was from January 19, 2010, through April 9, 2012. Consumer loan data for the period from January 1, 2009, through December 31, 2010, were also considered.

[21] With respect to the Lending Test, examiners placed more weight on Cole Taylor Bank's home mortgage lending activity and less weight on its performance in consumer lending because of the bank's relatively low volume of consumer lending activity. During the evaluation period, Cole Taylor Bank originated approximately $2.8 billion and $19.7 million in home mortgage loans and consumer loans, respectively.

noted that the bank’s lending levels reflected good responsiveness to assessment area credit needs. Examiners found that the bank’s geographic distribution of loans reflected excellent penetration throughout the assessment area, and the borrower distribution reflected adequate distribution among borrowers of different income levels and businesses of different revenue sizes. Examiners observed that the bank’s 2011 performance in home mortgage lending to LMI borrowers represented an improvement over 2009 and 2010.

Examiners noted that Cole Taylor Bank is a leader in making community development loans. For example, during the evaluation period, the bank originated 57 qualified community development loans totaling approximately $173 million.

In evaluating the Investment Test, examiners observed that the bank made an excellent level of qualified community development investments and grants, often in a leadership position. Examiners also found that Cole Taylor Bank exhibited excellent responsiveness to credit and community development needs by supporting organizations that provide financing to small businesses and affordable housing for LMI individuals.

In evaluating the Service Test, examiners found that the bank’s delivery systems were readily accessible to the bank’s geographies and individuals of different income levels in its assessment area. Examiners observed that Cole Taylor Bank was a leader in providing community development services within its assessment area, and that the bank provided community development services through employee and officer involvement, most notably in leadership capacities, relating to banking and financial services.

During the course of the Cole Taylor Bank Evaluation, examiners did not find any evidence that Cole Taylor Bank engaged in discriminatory or other illegal credit practices.

B. Fair Lending and Other Consumer Protection Laws

The Board has considered the records of MB Financial Bank and Cole Taylor Bank in complying with fair lending and other consumer protection laws.[22] As part of this consideration, the Board reviewed the MB Financial Bank Evaluation and the Cole Taylor Bank Evaluation, assessed Cole Taylor Bank's HMDA data, and considered the comment on the application criticizing Cole Taylor Bank's lending record. The Board also considered MB Financial Bank's fair lending policies and procedures and confidential supervisory information.

HMDA Data and Fair Lending Analysis

The commenter focused on Cole Taylor Bank's lending record, alleging, based on 2011 HMDA data, that Cole Taylor Bank made a lower percentage of its mortgage loans to African Americans, Hispanics, and LMI borrowers than all lenders in the Chicago, Illinois, area. The commenter expressed concern that Cole Taylor Bank's underperformance in underserved markets would

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[22] The Board has entered into a Consent Order with Cole Taylor Bank for violations of section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45(a)(1) ("FTC Act"), related to disbursements of student loan funds for colleges and universities by an institution-affiliated party. Cole Taylor Bank terminated this arrangement in August 2013. As part of the Consent Order, Cole Taylor Bank has agreed that, in the event it enters into a similar relationship with another third-party student lender, it will develop a plan, acceptable to the Federal Reserve, to enhance its consumer compliance risk-management program to ensure that the soliciting, marketing, and servicing of the consumer deposit product in connection with the third party comply with all consumer protection laws and regulations, including section 5(a)(1) of the FTC Act. Cole Taylor Bank also agreed to pay a civil monetary penalty of $3.51 million. MB Financial has committed that the provisions of the Cease and Desist Order between Cole Taylor Bank and the Board that provide for restitution shall be binding upon MB Financial as a successor to Taylor Capital, taking into consideration MB Financial's plan to merge Cole Taylor Bank into MB Financial Bank.

compromise MB Financial Bank's above-average record of home lending to LMI borrowers and borrowers of color.

MB Financial represents that 2012 HMDA data show that Cole Taylor Bank made a larger percentage of HMDA-reportable loans to Hispanic borrowers than the aggregate of all lenders and that Cole Taylor Bank's percentage of HMDA loans to African American borrowers increased when compared to the 2011 percentage.

The Board reviewed Cole Taylor Bank's HMDA data in the Chicago area for the period 2010-13. The Board's analysis confirmed the disparities noted by the commenter for 2011. The data revealed that Cole Taylor Bank improved the number and percentage of its mortgage loans to African Americans in 2012 and 2013 but continued to lag the aggregate of all lenders. For Hispanic borrowers, the bank improved the number and percentage of its mortgage loan originations in 2012, exceeding the aggregate. In addition, compared to 2011, the data show that in 2012, the number and percentage of Cole Taylor Bank's mortgage loan originations to LMI borrowers and the borrowers in LMI census tracts improved and were consistent with the aggregate. The 2013 data showed that the bank's home loan originations to Hispanic borrowers and to LMI borrowers and communities were generally consistent with the aggregate.[23]

The Board is concerned when HMDA data for an institution indicate lending disparities and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that are consistent with safe and sound lending but also provide equal access to credit by creditworthy applicants, regardless of their race or ethnicity. Although the HMDA data may reflect certain

[23] The 2013 HMDA peer data are preliminary.

disparities in the rates of loan applications, originations, and denials among members of different racial and ethnic groups in certain local areas, HMDA data alone do not provide a sufficient basis on which to conclude whether Cole Taylor Bank excluded or denied credit to any group on a prohibited basis.[24]

In response to the lending disparities identified by the commenter, the Reserve Bank conducted a combination onsite and offsite examination of Cole Taylor Bank covering the portion of the Chicago-Naperville-Joliet, Illinois, Metropolitan Division that Cole Taylor Bank delineates as its assessment area, which consists of Cook, DuPage, and Lake counties, all in Illinois. As an initial matter, Reserve Bank examiners found that Cole Taylor Bank's assessment area did not present evidence of redlining, observing that majority-minority census tracts were not arbitrarily excluded. The Reserve Bank's examination also focused on the bank's home-mortgage lending patterns, marketing materials, and lending strategies.

In evaluating home-mortgage lending patterns, Reserve Bank examiners reviewed the bank's lending data from 2010-12 and did not find a trend of increasing lending disparities. Examiners noted that the bank's lending volumes to minorities had increased and that Cole Taylor Bank's originations exceeded the aggregate. In reviewing the bank's marketing, examiners noted that the bank's marketing campaigns included the entire assessment area, and the bank's

[24] The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of an applicant's creditworthiness. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (the reasons most frequently cited for a credit denial or higher credit cost) are not always available from HMDA data.

marketing practices and materials did not show evidence of redlining. Reserve Bank examiners found that the bank's loan and underwriting and pricing policies were neutral regarding the treatment of applicants. Reserve Bank examiners also reviewed the bank's policies, procedures, forms, credit applications, and lending practices for evidence of discrimination and to ensure compliance with fair lending laws.

As part of the scoping process for the Cole Taylor Bank Evaluation, underwriting and pricing analyses were performed using 2010 home mortgage data to analyze disparities by gender and ethnicity. The analysis found no statistically significant differences in denial rates or pricing factors based on gender or ethnicity.

MB Financial's Fair Lending Program

MB Financial has instituted policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations. The company's legal and compliance risk-management program includes a fair lending risk assessment that is updated annually, or more frequently based on material changes to the bank's strategy, operations, products or services; fair lending training for employees involved in all stages of the credit process; pricing analyses and data accuracy reviews by the compliance department; marketing material reviews; and regular monitoring of complaints.

MB Financial's internal audit department conducted a comparative file review of residential real estate loan applications received for the period 2011 through 2012, and no evidence of discriminatory practices was found. In addition, OCC examiners found no evidence of discriminatory or other illegal credit practices as part of the MB Financial Bank Evaluation.

On consummation of the transaction, MB Financial has committed to implement a compliance management system that combines the strengths of its and Cole Taylor Bank's fair lending programs and would increase the number of compliance staff. MB Financial would maintain the dedicated mortgage compliance unit and the fair lending program management function at Cole Taylor Bank's mortgage subsidiary, Cole Taylor Mortgage, LLC, and would update MB Financial's annual fair lending risk assessment to incorporate the scale and size of Cole Taylor Bank's mortgage business, as well as its loan servicing activities. MB Financial plans to establish a Fair Lending Action Committee, currently in use at Cole Taylor Bank, to manage fair lending risk. The committee would report to MB Financial's Operational and Compliance Risk Committee, which reports to executive management and MB Financial's Enterprise Risk Committee.

MB Financial has committed that, following consummation of the merger of MB Financial Bank with Cole Taylor Bank and consistent with the combined organization's capacity and opportunities for making qualified lending and investments, the combined organization will demonstrate that it has engaged in levels of qualified lending and investments, home mortgage lending, including lending to LMI communities and minority and LMI borrowers, small business lending, and community development lending and investments in LMI communities in the combined organization's assessment area that are commensurate with or that exceed MB Financial Bank's and Cole Taylor Bank's improved performance in 2012.

C. Additional Information on Convenience and Needs to be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits. The commenter alleged that the proposal would not provide a clear or significant public benefit.

MB Financial represents that the proposal would result in cost savings for the combined organization by consolidating redundant functions, including data processing. MB Financial notes that the combined organization would be able to provide customers with benefits through more efficient and cost-effective provision of banking services and would be able to dedicate additional resources to meeting the banking needs of its customers.

MB Financial also states that the proposal would offer customers convenience through a broader range of financial products. MB Financial represents that customers of Taylor Capital would have access to additional savings account products; general-use prepaid cards, gift cards, and secured credit cards; lower-cost remittances to Mexico; wealth management products; and additional products and services for business customers, such as capital markets services, international banking services, and treasury management products.

In addition, MB Financial represents that the merger would benefit current customers of Cole Taylor Bank through access to larger branch and ATM networks. The branch network available to MB Financial and Taylor Capital customers would increase from 85 and 9, respectively, to 94 branches. Customers of Cole Taylor Bank would also gain access to MB Financial's network of 121 bank-owned ATMs.

D. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by MB Financial, confidential supervisory information, and the public comment on the proposal. Based on the Board's analysis of the HMDA data, its evaluation of the lending operations and compliance programs of MB Financial Bank and Cole Taylor Bank, its review of examination reports, and its consultations with other agencies, the Board believes that the convenience and needs factor, including the CRA records of the insured depository institutions involved in this transaction, is consistent with approval of the application.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system."[25]

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[26] These categories are not exhaustive, and additional categories could inform the Board's

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[25] Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, 1601, codified at 12 U.S.C. § 1842(c)(7).

[26] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.[27]

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, MB Financial would have approximately $15.3 billion in consolidated assets and, by any of a number of alternative measures of firm size, would not be among the 75 largest U.S. financial institutions. The Board generally presumes that a merger that involves an acquisition of less than $2 billion in assets, or results in a firm with less than $25 billion in consolidated assets, will not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction. The companies engage and would continue to engage in traditional commercial banking activities. The resulting organization would experience small increases in the metrics that the Board considers to measure an institution's complexity and interconnectedness, with the resulting firm generally ranking outside of the top 50 U.S. financial institutions in terms of those metrics. For example, MB Financial's intrafinancial assets and liabilities would constitute a negligible share of the systemwide total, both before and after the transaction. The resulting organization would not engage in complex activities or provide critical services in such volume that disruption in such services would have a great impact

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[27] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

on the macroeconomic condition of the United States by disrupting trade or resulting in increased resolution difficulties.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by MB Financial with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this Order or later than three months thereafter, unless such period is extended for good cause by the Board or Reserve Bank, acting under delegated authority.

By order of the Board of Governors,[28] effective June 30, 2014.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

[28] Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.