

FEDERAL RESERVE SYSTEM

Chemical Financial Corporation  
Midland, Michigan

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

Chemical Financial Corporation (“Chemical”), Midland, Michigan, a financial holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),<sup>1</sup> has requested the Board’s approval under section 3 of the BHC Act<sup>2</sup> to merge with Talmer Bancorp, Inc. (“Talmer”), and thereby indirectly acquire Talmer Bank and Trust (“Talmer Bank”), both of Troy, Michigan.

In addition, Chemical’s subsidiary state member bank, Chemical Bank, Midland, Michigan, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”) to merge with Talmer Bank, with Chemical Bank as the surviving entity.<sup>3</sup> Chemical 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 Talmer Bank.<sup>4</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (81 Federal Register 20383 (April 7, 2016)).<sup>5</sup> 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,

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1842.

<sup>3</sup> 12 U.S.C. § 1828(c).

<sup>4</sup> 12 U.S.C. § 321. These locations are listed in Appendix A.

<sup>5</sup> 12 CFR 262.3(b).

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”).

Chemical, with consolidated assets of approximately \$9.3 billion, is the 126th largest insured depository organization in the United States.<sup>6</sup> Chemical Bank controls approximately \$7.7 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Chemical controls Chemical Bank and operates only in Michigan. Chemical Bank is the eighth largest insured depository institution in Michigan, with deposits representing 3.8 percent of the total deposits of insured depository institutions in that state.

Talmer, with consolidated assets of approximately \$6.7 billion, is the 169th largest insured depository organization in the United States. Talmer currently controls approximately \$5.2 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Talmer controls Talmer Bank, which operates in Illinois, Indiana, Michigan, Nevada, and Ohio. Talmer Bank is the 11th largest insured depository institution in Michigan, controlling deposits of approximately \$3.5 billion, which represent 1.9 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, Chemical would become the 87th largest depository organization in the United States, with consolidated assets of approximately \$16.0 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. Chemical would control consolidated deposits of approximately \$12.8 billion, which represent less than 1 percent of the total

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<sup>6</sup> National asset data, market share, and ranking data are as of March 31, 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.

amount of deposits of insured depository organizations in the United States. In Michigan, Chemical Bank would become the sixth largest depository organization, controlling deposits of approximately \$10.9 billion, which represent 5.7 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.<sup>7</sup> 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.<sup>8</sup> 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 States<sup>9</sup> or, in certain circumstances, the bank holding company would upon consummation control 30 percent or more of the total deposits of insured depository

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<sup>7</sup> 12 U.S.C. § 1842(d)(1)(A).

<sup>8</sup> 12 U.S.C. § 1842(d)(1)(B).

<sup>9</sup> 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 Chemical Bank and Talmer Bank is Michigan. 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.

institutions in the target bank's home state or in any state in which the acquirer and target have overlapping banking operations.<sup>10</sup>

For purposes of the BHC Act, the home state of both Chemical and Talmer is Michigan. Talmer also is located in Illinois, Indiana, Nevada, and Ohio.<sup>11</sup> Chemical is well capitalized and well managed, and Chemical Bank has an outstanding Community Reinvestment Act of 1977 ("CRA")<sup>12</sup> rating. There are no minimum age requirements under the laws of Illinois, Indiana, Nevada, or Ohio that would apply to Chemical's acquisition of Talmer.<sup>13</sup>

On consummation of the proposed transaction, Chemical would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. In addition, Chemical would control approximately 5.7 percent of the total amount of deposits of insured depository institutions in Michigan, the only state in which Chemical and Talmer have overlapping banking operations. Accordingly, in light of all the facts of record, the Board may approve the proposal under section 3(d) of the BHC Act.<sup>14</sup>

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<sup>10</sup> 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).

<sup>11</sup> 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.

<sup>12</sup> 12 U.S.C. § 2901 *et seq.*

<sup>13</sup> See 205 Ill. Comp. Stat. 5/21.2(a); Ind. Code § 28-2-17; Nev. Rev. Stat. § 666.405; Ohio Rev. Code Ann. § 1115.05.

<sup>14</sup> 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

### 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.<sup>15</sup> 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.<sup>16</sup>

Chemical and Talmer have subsidiary depository institutions that compete directly in six banking markets: Bad Axe, Bay City-Saginaw, Detroit, Grand Rapids, and Kalamazoo-Battle Creek, all located in Michigan; and Elkhart-Niles-South Bend, located in Michigan and Indiana.

The Board has considered the competitive effects of the proposal in each of the relevant markets. 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 would be controlled by Chemical;<sup>17</sup> the concentration levels of market deposits and the increase in these levels,

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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 Chemical Bank and Talmer Bank is Michigan; therefore section 102 of the Riegle-Neal Act does not apply to the proposed bank merger. Id.

<sup>15</sup> 12 U.S.C. §§ 1842(c)(1) and 1828(c)(5).

<sup>16</sup> 12 U.S.C. §§ 1842(c)(1)(B) and 1828(c)(5)(B).

<sup>17</sup> Local deposit and market share data are as of June 30, 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).

as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>18</sup> and other characteristics of the markets.

*Banking Markets Within Established Guidelines.* Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Bay City-Saginaw, Detroit, Grand Rapids, Elkhart-Niles-South Bend, and Kalamazoo-Battle Creek banking markets. On consummation of the proposal, the Grand Rapids banking market would remain unconcentrated, and the Bay City-Saginaw, Detroit, Elkhart-Niles-South Bend, and Kalamazoo-Battle Creek banking markets would remain moderately concentrated, as measured by the HHI. The change in the HHI in these markets would be small, consistent with Board precedent, and within the thresholds in the DOJ Bank Merger Guidelines. In addition, numerous competitors would remain in each of these banking markets.<sup>19</sup>

*Banking Market Warranting Special Scrutiny.* The structural effects that consummation of the proposal would have on the Bad Axe banking market<sup>20</sup> warrant a detailed review because the concentration level on consummation would exceed the

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<sup>18</sup> 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 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](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>19</sup> These five banking markets and the structural effects of the proposal in these markets are described in Appendix B.

<sup>20</sup> The Bad Axe banking market is defined as Huron County; Argyle, Austin, Delaware, Forester, Greenleaf, Minden, Moore and Wheatland townships in Sanilac County; and Elkland and Elmwood townships in Tuscola County, all in Michigan.

threshold levels in the DOJ Bank Merger Guidelines when using initial competitive screening data. Using the initial screening data, Chemical is the fifth largest depository organization in the Bad Axe banking market, controlling approximately \$99.4 million in deposits, which represent 10.5 percent of market deposits. Talmer is the second largest depository organization in the market, controlling approximately \$170.1 million in deposits, which represent 18.0 percent of market deposits. On consummation, the combined entity would be the largest depository institution in the Bad Axe banking market, controlling approximately \$269.5 million in deposits, which would represent approximately 28.5 percent of market deposits. The HHI in this market would increase by 378 points, from 1545 to 1923.

The Board has considered whether other factors either mitigate the competitive effects of the proposal or indicate that the proposal would not have a significantly adverse effect on competition in the Bad Axe banking market.<sup>21</sup> In particular, three credit unions exert a competitive influence in the Bad Axe banking market. Each institution offers a wide range of consumer banking products, operates street-level branches, and has broad membership criteria that include almost all of the residents in the relevant banking market.<sup>22</sup> The Board finds that these circumstances warrant including the deposits of these credit unions at a 50 percent weight in estimating

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<sup>21</sup> The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the size of the increase in, and resulting level of, concentration in a banking market. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

<sup>22</sup> The Board previously has considered competition from certain active credit unions with these features as a mitigating factor. See, e.g., BB&T Corporation, FRB Order No. 2015-18 (July 7, 2015); Mitsubishi UFJ Financial Group, Inc., FRB Order No. 2012-12 (November 14, 2012); Old National Bancorp, FRB Order No. 2012-9 (August 30, 2012); United Bankshares, Inc. (order dated June 20, 2011), 97 Federal Reserve Bulletin 19 (2nd Quar. 2011); The PNC Financial Services Group, Inc., 94 Federal Reserve Bulletin C38 (2008); The PNC Financial Services Group, Inc., 93 Federal Reserve Bulletin C65 (2007); Regions Financial Corporation, 93 Federal Reserve Bulletin C16 (2007); Passumpsic Bancorp, 92 Federal Reserve Bulletin C175 (2006); and Wachovia Corporation, 92 Federal Reserve Bulletin C183 (2006).

market influence. This weighting takes into account the limited lending done by credit unions to small businesses relative to commercial banks' lending levels.

This adjustment suggests that the resulting market concentration of the proposed transaction in the Bad Axe banking market is less significant than would appear from the initial competitive screening data, which focused on commercial bank competitors. After consummation, adjusting to reflect competition from credit unions in the market, the market concentration level in the Bad Axe banking market as measured by the HHI would increase by 364, from a level of 1494 to 1858, and the market share of Chemical resulting from the transaction would increase in the market from 10.3 percent to 28.0 percent. In addition to the three credit unions, six commercial bank competitors would remain in the market, three of which would have market shares of 20 percent, 17.1 percent, and 16.5 percent, respectively. The presence of these viable competitors suggests that Chemical would have limited ability to unilaterally offer less attractive terms to consumers and that these competitors are able to exert competitive pressure on Chemical in the Bad Axe market.

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 Bad Axe 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 Bad Axe banking market 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.<sup>23</sup> 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.

Chemical and Talmer are both well capitalized and the combined entity would remain so on consummation of the proposed transaction. The proposed transaction is a bank holding company merger that is structured as a cash and stock purchase, with a subsequent merger of the subsidiary depository institutions.<sup>24</sup> The asset quality, earnings, and liquidity of Chemical Bank and Talmer Bank are consistent with approval, and Chemical 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

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<sup>23</sup> 12 U.S.C. §§ 1842(c)(2), (5), and (6), and 1828(c)(5) and (11).

<sup>24</sup> To effect the holding company merger, each share of Talmer common stock would be converted into a right to receive Chemical common stock and cash, based on an exchange ratio. Chemical expects to fund some of the cash portion of the exchange with financing from a third-party lender. Chemical has the financial resources to support the obligation.

reviewed the examination records of Chemical, Talmer, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Chemical; the Board's supervisory experiences with Chemical and Talmer 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; as well as information provided by the commenter.

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

The Board also has considered Chemical's plans for implementing the proposal. Chemical has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-integration process for this proposal. Chemical would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Chemical's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner,<sup>25</sup> and Chemical plans to integrate Talmer's existing management and personnel in a manner that augments Chemical's management.<sup>26</sup>

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<sup>25</sup> Chemical has the financial and managerial resources to comply with the Board's regulations implementing section 165 of the Dodd-Frank Act, and the Board will monitor Chemical's compliance with these regulations through the supervisory process.

<sup>26</sup> On consummation, five of Talmer's directors will be added to Chemical's board, which will expand from seven to twelve members, and two of Talmer's directors will be added to Chemical Bank's board, which will expand from twelve to fourteen members. In addition, the chairman of Talmer will serve as the chairman of Chemical, the chief

Based on all the facts of record, including Chemical's supervisory record, managerial and operational resources, plans for operating the combined institution after consummation, and 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 Chemical and Talmer 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.<sup>27</sup> 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 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,<sup>28</sup> 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.<sup>29</sup>

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executive officer of Talmer will serve as the vice chairman of Chemical, and certain key executives of Talmer and Talmer Bank will be employed by Chemical and Chemical Bank following consummation of the proposal.

<sup>27</sup> 12 U.S.C. §§ 1842(c)(2) and 1828(c)(5).

<sup>28</sup> 12 U.S.C. § 2901(b).

<sup>29</sup> 12 U.S.C. § 2903.

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 Chemical Bank and Talmer Bank; the fair lending and compliance records of both banks; the supervisory views of the FDIC; confidential supervisory information; information provided by Chemical; and the public comment received on the proposal.

*Public Comment Regarding the Proposal*

In this case, the Board received a comment from a commenter who objected to the proposal on the basis of alleged disparities in the number of residential real estate loans made to minorities, as compared to whites, by Chemical Bank in the Flint, Michigan Metropolitan Statistical Area ("Flint MSA") and the Battle Creek, Michigan MSA ("Battle Creek MSA"), as reflected in data reported under the Home Mortgage Disclosure Act ("HMDA") for 2014.<sup>30</sup> The commenter also criticized the rate at which Chemical Bank denied applications by Hispanics, compared to that for whites, for home

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<sup>30</sup> The commenter's concerns focused on the number of home purchase loans, home refinance loans, and home improvement loans that Chemical Bank offered to African Americans and Hispanics compared to whites in the Flint MSA, as well as the number of loans that Chemical Bank offered to African Americans compared to whites in the Battle Creek MSA.

purchase loans in the Flint MSA, as reported under HMDA for 2014. In addition, the commenter cited a complaint about an overdraft fee charged by Chemical Bank.

*Businesses of the Involved Institutions and Response to the Comment*

Chemical Bank is a full-service bank, offering a broad range of financial products and services to individual consumers and businesses. Through its branch network in Michigan, it offers a variety of traditional banking products to consumers, including mortgage loan products, consumer loans, credit cards, and checking and savings products. Chemical Bank's business-focused products and services include business checking accounts, commercial loans, and commercial real estate loans. Between 2013 and 2015, Chemical acquired several depository institutions that were consolidated into Chemical Bank.<sup>31</sup>

Talmer Bank is a full-service bank that offers a broad range of retail and commercial banking products and services through its branch network in Michigan, Ohio, Illinois, Indiana, and Nevada. Its products and services include working capital lines of credit, business term loans, inventory and accounts receivable loans, construction loans, equipment finance and leasing, asset based loans, commercial real estate loans, home mortgage loans for 1-4 family owner-occupied homes, home improvement loans, and commercial and residential real estate development loans.

Chemical denies that the HMDA data presented by the commenter reflect discriminatory or unfair lending practices by Chemical Bank in the Flint or Battle Creek MSAs. In response to allegations about low rates of lending to minorities in the Flint MSA, Chemical explains that Chemical Bank, with only two branches, has a small presence in a competitive market. Chemical notes that loan applications from African Americans and Hispanics in the Flint MSA represented a small percentage of total applications received by all lenders in the Flint MSA in 2014, and that Chemical's loan

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<sup>31</sup> See Chemical Financial Corporation, FRB Order No. 2015-13 (April 20, 2015); Chemical Financial Corporation, Federal Reserve Release, H.2. No. 1, p. 2 (December 30, 2014), available at <https://www.federalreserve.gov/releases/h2/20150103/h2.pdf>; Chemical Financial Corporation, FRB Order No. 2014-16 (September 30, 2014).

decisions with respect to applications it received reflected judgments based on credit history, debt-to-income ratios, and other nondiscriminatory factors. With respect to home purchase loans to African Americans, one of the products of concern for the commenter, Chemical represents that its originations to African Americans represented a higher percentage of Chemical Bank's total home purchase loans than the percentage of aggregate originations by all lenders in the Flint MSA in 2014.

Chemical also represents that Chemical Bank participates in a number of loan programs designed to meet the credit needs of LMI borrowers in the Flint MSA. Chemical Bank also has a program designed to help borrowers qualify for home mortgage loans, which includes financial literacy workshops, educational resources relating to the home ownership process, and providing funds for closing costs in exchange for borrowers completing the program. In addition to these home mortgage programs, Chemical also notes that it has products designed to meet the needs of LMI customers, such as products for borrowers with little or no credit history and checking accounts with no minimum opening deposit, minimum account balance requirements, or monthly maintenance fee. Chemical also represents that it engages in marketing efforts targeted toward minorities in the Flint MSA.

Concerning its level of lending in the Battle Creek MSA, Chemical notes that in 2014, Chemical Bank originated approximately 8 percent of all home mortgage loans and approximately 15 percent of all home refinance and home improvement loans to African American borrowers made in the Battle Creek MSA. Chemical represents that the percentage of home refinance and home improvement loans that it originated to African Americans far exceeded that of all other lenders in the MSA. Chemical asserts that it works to promote its home lending products that meet the needs of LMI borrowers in the Battle Creek MSA and that Chemical Bank engages in various outreach efforts to LMI individuals in the Battle Creek MSA, including providing financial literacy training and educational resources relating to home ownership.

*Records of Performance Under the CRA*

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the response to comments by the applicant. 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.<sup>32</sup> 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").

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.<sup>33</sup> 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 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

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<sup>32</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

<sup>33</sup> 12 U.S.C. § 2906.

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;<sup>34</sup> (4) the institution's community development lending, including the number 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.

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.<sup>35</sup> Consequently, HMDA data disparities must be evaluated in the context of other information regarding the lending record of an institution.

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<sup>34</sup> 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 applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

<sup>35</sup> Other data relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending examinations, examiners analyze such additional information before reaching a determination regarding an institution's compliance with fair lending laws.

*CRA Performance of Chemical Bank*

Chemical Bank was assigned an overall rating of “Outstanding” at its most recent CRA performance evaluation by the Reserve Bank, as of October 26, 2015 (“Chemical Bank Evaluation”).<sup>36</sup> The bank received “Outstanding” ratings for each of the Lending Test, the Investment Test, and the Service Test.<sup>37</sup>

Examiners found that Chemical Bank’s overall lending levels reflected excellent responsiveness to credit needs in its assessment areas.<sup>38</sup> According to examiners, the bank made extensive use of innovative and flexible lending practices in order to serve assessment area credit needs. Examiners found that a substantial majority of the bank’s loans were made to borrowers within its assessment areas. Overall, the

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<sup>36</sup> The Chemical 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 2013 and 2014. The evaluation period for community development lending, investments, and services was August 27, 2013, through October 26, 2015.

<sup>37</sup> The Chemical Bank Evaluation included full-scope evaluations of the Battle Creek, Michigan MSA; the Flint, Michigan MSA; the Grand Rapids-Wyoming, Michigan MSA; the Midland, Michigan MSA; the Niles-Benton Harbor, Michigan MSA; the Saginaw-Saginaw Township North, Michigan MSA; and the Northern Non-MSA (comprised of Alcona, Alpena, Antrim, Arenac, Benzie, Charlevoix, Cheboygan, Clare, Crawford, Emmet, Gladwin, Grand Traverse, Iosco, Isabella, Kalkaska, Lake, Leelanau, Manistee, Mason, Mecosta, Missaukee, Montmorency, Newaygo, Ogemaw, Osceola, Oscoda, Otsego, Presque Isle, Roscommon, and Wexford counties). Limited scope evaluations were performed in the Bay City, Michigan MSA; the Kalamazoo-Portage, Michigan MSA; the South Bend-Mishawaka, Indiana-Michigan MSA (consisting of Cass County, Michigan); the Central Non-MSA (comprised of Gratiot, Ionia, and Shiawassee counties); the Eastern Non-MSA (comprised of Huron, Sanilac, and Tuscola counties); the Southern Non-MSA (comprised of Branch and Hillsdale counties); and the Western Non-MSA (consisting of Allegan County).

<sup>38</sup> The commenter contended that, although Chemical previously asserted that its acquisition of Northwestern Bancorp, Inc. (“Northwestern”), in 2014 would result in increased lending, such increased lending did not occur. In the Chemical Bank Evaluation, examiners found that the bank exhibited an excellent record of serving the credit needs of its assessment areas, including in the areas of northern Michigan where it acquired branches of Northwestern’s subsidiary depository institution.

examiners also found that the geographic distribution of the bank's loans reflected excellent penetration throughout its assessment areas. Further, examiners found that, overall, the bank exhibited an excellent record of serving the credit needs of its assessment areas. Examiners noted that the dollar amount of Chemical Bank's lending in its assessment areas increased by approximately 9.3 percent from the prior evaluation.

Examiners found that the distribution of the bank's borrowers, given the product lines offered, reflected adequate penetration among customers of different income levels and excellent penetration among businesses of different sizes. Examiners also found that Chemical Bank was a leader in making community development loans, with an increase of 13.3 percent of community development lending from the prior evaluation. Chemical Bank's community development lending efforts primarily focused on lending to support affordable housing and community development organizations that provide essential services to LMI individuals, as well as on revitalizing and stabilizing economically distressed geographies within the bank's assessment areas.

In the Battle Creek MSA, an area of concern for the commenter, examiners found the bank's lending to reflect excellent responsiveness to the credit needs of the assessment area. Examiners also noted Chemical Bank's distribution of borrowers, given the product lines offered, was good among customers of different income levels and excellent among businesses of different sizes. Chemical Bank was found to have a good record of serving the credit needs of LMI individuals and geographies and of small businesses, and to have made an adequate level of community development loans within the Battle Creek MSA. Examiners also highlighted Chemical Bank's extensive use of innovative and flexible lending practices within this assessment area.

In the Flint MSA, another area of concern for the commenter, examiners found the bank's lending to reflect adequate responsiveness to the credit needs of the assessment area. Examiners also found that the geographic distribution of the bank's loans reflected adequate penetration throughout the assessment area, and that the distribution of borrowers, given the product lines offered, reflected adequate distribution among customers of different income levels and excellent penetration among businesses

of different sizes. Chemical Bank was found to exhibit an adequate record of serving LMI individuals and areas, and an excellent record of lending to very small businesses. The bank was found to use innovative and flexible lending practices; however, the bank made a low level of community development loans in the assessment area.

Examiners found that Chemical Bank made an excellent level of qualified community development investments and grants within its assessment areas. The bank was found to be a leader in providing investments not routinely provided by private investors. Examiners found that Chemical Bank made significant use of innovative and complex investments to support development initiatives. Examiners also found that Chemical Bank exhibited excellent responsiveness to credit and community development needs. Examiners noted that Chemical Bank's CRA-qualified investments and qualified community development donations increased by approximately 49.3 percent and 19.0 percent, respectively, in dollar amounts from the prior evaluation.

In the Battle Creek MSA, examiners found that Chemical Bank had made an excellent level of CRA-qualified community development investments and grants, and in the Flint MSA, Chemical Bank made a significant level of CRA-qualified community development investments and grants. These investments and grants included those not routinely provided by private investors, and Chemical Bank was found to occasionally be in a leadership position. In each of these MSAs, Chemical Bank was also found to make extensive use of innovative and complex investments to support community development initiatives, as well as to exhibit excellent responsiveness to the credit and community development needs of the assessment areas.

Examiners found Chemical Bank's delivery systems to be readily accessible to the bank's geographies and individuals of different income levels in the bank's assessment areas. Examiners also found that the bank's record of opening and closing branches did not adversely affect the accessibility of its delivery systems,

particularly in LMI geographies or with LMI individuals.<sup>39</sup> Further, examiners highlighted that Chemical Bank was a leader in providing community development services throughout its assessment areas.

In the Battle Creek MSA and the Flint MSA, examiners found Chemical Bank's delivery systems to be accessible to the bank's geographies and individuals of different income levels. Examiners also found that the bank was a leader in providing community development services in both of these MSAs, and that the bank's services did not vary in a way that inconvenienced these assessment areas.

*CRA Performance of Talmer Bank*

Talmer Bank received an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of September 21, 2015 ("Talmer Bank Evaluation"),<sup>40</sup> with ratings of "High Satisfactory" for the Lending Test, Investment Test, and Service Test.<sup>41</sup>

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<sup>39</sup> Examiners reviewed all complaints received by Chemical Bank between January 2014 and June 2016 related to overdraft fees charged by Chemical Bank and found that the bank consistently charged overdraft fees in accordance with its policies, procedures, and customer disclosures. During this review, examiners did not identify any unfair or deceptive acts or practices or any other violations of applicable law.

<sup>40</sup> The Talmer Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed the bank's lending activity from January 1, 2013, through June 30, 2015. The evaluation period for community development loans, investments, and services was from July 11, 2012, through September 21, 2015.

<sup>41</sup> The Talmer Bank Evaluation included full-scope evaluations of the Warren-Troy-Farmington Hills, Michigan Metropolitan Division ("MD"); the Detroit-Livonia-Dearborn, Michigan MD; the Non-MSA, Michigan (consisting of the Huron, Sanilac, and Tuscola counties); the Youngstown-Warren-Boardman, Ohio, MSA; the Chicago-Naperville-Arlington Heights, Illinois MD; the Elkhart-Goshen, Indiana MSA; and the Las Vegas-Henderson-Paradise, Nevada MSA. Limited scope evaluations were performed in the Ann Arbor, Michigan MSA; the Flint, Michigan MSA; the Grand Rapids-Wyoming, Michigan, MSA; the Kalamazoo-Portage, Michigan MSA; the Muskegon, Michigan MSA; the Saginaw, Michigan MSA; the Akron, Ohio MSA; the Cleveland-Elyria, Ohio MSA, and the Columbus, Ohio MSA.

Examiners found that Talmer Bank's lending levels reflected adequate responsiveness to the credit needs within its assessment areas, and that the bank exhibited a good record of serving the credit needs of LMI geographies and individuals within its assessment areas. Examiners also found the bank's geographic distribution of loans reflected good penetration throughout its assessment area, and the bank's distribution of loans to borrowers reflected adequate penetration among customers of different income levels and businesses of different sizes. Further, examiners found the bank made extensive use of innovative and flexible lending practices in order to serve the credit needs of the assessment areas, and made a relatively high level of community development loans.

Examiners found that Talmer Bank exhibited good responsiveness to the credit and community economic development needs of its assessment areas. Examiners noted that Talmer Bank made a significant level of community development investments and grants and occasionally was in a leadership position, particularly for investments that were not routinely provided by private investors. Talmer Bank was also found to make significant use of innovative and complex investments to support community development initiatives.

Examiners noted that Talmer Bank's delivery systems were accessible throughout the bank's assessment areas. Examiners also found that services and business hours did not vary in a way that inconvenienced LMI geographies or individuals in the bank's assessment areas. Further, examiners found that Talmer Bank provided a relatively high level of community development services.

*Additional Supervisory Views*

The Board has considered the results of a recent consumer compliance examination and fair lending review of Chemical Bank conducted by Reserve Bank examiners. The Board reviewed the examination report regarding Chemical Bank's record of compliance with fair lending and other consumer protection laws and regulations; the bank's policies and procedures to help ensure compliance with fair lending and other consumer protection laws and regulations; and as the bank's lending

record. Chemical Bank intends to implement its policies and procedures at the combined organization following consummation of the transaction. Moreover, Chemical plans to expand its compliance program; create a comprehensive fair banking policy and program; and significantly increase the number of dedicated compliance, fair lending, and CRA staff for the combined organization on consummation of the transaction.

The Board has taken the information discussed above into account in evaluating whether Chemical has the experience and resources to ensure that the combined organization effectively implements policies and programs that allow the combined organization to effectively serve the credit needs of all the communities within the firm's assessment areas.

*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. Chemical represents that upon consummation of the proposal, existing customers of Talmer would have access to a complement of products and services that are more expansive than those currently available to Talmer customers, including expanded automobile, boat, and recreational vehicle lending; courier services for commercial customers; and certain consumer lending products not currently offered by Talmer. Chemical also intends to expand its municipal lending program to markets served by Talmer. Chemical also represents that no products would be discontinued as a result of the proposal. Moreover, Chemical asserts that customers of both institutions would benefit from a more expansive branch network.

*Branch Closures*

The commenter expressed concerns about Chemical's record of opening branches in connection with prior acquisitions. The federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA

examination process.<sup>42</sup> Specifically, examiners noted in the Chemical Bank Evaluation that Chemical Bank's branch openings and closures did not adversely affect the accessibility of products and services to LMI individuals or in LMI geographies, and that its branch closures were the result of reductions in branch activity. The Board also has considered the fact that federal banking law provides a specific mechanism for addressing branch closings, including the provision of notice to the public and the appropriate federal supervisory agency before the branch is closed.<sup>43</sup> Chemical plans to close a Talmer Bank branch located in Holland, a moderate-income tract, and a branch in each of Flint and Port Hope, which are both middle-income tracts, all in Michigan.<sup>44</sup> For the branches in Holland and Flint, the receiving branches to which customers' accounts would be transferred are both within 0.6 miles from the proposed closing branch. Following the proposed closures, Chemical would continue to operate four branches in each of Holland and Flint. For the Port Hope branch, the receiving branch to which customers' accounts would be transferred is centrally located in Port Hope and would have longer business hours than the branch that is proposed to be closed.<sup>45</sup> Each of the receiving branches would be in the same income level tract as that of the proposed closing branches from which it would receive customers' accounts.

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<sup>42</sup> See, e.g., 12 CFR 228.24(d)(2). In addition, the Board, as the primary federal supervisor of the combined bank, will continue to review the bank's branch closing record in the course of conducting CRA performance evaluations.

<sup>43</sup> See 12 U.S.C. § 1831r-1, as implemented by the Joint Policy Statement Regarding Branch Closings, 64 Federal Register 34844 (June 29, 1999). The Joint Policy Statement requires that a bank provide the public with at least 30 days' notice and the appropriate federal supervisory agency with at least 90 days' notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

<sup>44</sup> Chemical proposes to close Talmer Bank's branch offices located at 240 E. 8th Street, Holland; 4409 Miller Road, Flint; and 4474 Main Street, Port Hope, all of Michigan.

<sup>45</sup> Chemical also plans to sell two of Talmer Bank's branches, one located in Las Vegas, Nevada, and another in Chicago, Illinois, and to consolidate four Talmer Bank branches located in Michigan with Chemical Bank branches that are located within 1,000 feet of each branch.

*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 Chemical, the public comment on the proposal, 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. The Board expects Chemical to implement policies, programs, and activities that are commensurate with the increased size and complexity of the institution.

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."<sup>46</sup>

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.<sup>47</sup> These categories are not exhaustive, and additional categories could

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<sup>46</sup> 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).

<sup>47</sup> Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

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.<sup>48</sup>

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, Chemical would have approximately \$16.0 billion in consolidated assets and, by any of a number of alternative measures of firm size, Chemical would not be likely to pose systemic 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

Chemical Bank has applied under section 9 of the FRA to establish branches at the current locations of Talmer Bank.<sup>49</sup> The Board has assessed the factors it

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<sup>48</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

<sup>49</sup> 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 Chemical Bank's branches would be

is required to consider when reviewing an application under that section.<sup>50</sup> Specifically, the Board has considered Chemical 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.<sup>51</sup> 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 has determined that the proposal should be, and hereby is, approved.<sup>52</sup> In reaching its

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permissible under applicable state law. See 205 Ill. Comp. Stat. 5/5(15)(a); Mich. Comp. Laws § 487.13705; Nev. Rev. Stat. § 660.015; Ohio Rev. Code Ann. § 1117.01; Ind. Code § 28-2-13-19.

<sup>50</sup> 12 U.S.C. § 322; 12 CFR 208.6.

<sup>51</sup> Upon consummation of the proposed transaction, Chemical Bank's investments in bank premises would remain within legal requirements under 12 CFR 208.21.

<sup>52</sup> The commenter requested that the Board hold public hearings or meetings on the proposal. The Bank Merger Act and section 9 of the FRA do not require a public meeting or a formal public hearing on an application. Section 3 of the BHC Act does not require that the Board hold a public hearing on any application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 U.S.C. § 1842(b); 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenter's request did not identify disputed issues of fact material to the Board's decision that would be clarified by a public meeting. In addition, the request did not demonstrate why written comments do not present the commenter's views adequately or why a hearing or meeting otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is denied.

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 Bank Merger Act, the FRA, and other applicable statutes. Approval of this proposal is specifically conditioned on compliance by Chemical 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 15th 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,<sup>53</sup> effective August 8, 2016.

*Margaret McCloskey Shanks (signed)*

Margaret McCloskey Shanks  
Deputy Secretary of the Board

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The commenter also requested an extension of the comment period. The Board provides a public comment period for an application to provide interested persons the opportunity to submit information and views related to the statutory factors it must consider under the BHC Act. The Board's rules contemplate that the public comment period will not be extended absent a clear demonstration of hardship or other meritorious reason for seeking additional time. The commenter's request for additional time to comment does not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board has determined not to extend the comment period.

<sup>53</sup> Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

## Appendix A

### Illinois Branch to Be Established

1. 333 West Wacker Drive, Suite 710, Chicago, Illinois

### Indiana Branches to Be Established

2. 303 South Third Street, Elkhart, Indiana
3. 511 West Lincoln Avenue, Goshen, Indiana

### Michigan Branches to Be Established

4. 301 Summer Street, Algonac, Michigan
5. 2950 State Street South, Ann Arbor, Michigan
6. 1988 North Opdyke Road, Auburn Hills, Michigan
7. One East Huron Avenue, Bad Axe, Michigan
8. 833 North Van Dyke, Bad Axe, Michigan
9. 980 South Woodward, Birmingham, Michigan
10. 8700 North Second Street, Brighton, Michigan
11. 345 North State Street, Caro, Michigan
12. 727 South State Road, Davison, Michigan
13. 645 Griswold Street, Suite 70, Detroit, Michigan
14. 333 West Fort Street, Detroit, Michigan<sup>54</sup>
15. 31731 Northwestern Highway #105, Farmington Hills, Michigan
16. 33205 Grand River Avenue, Farmington, Michigan
17. 37386 Twelve Mile Road, Farmington Hills, Michigan
18. 3213 Genesee Road, Flint, Michigan
19. 4409 Miller Road, Flint, Michigan
20. 6120 Fenton Road, Flint, Michigan
21. 4778 24th Avenue, Fort Gratiot, Michigan
22. 220 East Main Street, Flushing, Michigan
23. 170 West Genesee Street, Frankenmuth, Michigan
24. 333 Washington Avenue, Grand Haven, Michigan
25. 4505 Cascade Road Southeast, Grand Rapids, Michigan
26. 20276 Mack Avenue, Grosse Pointe Woods, Michigan
27. 99 Kercheval Avenue, Grosse Pointe Farms, Michigan
28. 9252 Joseph Campau Avenue, Hamtramck, Michigan
29. 106 South Huron, Harbor Beach, Michigan
30. 240 East 8th Street, Holland, Michigan

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<sup>54</sup> Chemical has represented that Talmer has applied to the FDIC to relocate its branch located at 645 Griswold Street, Suite 70, Detroit, Michigan, to 333 West Fort Street, Detroit.

31. 715 South Cedar Street, Imlay City, Michigan
32. 2855 Wadhams Road, Kimball, Michigan
33. 567 East Genesee Street, Lapeer, Michigan
34. 17900 Haggerty Road, Livonia, Michigan
35. 624 West Nepessing Street, Suite 105, Lapeer, Michigan
36. 5536 Main Street, Lexington, Michigan
37. 1800 East Twelve Mile Road, Madison Heights, Michigan
38. 210 South Parker Street, Marine City, Michigan
39. 2015 Gratiot Avenue, Marysville, Michigan
40. 100 North Main Street, Mount Clemens, Michigan
41. 281 Seminole Road, Muskegon, Michigan
42. 800 East Milham, Portage, Michigan
43. 1527 Hancock Street, Port Huron, Michigan
44. 201 Huron Avenue, Port Huron, Michigan
45. 3136 Lapeer Road, Port Huron, Michigan
46. 4474 Main Street, Port Hope, Michigan
47. 525 Water Street, Port Huron, Michigan
48. 440 Main Street, Rochester, Michigan
49. 629 West Sanilac Road, Sandusky, Michigan
50. 668 Unionville Road, Sebawaing, Michigan
51. 50787 Corporate Drive, Shelby Township, Michigan
52. 270 Clinton Avenue, St. Clair, Michigan
53. 24805 West Twelve Mile Road, Southfield, Michigan
54. 3801 Metropolitan Parkway, Sterling Heights, Michigan
55. 2301 West Big Beaver Road, Troy, Michigan
56. 14801 East Twelve Mile Road, Warren, Michigan
57. 7950 West Maple Road, West Bloomfield, Michigan

Nevada Branch to Be Established

58. 1700 West Horizon Ridge Parkway, Suite 101, Henderson, Nevada

Ohio Branches to Be Established

59. 1977 Cooper Foster Park Road, Amherst, Ohio
60. 724 Boardman-Poland Road, Boardman, Ohio
61. 7290 Warren Sharon Road, Brookfield, Ohio
62. 3801 Boardman Canfield Road, Canfield, Ohio
63. 325 South High Street, Cortland, Ohio
64. 6033 Perimeter Drive, Dublin, Ohio
65. 111 Antioch Drive, Elyria, Ohio
66. 200 Middle Avenue, Elyria, Ohio
67. 361 Midway Mall Boulevard, Elyria, Ohio

68. 351 North Main Street, Grafton, Ohio
69. 35423 Center Ridge Road, North Ridgeville, Ohio
70. 10416 Main Street, New Middletown, Ohio
71. 2 South Main Street, Poland, Ohio
72. 999 East Main Street, Ravenna, Ohio
73. 4183 Tallmadge Road, Rootstown, Ohio
74. 6150 Enterprise Parkway, Solon, Ohio
75. 185 East Market Street, Warren, Ohio
76. 2001 Elm Road Northeast, Warren, Ohio
77. 4460 Mahoning Avenue Northwest, Warren, Ohio
78. 8226 East Market Street, Warren, Ohio
79. 6002 Youngstown Warren Road, Niles, Ohio
80. 4682 Belmont Avenue, Youngstown, Ohio
81. 25 Market Street, Youngstown, Ohio
82. 3900 Market Street, Youngstown, Ohio
83. 101 South Canfield-Niles Road, Youngstown, Ohio
84. 3516 South Meridian Road, Youngstown, Ohio

Appendix B

<p align="center"><b>Chemical Bank/Talmer Bank Banking Markets in Michigan Consistent with Board Precedent and DOJ Bank Merger Guidelines</b></p>						
<p>Deposit data are as of June 30, 2015. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.</p>						
<p><b>Bay City-Saginaw, Michigan</b> – Bay County; Saginaw County; Tuscola County (excluding Elmwood and Elkland townships); Arenac County (excluding Mason, Turner, and Whitney townships), all of Michigan.</p>						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>Chemical Bank Pre-Consummation</i>	2	\$590.0M	16.7	1278	34	17
<i>Talmer (Talmer Bank)</i>	15	\$36.5M	1.0			
<i>Chemical Bank Post-Consummation</i>	2	\$626.5M	17.7			
<p><b>Detroit, Michigan</b> – Oakland County; Macomb County; Wayne County; Lapeer County; Genesee County; Washtenaw County; St. Clair County; Livingston County; Lenawee County; Shiawassee County; Monroe County (excluding Whiteford, Bedford, and Erie townships); Sanilac County (excluding Greenleaf, Austin, Argyle, Moore, Minden, Wheatland, Delaware, and Forester townships), all of Michigan.</p>						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>Chemical Bank Pre-Consummation</i>	24	\$278.5M	0.2	1451	1	51
<i>Talmer (Talmer Bank)</i>	9	\$3,148.3M	2.5			
<i>Chemical Bank Post-Consummation</i>	8	\$3,426.8M	2.7			
<p><b>Grand Rapids, Michigan</b> – Allegan County; Barry County; Ionia County; Kent County; Mecosta County; Montcalm County; Muskegon County; Newaygo County; Oceana County; Ottawa County; Newkirk, Dover, Ellsworth, Cherry Valley, Pinona, Yates, and Chase townships of Lake County; and Richmond, Evart, Hersey, and Orient townships of Osceola County, all of Michigan.</p>						
	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
<i>Chemical Bank Pre-Consummation</i>	3	\$2,201.6M	9.5	941	10	32
<i>Talmer (Talmer Bank)</i>	22	\$131.8M	0.5			
<i>Chemical Bank Post-Consummation</i>	3	\$2,333.4M	10.0			

<b>Elkhart-Niles-South Bend, Indiana</b> – Elkhart, St. Joseph, Kosciusko, LaGrange, and Marshall counties, of Indiana; Davis, Oregon, Washington, and North Bend (including the entire city of Bass Lake) townships in Starke County, Indiana; Cass County; Buchanan, Niles and Bertrand townships in Berrien County; the Southern half of St. Joseph County (Constantine, Florence, Sherman, Burr Oak, Mottville, White Pigeon, Sturgis, and Fawn River Townships), of Michigan.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Chemical Bank Pre-Consummation</i>	14	\$107.4M	1.1	1291	2	30
<i>Talmer (Talmer Bank)</i>	19	\$54.6M	0.5			
<i>Chemical Bank Post-Consummation</i>	13	\$162.0M	1.6			
<b>Kalamazoo-Battle Creek, Michigan</b> – Kalamazoo and Van Buren counties; Flowerfield, Park, Mendon, Leonidas, Fabius, Lockport, Nottawa, and Colon townships of St. Joseph County, all of Michigan.						
	<b>Rank</b>	<b>Amount of Deposits</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Chemical Bank Pre-Consummation</i>	3	\$346.7M	9.1	1334	28	17
<i>Talmer (Talmer Bank)</i>	15	\$59.7M	1.6			
<i>Chemical Bank Post-Consummation</i>	3	\$406.4M	10.6			