

FEDERAL RESERVE SYSTEM

Associated Banc-Corp
Green Bay, Wisconsin

Order Approving the Merger of Bank Holding Companies

Associated Banc-Corp (“Associated”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act¹ to merge with State Financial Services Corporation (“State Financial”), Milwaukee, and thereby acquire its subsidiary bank, State Financial Bank, National Association (“State Bank”), Hales Corners, all of Wisconsin.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (70 Federal Register 38,930 (2005)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Associated, with total consolidated assets of approximately \$20.8 billion, operates one depository institution, Associated Bank, National Association (“Associated Bank”), also in Green Bay, with branches in Wisconsin, Illinois, and Minnesota.² Associated Bank is the third largest depository institution in Wisconsin,

¹ 12 U.S.C. § 1842.

² Associated Bank Minnesota, National Association, Minneapolis, Minnesota, and Associated Bank Chicago, Chicago, Illinois, were merged into Associated Bank on July 16, 2005. Asset, deposit, and ranking data are as of June 30, 2004, and are adjusted to reflect these mergers. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

controlling deposits of approximately \$8.4 billion, which represent 8.7 percent of the total amount of deposits of insured depository institutions in the state (“state deposits”). Associated Bank is the 23rd largest depository institution in Illinois, controlling deposits of approximately \$2.2 billion, which represent less than 1 percent of the total amount of state deposits.

State Financial, with total consolidated assets of approximately \$1.5 billion, operates one depository institution, State Bank, with branches in Wisconsin and Illinois. State Financial is the 24th largest insured depository organization in Wisconsin, controlling deposits of approximately \$472.1 million. State Bank is the 63rd largest depository institution in Illinois, controlling deposits of approximately \$595.3 million.

On consummation of the proposal, Associated would have consolidated assets of approximately \$22.5 billion and would control deposits of \$13.2 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Associated would remain the third largest depository organization in Wisconsin, controlling deposits of approximately \$8.9 billion, which represent 9.2 percent of state deposits. Associated would become the 19th largest depository organization in Illinois, controlling deposits of approximately \$2.8 billion, which represent 1 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met. For

purposes of the BHC Act, the home state of Associated is Wisconsin,³ and State Financial is located in Wisconsin and Illinois.⁴

Based on a review of the facts of record, including a review of relevant state statutes, the Board finds that all conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.⁵ In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

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 an attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest

³ A bank holding company's home state is the state in which the total deposits of all subsidiary banks of the company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

⁴ For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and (d)(2)(B). Associated Bank also operates branches in Minnesota and Illinois.

⁵ 12 U.S.C. §§ 1842(d)(1)(A)-(B), 1842(d)(2)(A)-(B). Associated is adequately capitalized and adequately managed, as defined by applicable law. Associated's proposed acquisition of State Financial's branches in Illinois is not subject to the minimum age requirement or deposit limit imposed by Illinois law. On consummation of the proposal, Associated would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Illinois. All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

by the probable effect of the proposal in meeting the convenience and needs of the community to be served.⁶

Associated and State Financial compete directly in the Milwaukee and Walworth banking markets in Wisconsin and the Chicago banking market in Illinois.⁷ The Board has carefully reviewed the competitive effects of the proposal in each of these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the relative shares of total deposits in depository institutions in each market (“market deposits”) controlled by Associated Bank and State Bank,⁸ the concentration level of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”),⁹ and other characteristics of the markets.

⁶ 12 U.S.C. § 1842(c)(1).

⁷ The Milwaukee banking market is defined as Milwaukee, Waukesha, and Ozaukee Counties; East Troy township in Walworth County; Waterford, Norway, and Raymond townships in Racine County; Ixonia township in Jefferson County; and Polk, Jackson, Richfield, and Germantown townships in Washington County, all in Wisconsin. The Walworth banking market is defined as Walworth County, excluding East Troy township; Burlington township in Racine County; and Wheatland and Randall townships in Kenosha County, all in Wisconsin. The Chicago banking market is defined as Cook, DuPage, and Lake Counties, all in Illinois.

⁸ Deposit and market share data are as of June 30, 2004, 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 of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); 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).

⁹ Under the DOJ Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Guidelines in each of these banking markets. After consummation, the Milwaukee banking market would remain moderately concentrated, and the Walworth and Chicago banking markets would remain unconcentrated, as measured by the HHI. In each market, the increase in concentration would be small and numerous competitors would remain.¹⁰

The Department of Justice also has reviewed the anticipated competitive effects of the proposal and advised the Board that consummation of the proposal would not likely have a significant 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 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 any of the banking markets in which Associated and State Financial directly compete or in any other relevant banking market. Accordingly, based on all the facts of record, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository

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 will 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. The DOJ has stated that the higher than normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognize the competitive effects of limited-purpose and other nondepository financial entities.

¹⁰ The effects of the proposal on the concentration of banking resources in these banking markets are described in the appendix.

institutions involved in the proposal and certain other supervisory factors. The Board has considered these factors in light of all the facts of record, including confidential reports of examination, other supervisory information from the primary federal supervisors of the organizations involved in the proposal, publicly reported and other financial information, and information provided by the applicant.

In evaluating financial factors in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary banks and significant nonbanking operations. In this evaluation, the Board considers a variety of measures, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

Based on its review of these factors, the Board finds that Associated has sufficient financial resources to effect the proposal. The proposed transaction is structured as a share exchange and cash purchase. Associated will use existing resources to fund a cash purchase of fractional shares. Associated and Associated Bank are well capitalized and would remain so on consummation of the proposal.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of Associated, State Financial, and their subsidiary banks, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking law. Associated, State Financial, and their subsidiary depository institutions are considered to be well managed. The

Board also has considered Associated's plans for implementing the proposal, including its proposed management after consummation.

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 are consistent with approval, as are the other supervisory factors under the BHC Act.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also 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 insured 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, 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.¹²

The Board has considered carefully all the facts of record, including data reported by Associated under the Home Mortgage Disclosure Act ("HMDA"),¹³ reports of examination of the CRA performance records of the subsidiary banks of Associated and State Financial,¹⁴ other information provided by Associated,

¹¹ 12 U.S.C. § 2901 et seq.

¹² 12 U.S.C. § 2903.

¹³ 12 U.S.C. § 2801 et seq.

¹⁴ The Board's analysis of the HMDA data of Associated Bank includes HMDA data reported by Associated Bank, Associated Bank's subsidiary mortgage lending company, and Associated's subsidiary banks that were subsequently merged into

confidential supervisory information, and public comment received on the proposal. A commenter alleged, based on 2003 HMDA data, that Associated Bank had low levels of home mortgage lending to LMI borrowers and on properties in LMI census tracts, and to minority borrowers and on properties in substantially minority census tracts, in the Milwaukee/Waukesha Metropolitan Statistical Area (“Milwaukee MSA”).¹⁵ The commenter also criticized Associated Bank’s record of small business lending in LMI census tracts in the Milwaukee MSA. In addition, the commenter criticized Associated Bank’s and State Bank’s levels of community development investments in LMI and minority communities in that MSA.

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. 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 of the institution’s overall record of performance under the CRA by its appropriate federal supervisor.¹⁶

Associated Bank received a “satisfactory” rating at its most recent CRA evaluation by the Office of the Comptroller of the Currency (“OCC”),¹⁷ as of

Associated Bank. The Board reviewed HMDA data for 2002 and 2003 reported by Associated Bank in the bank’s primary assessment areas. Specifically, the Board reviewed HMDA data for Associated Bank in the Green Bay and Milwaukee MSAs and in the bank’s assessment areas on a statewide basis in Wisconsin.

¹⁵ A substantially minority census tract means a census tract with a minority population of 50 percent or more.

¹⁶ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

¹⁷ Examiners evaluated Associated Bank’s CRA performance in its 12 assessment areas in Wisconsin and took into consideration the home mortgage lending of the bank’s subsidiary, Associated Mortgage, Inc., De Pere, Wisconsin. The majority of

November 10, 2003.¹⁸ State Bank received an overall rating of “satisfactory” at its most recent CRA performance evaluation by the OCC, as of August 26, 2002.¹⁹ The Board also consulted with the OCC about the CRA performance of Associated Bank and State Bank since their most recent CRA evaluations.²⁰ Associated has indicated that, on consummation of the proposal, it would evaluate the best practices for CRA-related lending programs of Associated Bank and State Bank, with the goal of using the institutions’ combined resources to meet the credit and banking needs of LMI individuals and neighborhoods, including minority neighborhoods.²¹

Associated Bank. The November 2003 CRA evaluation of Associated Bank was discussed in the Board’s order approving Associated’s proposal

the bank’s deposits, loans, and branches were in the Milwaukee and Green Bay MSAs and in the non-MSA areas of Wisconsin. The evaluation period for home mortgage loans and loans to small businesses and farms was January 1, 1999, through December 31, 2002. The evaluation period for community development loans and the investment and service tests was March 8, 1999, to November 10, 2003.

¹⁸ As noted, Associated Bank Minnesota, National Association and Associated Bank Chicago were merged into Associated Bank on July 16, 2005. The most recent CRA performance evaluation ratings for these banks are as follows: Associated Bank Chicago – “satisfactory” rating from the Federal Deposit Insurance Corporation, as of December 1, 2003; and Associated Bank Minnesota, National Association – “satisfactory” rating from the OCC, as of December 6, 2004. Associated Trust Company, National Association, Milwaukee, is a limited-purpose trust company that is not examined under the CRA. See 12 CFR 25.11(c)(3).

¹⁹ The evaluation period for home mortgage loans and loans to small businesses was January 1, 2000, through June 30, 2002. The evaluation period for community development loans and the investment and services tests was May 1, 2000, to August 26, 2002.

²⁰ Associated has filed an application under the Bank Merger Act (12 U.S.C. § 1828(c)) with the OCC to merge State Bank into Associated Bank, with Associated Bank as the surviving entity.

²¹ The commenter expressed concern that the proposed acquisition would negatively affect State Bank’s CRA performance, which the commenter asserted was stronger than Associated Bank’s performance.

to acquire First Federal Capital Corporation (“First Federal Capital”) and its wholly owned subsidiary, First Federal Capital Bank, a federally chartered savings association, both in La Crosse, Wisconsin.²² Based on a review of the record in this case, the Board hereby reaffirms and adopts the facts and findings detailed in the First Federal Capital Order concerning Associated Bank’s CRA performance record. Associated provided the Board additional information about its CRA performance since its November 2003 evaluation.

In the November 2003 evaluation, examiners reported that the total volume of Associated Bank’s housing-related and small business loans demonstrated excellent responsiveness to credit needs across the bank’s assessment areas, including the Milwaukee MSA.²³ Examiners stated that the bank demonstrated good loan distribution among borrowers of different geographies and income levels and noted favorably that the bank’s market share of home purchase loans to low-income areas exceeded its overall market share in the Milwaukee MSA. Examiners noted,

²² The First Federal Capital proposal was approved by the Board on August 16, 2004 (“First Federal Capital Order”). Associated Banc-Corp, 90 Federal Reserve Bulletin 503 (2004).

²³ The commenter expressed concern that Associated Bank lagged its competitors in home mortgage lending to LMI individuals and on properties in LMI census tracts in the Milwaukee MSA. The percentages of Associated Bank’s total HMDA-reportable loans originated for borrowers in LMI census tracts in the Milwaukee MSA was below the percentage for the aggregate of lenders (“aggregate lenders”) in 2003. However, the number of loans Associated Bank originated on properties in LMI census tracts in the Milwaukee MSA increased substantially from 2002 to 2003. In addition, other HMDA data suggest that Associated Bank’s lending is more favorable. For example, the HMDA data for 2003 indicate that the percentages of Associated Bank’s total HMDA-reportable loans originated to LMI borrowers in the Milwaukee MSA exceeded the percentage for the MSA’s aggregate lenders. In this context, the lending data of the aggregate lenders represent the cumulative lending for all financial institutions that have reported HMDA data in a particular area.

however, that Associated Bank's opportunity to extend home finance loans in LMI areas was limited by the small number of owner-occupied units in those geographies.

Associated stated that the HMDA data did not reflect all its lending programs designed to assist LMI borrowers and small businesses. Associated represents that it participates in the home purchase and home improvement loan programs of the Wisconsin Housing and Economic Development Authority ("WHEDA"), which offer long-term, below-market, fixed-rate financing for LMI first-time homebuyers and home improvement loans at fixed interest rates with no equity requirements for LMI homeowners.²⁴ Associated stated that it has provided more than \$93 million in funding for WHEDA loans during the years 2001 through 2004. Associated noted that it was the state's largest WHEDA loan producer in 2004 and had quadrupled its number and dollar volume of loans extended under the program from 2003 to 2004, from 147 loans totaling \$13.6 million to 609 loans totaling \$59.2 million.²⁵ In addition, Associated stated that it has further met the credit needs of its communities through participation in lending programs sponsored by the Small Business Administration ("SBA") and has extended more than \$44 million in such loans during 2004.²⁶

In the November 2003 evaluation, examiners reported that the bank's level of qualified investments and grants was good, considering the needs and

²⁴ Associated also noted that it participates in several Federal Home Loan Affordable Housing programs that provide down-payment and closing-cost assistance to LMI borrowers. In addition, Associated Bank recently started its own Community Affordable Real Estate Mortgage Program ("CARE"). The CARE program provides low-cost loans with no down-payment requirements for qualified buyers in LMI areas, including LMI areas in the Milwaukee MSA.

²⁵ These loans were not eligible for reporting as part of Associated Bank's HMDA data.

²⁶ Associated Bank stated that it has Preferred Lender and Dedicated Authority Express designations from the SBA, which expedite the lending process.

opportunities available to the bank and its size and financial capability.²⁷ During the evaluation period, the bank's qualified investments in Wisconsin totaled more than \$14 million. Examiners stated that Associated Bank's responsiveness to credit and community development needs in the Milwaukee MSA was excellent and that the bank was responsive to those identified needs of the community.²⁸

In addition, examiners found that Associated Bank had an adequate level of community development services and that the bank's delivery systems were reasonably accessible to geographies and individuals of different income levels.²⁹

State Bank. As noted, State Bank received an overall "satisfactory" rating in its August 2002 evaluation. The institution received a "high satisfactory" rating under the lending and service tests. Examiners commended the bank's home mortgage loan record among borrowers of different income levels, including LMI individuals. In particular, examiners noted that the bank originated a higher percentage of its home purchase loans in the Milwaukee MSA to LMI borrowers than both the percentage of owner-occupied units and the bank's overall market share for home purchase loans in the MSA. Examiners also noted that State Bank

²⁷ The commenter expressed concern that Associated Bank's qualified investments in the Milwaukee MSA were primarily CRA-qualified, mortgage-backed securities and not direct grants. The CRA does not require banks to provide any particular type of qualified CRA investments to meet the credit needs of their communities.

²⁸ Associated stated that it recently established Associated Community Development, LLC for the purpose of partnering and investing in affordable housing and commercial development principally in LMI areas, including LMI areas in the Milwaukee MSA.

²⁹ The commenter expressed concerns about Associated Bank's and State Bank's branch distribution in LMI and predominantly minority census tracts in the Milwaukee MSA. A predominantly minority census tract means a census tract with a minority population of 80 percent or more. The OCC, as the appropriate federal supervisor of Associated's subsidiary banks, will continue to review Associated Bank's branch distribution in the course of conducting CRA performance evaluations of the bank.

had a good distribution of delivery systems that were accessible to geographies and individuals of different income levels in the assessment area.

Although State Bank's overall investment test performance was rated "low satisfactory," examiners characterized the bank's performance under this test in the Milwaukee MSA as adequate. Examiners reported that the institution's qualified community development investments included grants to 15 community development organizations in its assessment area and an investment in a minority-owned bank holding company that is certified as a Community Development Financial Institution ("CDFI"). The CDFI provided development banking services to the central city of Milwaukee through traditional and nontraditional bank products and services.

B. HMDA and Fair Lending Record

The Board has carefully considered Associated's lending record and HMDA data in light of public comment about its record of lending to minorities and in predominantly minority communities. The commenter expressed concern, based on 2003 HMDA data, that Associated Bank lagged its competitors in home mortgage lending to minorities and on properties in substantially minority census tracts in the Milwaukee MSA. As noted, the Board reviewed the HMDA data for 2002 and 2003 reported by Associated Bank in its primary assessment areas, including in the Milwaukee MSA and on a statewide basis in Wisconsin.

The number of total HMDA-reportable loans originated by Associated Bank to African-American or Hispanic borrowers and on properties in predominantly minority census tracts as a percentage of the bank's total HMDA-reportable loans generally lagged the performance of the aggregate lenders in the markets reviewed. However, the data indicate that the number and percentage of loans Associated Bank originated to African Americans and Hispanics increased in those markets from 2002 to 2003. In addition, the number of HMDA-reportable loans that Associated Bank originated on properties in predominantly minority

census tracts in the Milwaukee MSA and the bank's Wisconsin assessment areas more than tripled from 2002 to 2003.

Although the HMDA data may reflect certain disparities in the rates of loan applications and originations among members of different racial groups in certain local areas, the HMDA data do not indicate that Associated is excluding any racial group or geographic area on a prohibited basis. The Board nevertheless is concerned when HMDA data for an institution indicate disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of their race. The Board recognizes, however, that HMDA data alone, even with the recent addition of pricing information, provide only limited information about the covered loans.³⁰ HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully and taken into account other information, including examination reports that provide on-site evaluations of compliance by the subsidiary depository and lending institutions of Associated with fair lending laws. Examiners noted no substantive violations of applicable fair lending laws in the examinations of the depository institutions controlled by Associated or State Financial.

The record also indicates that Associated has taken steps to ensure compliance with fair lending laws and other consumer protection laws.

Associated Bank represented that its fair lending compliance program covers

³⁰ 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 whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

all aspects of the bank's services and includes underwriting standards and a second review of each loan marked for denial. Exceptions to underwriting standards must be reviewed by regional bank management. The bank stated that it monitors compliance by conducting internal tests of random samples of loans.

Associated Bank's program will be implemented at State Bank.

The Board also has considered the HMDA data in light of other information, including the programs described above and the overall performance records of the subsidiary banks of Associated and State Financial under the CRA. These established efforts demonstrate that the institutions are active in helping to meet the credit needs of their entire communities.

Conclusion on CRA Performance Records

The Board has carefully considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Associated, comments received on the proposal, and confidential supervisory information. The Board notes that the proposal would expand the availability and array of banking products and services to the customers of State Bank, including access to expanded branch and ATM networks. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance records of the relevant depository institutions are consistent with approval.³¹

³¹ The commenter requested that the Board condition its approval of the proposal on Associated Bank's making certain lending, service, community reinvestment, and other commitments. As the Board previously has explained, an applicant must demonstrate a satisfactory record of performance under the CRA without reliance on plans or commitments for future actions. The Board has consistently stated 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 organization. See, e.g., The Toronto-Dominion Bank, 91 Federal Reserve Bulletin 277 (2005); Fifth Third Bancorp, 91 Federal Reserve

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. The Board's approval is specifically conditioned on compliance by Associated with the conditions imposed in this order and 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 proposed transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors,³² effective September 8, 2005.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

Bulletin 63 (2005); Wachovia Corporation, 91 Federal Reserve Bulletin 77 (2005); J.P. Morgan Chase & Co., 90 Federal Reserve Bulletin 352 (2004). In this case, as in past cases, the Board instead has focused on the demonstrated CRA performance record of the applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas when the Board reviews the proposal under the convenience and needs factor. In reviewing future applications by Associated under this factor, the Board similarly will review Associated's actual CRA performance record and the programs it has in place to meet the credit needs of its communities at that time.

³² Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Bies, Olson, and Kohn.

APPENDIX

Market Data for Banking Markets

Unconcentrated Banking Markets

Walworth, Wisconsin

Associated operates the third largest depository institution in the market, controlling deposits of \$141.1 million, which represent approximately 8.7 percent of market deposits. State Financial operates the 14th largest depository institution in the market, controlling deposits of approximately \$26.4 million, which represent approximately 1.6 percent of market deposits. After the proposed acquisition, Associated would remain the third largest depository institution in the market, controlling deposits of approximately \$167.5 million, which represent approximately 10.3 percent of market deposits. Nineteen depository institutions would remain in the banking market. The HHI would increase 28 points to 971.

Chicago, Illinois

Associated operates the 42nd largest depository institution in the market, controlling deposits of \$484.9 million, which represent less than 1 percent of market deposits. State Financial operates the 58th largest depository institution in the market, controlling deposits of approximately \$323.5 million, which represent less than 1 percent of market deposits. After the proposed acquisition, Associated would operate the 33rd largest depository institution in the market, controlling deposits of approximately \$808.4 million, which represent less than 1 percent of market deposits. One hundred and eighty-seven depository institutions would remain in the banking market. The HHI would remain unchanged at 751.

Moderately Concentrated Banking Market

Milwaukee, Wisconsin

Associated operates the fourth largest depository institution in the market, controlling deposits of \$1.7 billion, which represent approximately 5.1 percent of market deposits. State Financial operates the 15th largest depository institution in the market, controlling deposits of approximately \$445.7 million, which represent approximately 1.3 percent of market deposits. After the proposed acquisition, Associated would remain the fourth largest depository institution in the market, controlling deposits of approximately \$2.2 billion, which represent approximately 6.4 percent of market deposits. Fifty-four depository institutions would remain in the banking market. The HHI would increase 13 points to 1,772.