FRB Order No. 2016-18
November 10, 2016

FEDERAL RESERVE SYSTEM

First Midwest Bancorp, Inc.
Itasca, Illinois

Order Approving the Merger of Bank Holding Companies, the Merger of Banks, and the Establishment of Branches

First Midwest Bancorp, Inc. ("First Midwest"), Itasca, Illinois, a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to merge with Standard Bancshares, Inc. ("Standard"), and thereby indirectly acquire Standard Bank and Trust Company ("SB&T"), both of Hickory Hills, Illinois.

In addition, First Midwest's subsidiary state member bank, First Midwest Bank, Itasca, Illinois, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act ("Bank Merger Act") to merge with SB&T, with First Midwest Bank as the surviving entity.[3] First Midwest Bank also has applied under section 9 of the Federal Reserve Act ("FRA") to establish and operate branches at the main office and branches of SB&T.[4]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (81 Federal Register 54577 (August 16, 2016)).[5] 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

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[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] 12 U.S.C. § 1828(c).

[4] 12 U.S.C. § 321. These locations are listed in the Appendix.

[5] 12 CFR 262.3(b).

BHC Act, the Bank Merger Act, and the FRA. As required by the Bank Merger Act, a report on the competitive effects of the merger was requested from the United States Attorney General, and a copy of the request has been provided to the Federal Deposit Insurance Corporation ("FDIC").

First Midwest, with consolidated assets of approximately $11.0 billion, is the 115th largest insured depository organization in the United States.[6] First Midwest controls approximately $9.0 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. First Midwest controls First Midwest Bank, which operates in Illinois, Indiana, and Iowa. First Midwest is the 13th largest insured depository institution in Illinois, controlling deposits of approximately $7.4 billion, which represent 1.6 percent of the total deposits of insured depository institutions in that state. First Midwest is the 25th largest insured depository institution in Indiana, controlling deposits of approximately $803.6 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

Standard, with consolidated assets of approximately $2.5 billion, is the 350th largest insured depository organization in the United States. Standard controls approximately $2.2 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Standard controls SB&T, which operates in Illinois and Indiana. Standard is the 26th largest insured depository institution in Illinois, controlling deposits of approximately $1.9 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state. Standard is the 62nd largest insured depository institution in Indiana, controlling deposits of approximately $241.2 million,

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[6] National asset data, market share, and ranking data are as of June 30, 2016, unless otherwise noted. State asset data, market share, and ranking data are as of June 30, 2015, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, First Midwest would become the 101st largest insured depository organization in the United States, with consolidated assets of approximately $13.4 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. First Midwest would control consolidated deposits of approximately $11.2 billion, which represent less than 1 percent of the total amount of deposits of insured depository organizations in the United States. First Midwest would remain the 13th largest insured depository organization in Illinois, controlling deposits of approximately $9.4 billion, which represent 2 percent of the total deposits of insured depository institutions in that state. First Midwest would become the 23rd largest insured depository organization in Indiana, controlling deposits of approximately $1.0 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.[7] Under this section, the Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the bank has not been in existence for the lesser of the state statutory minimum period of time or five years.[8] In addition, the Board may not approve an interstate application if the bank holding company controls or would upon consummation of the proposed transaction control more than 10 percent of the total deposits of insured depository institutions in the United

[7] 12 U.S.C. § 1842(d)(1)(A).

[8] 12 U.S.C. § 1842(d)(1)(B).

States[9] or, in certain circumstances, the bank holding company would upon consummation control 30 percent or more of the total deposits of insured depository institutions in the target bank's home state or in any state in which the acquirer and target have overlapping banking operations.[10]

For purposes of the BHC Act, the home state of both First Midwest and SB&T is Illinois.[11] SB&T also is located in Indiana. First Midwest is well capitalized and well managed, and First Midwest Bank has an "Outstanding" Community Reinvestment Act of 1977 ("CRA")[12] rating. There are no minimum age requirements under the laws of Indiana that would apply to First Midwest's acquisition of Standard, and SB&T has been in existence for more than five years.[13]

On consummation of the proposed transaction, First Midwest would control less than 1 percent of the total amount of consolidated deposits in insured depository

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[9] Similarly, the Bank Merger Act provides that, in general, the Board may not approve a bank merger if the transaction involves insured depository institutions with different home states and the resulting bank would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States. 12 U.S.C. § 1828(c)(13). For purposes of the Bank Merger Act, the home state of both First Midwest Bank and SB&T is Illinois. 12 U.S.C. § 1828(c)(13)(C)(ii)(II). Accordingly, the deposit cap requirement of the Bank Merger Act does not apply to the proposed bank merger.

[10] 12 U.S.C. § 1842(d)(2)(A) and (B). The acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

[11] See 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. A state bank's home state is the state in which the bank is chartered.

[12] 12 U.S.C. § 2901 et seq.

[13] See Ind. Code § 28-2-17.

institutions in the United States. Illinois imposes a 30 percent limit on the total amount of in-state deposits that a single banking organization may control.[14] The combined organization would control approximately 2 percent of the total amount of deposits of insured depository institutions in Illinois, and approximately 1 percent of the total amount of deposits of insured depository institutions in Indiana, the only states in which First Midwest and Standard have overlapping banking operations. The Board has considered all other requirements under section 3(d) of the BHC Act, including First Midwest's record of meeting the credit needs of the communities it serves. In light of all the facts of record, the Board may approve the proposal under section 3(d) of the BHC Act.[15]

Competitive Considerations

Section 3 of the BHC Act and the Bank Merger Act prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.[16] Both statutes also prohibit 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.[17]

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[14] 205 Ill. Comp. Stat. 5/21.3(a). Indiana does not impose a limit on the total amount of in-state deposits that a single banking organization may control.

[15] Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act") permits the Board, in certain circumstances, to approve interstate merger transactions that would otherwise be prohibited under state law. 12 U.S.C. § 1831u(a)(1). For purposes of the Riegle-Neal Act, an "interstate merger transaction" is one in which the insured banks proposing to merge have different home states. See 12 U.S.C. § 1831u(g)(4) and (6). The home state of both First Midwest Bank and SB&T is Illinois; therefore, section 102 of the Riegle-Neal Act does not apply to the proposed bank merger. Id.

[16] 12 U.S.C. §§ 1842(c)(1) and 1828(c)(5).

[17] 12 U.S.C. §§ 1842(c)(1)(B) and 1828(c)(5)(B).

First Midwest and Standard have subsidiary depository institutions that compete directly in the Chicago, Illinois, banking market ("Chicago market") and the Gary-Hammond, Indiana, banking market ("Gary-Hammond market").[18] The Board has considered the competitive effects of the proposal in these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the markets; the relative shares of total deposits in insured depository institutions in the markets ("market deposits") that First Midwest would control;[19] the concentration levels of market deposits and the increase in these levels, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[20] and other characteristics of the markets.

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[18] The Chicago market is defined as Cook, DuPage, Lake, Will, Kane, McHenry, Kendall, DeKalb, Grundy, and Kankakee counties; the Milks Grove, Chebanse, Papineau, Beaverville, Ashkum, Martinton, and Beaver townships in Iroquois County; Roger, Mona, Pella, and Brenton townships in Ford County, all in Illinois; and the Pleasant Prairie, Bristol, Salem, and Randall townships in Kenosha County, Wisconsin. The Gary-Hammond market is defined as Lake, Porter, La Porte, Newton, and Jasper counties, all in Indiana; and the Center, Jackson, California (minus the city of Bass Lake), Wayne, and Railroad townships in Starke County, Indiana.

[19] Local deposit and market share data are as of June 2015, 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).

[20] 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 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

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines for the Chicago and Gary-Hammond markets. On consummation of the proposal, the Chicago and Gary-Hammond markets would remain unconcentrated. The change in the HHI in these markets would be small, and numerous competitors would remain in the markets.[21]

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market, including the Chicago and Gary-Hammond markets. 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

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confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

[21] First Midwest operates the 12th largest depository institution in the Chicago market, controlling approximately $7.4 billion in deposits, which represent approximately 2 percent of market deposits. Standard operates the 20th largest depository institution in the market, controlling approximately $1.9 billion in deposits, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, First Midwest would remain the 12th largest depository institution in the market, controlling deposits of approximately $9.3 billion, which represent approximately 2.5 percent of market deposits. The HHI for the Chicago market would increase by 2 points to 987, and 186 competitors would remain in the market. First Midwest operates the 6th largest depository institution in the Gary-Hammond market, controlling approximately $803.6 million in deposits, which represent approximately 6 percent of market deposits. Standard operates the 13th largest depository institution in the market, controlling approximately $241.2 million in deposits, which represent approximately 1.8 percent of market deposits. On consummation of the proposed transaction, First Midwest would become the 4th largest depository institution in the market, controlling deposits of approximately $1 billion, which represent approximately 7.8 percent of market deposits. The HHI for the Gary-Hammond market would increase by 21 points to 955, and 30 competitors would remain in the market.

concentration of resources in the Chicago or Gary-Hammond banking markets or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under the BHC Act and the Bank Merger Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.[22] In its evaluation of the financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding 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, as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, 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 to complete the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

First Midwest and First Midwest Bank are both well capitalized, and the combined entity would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a share exchange, with a subsequent merger of the subsidiary depository institutions.[23] The asset quality,

[22] 12 U.S.C. §§ 1842(c)(2), (5), and (6), and 1828(c)(5) and (11).

[23] To effect the holding company merger, Benjamin Acquisition Corporation, a wholly owned subsidiary of First Midwest recently formed to facilitate the transaction, would merge with Standard, with Standard as the surviving entity ("Acquisition Merger"), and

earnings, and liquidity of First Midwest Bank and SB&T are consistent with approval, and First Midwest appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

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 First Midwest, Standard, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by First Midwest; the Board's supervisory experiences with First Midwest and Standard and those of other relevant bank supervisory agencies with the organizations; and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws.

First Midwest, Standard, and their subsidiary depository institutions are considered to be well managed. First Midwest has a record of successfully integrating organizations into its operations and risk-management systems after acquisitions. First Midwest's existing risk-management program and its directorate and senior management are considered satisfactory. The directors and senior executive officers of First Midwest have substantial knowledge of and experience in the banking and financial services sectors. First Midwest's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered First Midwest's plans for implementing the proposal. First Midwest has conducted comprehensive due diligence and is devoting

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immediately thereafter, Standard would merge with First Midwest, with First Midwest as the surviving entity. Upon consummation of the Acquisition Merger, each share of Standard common stock would be converted into the right to receive First Midwest common stock based on an exchange ratio. Following the holding company mergers, SB&T would merge with and into First Midwest Bank, with First Midwest Bank as the resulting entity.

significant financial and other resources to address all aspects of the post-integration process for this proposal. First Midwest would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, First Midwest's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and First Midwest plans to integrate Standard's existing management and personnel in a manner that augments First Midwest's management.[24]

Based on all the facts of record, including First Midwest's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, in addition to the comment received on the proposal, the Board concludes 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 First Midwest and Standard in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under the BHC Act and the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[25] In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the

[24] On consummation, three individuals serving as senior management officials at Standard or SB&T will serve as senior management officials at the First Midwest banking organization. These individuals include Standard's chief executive officer, who will serve as First Midwest's market president of the South Metro Chicago region and is expected to be appointed as a member of the board of directors of First Midwest Bank.

[25] 12 U.S.C. §§ 1842(c)(2) and 1828(c)(5).

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,[26] and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[27]

In addition, the Board considers the banks' overall compliance records and the results of recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, its marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of First Midwest Bank and SB&T; the fair lending and compliance records of both banks; the supervisory views of the FDIC; confidential supervisory information; information provided by First Midwest; and the comment received on the proposal.[28]

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[26] 12 U.S.C. § 2901(b).

[27] 12 U.S.C. § 2903.

[28] A community organization requested that the Board condition its approval of the proposal upon First Midwest creating a CRA plan with input from the public. First Midwest has responded that it has a history of strong CRA performance that reflects the effectiveness and consistency of its CRA-related activities, strategies, and community outreach. The Board consistently has found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organizations. See, e.g., Huntington Bancshares Inc., FRB Order No. 2016-13 at 32 n.50 (July 29, 2016); CIT Group, Inc., FRB Order

Businesses of the Involved Institutions

First Midwest Bank offers a broad range of retail and commercial banking products and services to consumers and businesses. Through its network of approximately 110 branches located in Illinois, Indiana, and Iowa, First Midwest Bank offers a variety of banking products, including commercial, residential, agricultural, and consumer loans; personal checking and savings accounts; money market accounts; certificates of deposit; and capital market and treasury management services.

SB&T offers a more limited range of retail and commercial products through 35 branches located in Illinois and Indiana. Its products include personal checking and savings accounts, debit and credit cards, and certificates of deposit, as well as commercial, real estate, and consumer loans. SB&T also offers trust and wealth management services.

Records of Performance under the CRA

As indicated above, in evaluating the convenience and needs factor and CRA performance, the Board considers substantial information. In particular, 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, as well as information and views provided by the appropriate federal supervisors.[29] In this case, the Board considered the supervisory views of its supervisory staff and of examiners from the Federal Reserve Bank of Chicago ("Reserve Bank") and the FDIC.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting

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No. 2015-20 at 24 n.54 (July 19, 2015); Citigroup Inc., 88 Federal Reserve Bulletin 485 (2002); Fifth Third Bancorp, 80 Federal Reserve Bulletin 838, 841 (1994). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas.

[29] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

the credit needs of its entire community, including LMI neighborhoods.[30] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act ("HMDA"), in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas; (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its assessment areas and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;[31] (4) the institution's community development lending, including the number

[30] 12 U.S.C. § 2906.

[31] Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of $1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if

and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

CRA Performance of First Midwest Bank

First Midwest Bank was assigned an overall rating of "Outstanding" at its most recent CRA performance evaluation by the Reserve Bank, as of March 2, 2015 ("First Midwest Bank Evaluation").[32] The bank received "Outstanding" ratings for each of the Lending Test, the Investment Test, and the Service Test.[33]

Examiners concluded that the bank's overall lending levels reflected good responsiveness to credit needs in its assessment areas. Examiners noted that a substantial majority of the bank's loans were made to borrowers within its assessment areas. Overall, examiners found that the geographic distribution of the bank's loans reflected excellent penetration throughout its assessment areas. Examiners also found that, given the product lines offered by the bank, the distribution of its borrowers reflected excellent penetration among borrowers of different income levels and businesses and farms of different sizes.

Examiners also determined that First Midwest Bank exhibited an excellent record of serving the credit needs of low-income individuals and areas and of very small businesses and farms. The bank was found to have made extensive use of innovative and

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applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

32 The First Midwest Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loans reported, pursuant to HMDA and CRA data collection requirements (geographic distribution and borrower distribution) in 2012 and 2013. The evaluation period for community development lending, investments, and services was August 27, 2012, through March 2, 2015.

33 The First Midwest Bank Evaluation included full-scope evaluations of the Chicago-Joliet-Naperville, Illinois-Indiana-Wisconsin Multistate Metropolitan Statistical Area ("MSA"); the Davenport-Moline-Rock Island, Iowa-Illinois MSA; and Non-Metropolitan Illinois (consisting of Knox and La Salle counties). Limited-scope evaluations were performed in the Champaign-Urbana, Illinois, MSA and the Danville, Illinois, MSA.

flexible lending practices, such as products designed to improve borrowers' credit histories, loan modifications for LMI borrowers and businesses, and lending through federal and state programs that support small businesses and homeownership. In addition, examiners noted that First Midwest Bank was a leader in making community development loans, particularly in the Chicago market. Examiners found that the bank originated loans that resulted in a meaningful impact in its assessment areas and actively sought community development lending opportunities.

Examiners found First Midwest Bank's delivery systems to be readily accessible to all sections of the bank's assessment areas, including to individuals of different income levels. Examiners noted that the bank's business hours and services did not vary in a way that inconvenienced any portion of its assessment areas. Examiners also noted that the bank was a leader in providing community development services and that it conducted a variety of financial literacy and technical assistance programs in its assessment areas.

First Midwest Bank's Efforts since the First Midwest Bank Evaluation

First Midwest represents that, since the First Midwest Bank Evaluation, First Midwest Bank has remained active in marketing products and services specifically designed for LMI individuals and that it regularly participates in federal and state loan programs that are structured to accommodate community credit needs. Since its last evaluation, First Midwest Bank has made a significant amount of community development loans and substantial qualified community development investments. First Midwest represents that the bank has provided financial educational resources such as classes and direct counseling to individuals within its assessment areas, many of whom have limited financial literacy or credit impediments. First Midwest also represents that the bank has collaborated with community organizations that promote initiatives such as homeownership and financial literacy.

CRA Performance of SB&T

SB&T received an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of October 27, 2014 ("SB&T Bank

Evaluation"),[34] with a rating of "High Satisfactory" for the Lending Test, "Low Satisfactory" for the Investment Test, and "Outstanding" for the Service Test.[35]

Examiners concluded that SB&T's overall lending levels reflected good responsiveness to credit needs in its assessment area. Examiners noted that a substantial majority of the bank's small business and home mortgage loans were made in its assessment area. Examiners found that, given the products offered by the bank, its distribution of borrowers reflected good penetration among businesses of different sizes and retail customers of different income levels. Examiners also found that the geographic distribution of the bank's loans reflected adequate penetration throughout its assessment area. In addition, examiners noted that the bank made use of flexible lending products, including home mortgage loan products designed for LMI individuals. Examiners also noted that the bank made a relatively high level of community development loans. According to examiners, bank employees and management maintained contact with a variety of community-based organizations, which facilitated the bank's awareness of community development opportunities.

Examiners found that SB&T made a reasonable amount of community development investments based on the bank's capacity and the community development needs present in its assessment area. Examiners also found that SB&T was a leader in providing community development services, particularly in support of financial literacy initiatives to LMI individuals. In addition, examiners found the bank's delivery systems to be reasonably accessible to essentially all portions of the institution's assessment areas.

[34] The SB&T Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loans reported pursuant to HMDA and CRA data collection requirements (geographic distribution and borrower distribution) from January 1, 2012, through June 30, 2014. The evaluation period for community development loans, investments, and services was from August 29, 2011, through October 27, 2014.

[35] The SB&T Bank Evaluation included full-scope evaluations of DuPage, Grundy, and Will counties in the Chicago-Joliet-Naperville, Illinois, Metropolitan Division; and Lake and Porter counties in the Gary, Indiana, Metropolitan Division.

Examiners also found that the bank's services, including its business hours, did not vary in a way that inconvenienced any portions of its assessment area.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. First Midwest represents that it plans to continue its current offering of products and services upon consummation of the proposal. First Midwest represents that customers of Standard would have access to a complement of products and services that are more expansive than those currently available to Standard customers, including broader types of commercial and consumer banking products and services, and a more robust online and mobile banking services platform. First Midwest represents that customers of Standard would gain access to capital market and treasury management services. In addition, First Midwest asserts that customers of both institutions would benefit from a more expansive branch network. Following the proposed transaction, First Midwest represents that it will continue its existing CRA programs and initiatives and expand those programs and initiatives to markets currently served by SB&T. First Midwest also represents that it plans to further support the availability of residential loans to LMI individuals by hiring at least five additional community development lending officers who will operate throughout First Midwest Bank's assessment areas.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA records of the relevant depository institutions involved, the institutions' records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by First Midwest, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act and the Bank Merger Act to require the Board to consider a proposal's "risk to the stability of the United States banking or financial system."[36]

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.[37] These categories are not exhaustive, and additional categories could inform the Board's 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.[38]

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, First Midwest would have approximately $13.4 billion in consolidated assets and, by any of a number of alternative measures of firm size, First Midwest would not be likely to pose systemic

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[36] Sections 604(d) and (f) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, 1601–1602, codified at 12 U.S.C. §§ 1842(c)(7) and 1828(c)(5).

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

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

risks. The Board generally presumes that a proposal that 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.

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 determines that considerations relating to financial stability are consistent with approval.

Establishment of Branches

First Midwest Bank has applied under section 9 of the FRA to establish branches at the current locations of SB&T.[39] The Board has assessed the factors it is required to consider when reviewing an application under that section.[40] Specifically, the Board has considered First Midwest Bank's financial condition, management, capital, actions in meeting the convenience and needs of the communities to be served, CRA performance, and investment in bank premises. For the reasons discussed in this order, the Board finds those factors to be consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal 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

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[39] See 12 U.S.C. § 321. Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. Thus, state member banks may retain any branch following a merger that was a branch of any bank participating in the merger prior to February 25, 1927, or under state law, may be established as a new branch of the resulting bank or retained as an existing branch of the resulting bank. See 12 U.S.C. §§ 36(b)(2) and (c). Upon consummation, all of First Midwest Bank's branches would be permissible under applicable state law. See 205 Ill. Comp. Stat. 5/5(15)(a); Ind. Code § 28-2-13-19; Iowa Code Ann. § 524.1201.

[40] 12 U.S.C. § 322; 12 CFR 208.6.

consider under the BHC Act, the Bank Merger Act, the FRA, and other applicable statutes. Approval of this proposal is specifically conditioned on compliance by First Midwest with all the conditions set forth in this Order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the proposal. 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 by the Reserve Bank acting under delegated authority.

By order of the Board of Governors,[41] effective November 10, 2016.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

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

Appendix

Illinois Branches to Be Established

1. 7800 West 95th Street, Hickory Hills, Illinois
2. 282 North Weber Road, Bolingbrook, Illinois
3. 1968 Sibley Boulevard, Calumet City, Illinois
4. 10635 South Ewing Avenue, Chicago, Illinois
5. 3747 North Clark Street, Chicago, Illinois
6. 836 West Irving Park Road, Chicago, Illinois
7. 20 South Kankakee Street, Coal City, Illinois
8. 2400 West 95th Street, Evergreen Park, Illinois
9. 128 Depot Street, Gardner, Illinois
10. 19997 South La Grange Road, Frankfort, Illinois
11. 2398 Essington Road, Joliet, Illinois
12. 16545 West 159th Street, Lockport, Illinois
13. 8601 West Ogden Avenue, Lyons, Illinois
14. 515 U.S. Route 6, Minooka, Illinois
15. 1111 West U.S. Route 6, Morris, Illinois
16. 1433 Lisbon Street, Morris, Illinois
17. 1607 North Aurora Road, Naperville, Illinois
18. 456 Nelson Road, New Lenox, Illinois
19. 8380 West Cermak Road, North Riverside, Illinois
20. 15901 South Central Avenue, Oak Forest, Illinois
21. 4001 West 95th Street, Oak Lawn, Illinois
22. 4700 West 111th Street, Oak Lawn, Illinois
23. 15900 South Wolf Road, Orland Park, Illinois
24. 9700 West 131st Street, Palos Park, Illinois
25. 11901 Southwest Highway, Palos Park, Illinois
26. 970 Brook Forest Avenue, Shorewood, Illinois
27. 1 West Roosevelt Road, Villa Park, Illinois
28. 1005 South Water Street, Wilmington, Illinois

Indiana Branches to Be Established

29. 755 Indian Boundary Road, Chesterton, Indiana
30. 4518 Indianapolis Boulevard, East Chicago, Indiana
31. 7007 Calumet Avenue, Hammond, Indiana
32. 2930 Ridge Road, Highland, Indiana
33. 2090 East Commercial Avenue, Lowell, Indiana
34. 579 West Lincoln Highway, Merrillville, Indiana
35. 9321 Wicker Avenue, Saint John, Indiana