

FEDERAL RESERVE SYSTEM

Wintrust Financial Corporation
Rosemont, Illinois

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

Wintrust Financial Corporation (“Wintrust”), Rosemont, Illinois, a financial holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to merge with First Community Financial Corporation (“First Community”), and thereby indirectly acquire First Community Bank (“First Community Bank”), both of Elgin, Illinois.

In addition, Wintrust’s subsidiary state member bank, St. Charles Bank & Trust Company (“St. Charles Bank”), St. Charles, Illinois, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”) to merge with First Community Bank, with St. Charles Bank as the surviving entity.³ St. Charles Bank also has applied under section 9 of the Federal Reserve Act (“FRA”) to establish and operate a branch at the main office and at a branch of First Community Bank.⁴

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (81 Federal Register 473940-47395 (July 21, 2016)).⁵ The time for submitting comments has expired, and the Board has

¹ 12 U.S.C. § 1841 *et seq.*

² 12 U.S.C. § 1842.

³ 12 U.S.C. § 1828(c).

⁴ 12 U.S.C. § 321. These locations are listed in the appendix.

⁵ 12 CFR 262.3(b).

considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the FRA. As required by the Bank Merger Act, a report on the competitive effects of the merger was requested from the United States Attorney General, and a copy of the request has been provided to the Federal Deposit Insurance Corporation (“FDIC”).

Wintrust, with consolidated assets of approximately \$24.4 billion, is the 68th largest insured depository organization in the United States.⁶ Wintrust controls approximately \$20.3 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Wintrust controls 15 insured depository institutions, which operate in Illinois, Indiana, and Wisconsin. Wintrust is the 5th largest insured depository organization in Illinois, controlling deposits of \$16.0 billion, which represent 3.46 percent of the total deposits of insured depository institutions in that state.⁷

First Community, with consolidated assets of approximately \$179.8 million, is the 3,246th largest insured depository organization in the United States, controlling approximately \$153.7 million in consolidated deposits, which represent less than 1 percent of nationwide deposits. First Community controls First Community Bank, which operates only in Illinois. First Community is the 246th largest insured depository organization in Illinois, controlling deposits of approximately \$141.0 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, Wintrust would remain the 68th largest depository organization in the United States, with consolidated assets of approximately

⁶ National asset data, market share, and ranking data are as June 30, 2016, unless otherwise noted. State asset data, market share, and ranking data are as of June 30, 2015, unless otherwise noted. State asset, market share, and ranking data does not include acquisitions made by Wintrust since June 30, 2016.

⁷ In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

\$24.6 billion, which represent less than 1 percent of the total assets of insured depository organizations in the United States. Wintrust would control consolidated deposits of approximately \$20.4 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Illinois, Wintrust would remain the 5th largest depository organization, controlling deposits of approximately \$16.2 billion, which represent approximately 3.49 percent of the total deposits of insured depository institutions in that state.

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.⁸ 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.⁹

Wintrust and First Community have subsidiary depository institutions that compete directly in the Chicago, Illinois banking market (“Chicago market”).¹⁰ The Board has considered the competitive effects of the proposal in this banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the market; the relative shares of total deposits in insured depository institutions in the market (“market deposits”) that would be controlled

⁸ 12 U.S.C. §§ 1842(c)(1) and 1828(c)(5).

⁹ 12 U.S.C. §§1842(c)(1)(B) and 1828(c)(5)(B).

¹⁰ The Chicago market consists of Cook County, DuPage County, Lake County, Will County, Kane County, McHenry County, Kendall County, DeKalb County, Grundy County, Kankakee County, plus Milks Grove, Chebanse, Papineau, Beaverville, Ashkum, Martinton, and Beaver townships of Iroquois County; plus Roger, Mona, Pella, and Brenton townships in Ford County, all in Illinois; and Pleasant Prairie, Bristol, Salem, and Randall townships in Kenosha County, Wisconsin.

by Wintrust;¹¹ the concentration levels of market deposits and the increase in these levels, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);¹² and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Chicago market. On consummation of the proposal, the Chicago market would remain unconcentrated, as measured by the HHI. The HHI in this market would increase by less than 1 point to remain at 985, and numerous competitors would remain in the market.¹³

¹¹ 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); 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).

¹² 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.

¹³ Wintrust operates the 5th largest depository institution in the Chicago banking market, controlling approximately \$16.9 billion in deposits, which represent approximately 4.55 percent of market deposits. First Community operates the 104th largest depository institution in the same market, controlling deposits of approximately \$141.0 million, which represent 0.04 percent of market deposits. On consummation of the proposed transaction, Wintrust would remain the 5th largest depository organization in the market, controlling deposits of approximately \$17.1 billion, which represent approximately

The DOJ has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market, including the Chicago 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 Chicago 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.¹⁴ In its evaluation of 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

4.59 percent of market deposits. The HHI for the Chicago market would remain 985, and 186 other competitors would remain in the market.

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

future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

Wintrust and First Community 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 purchase, with a subsequent merger of St. Charles Bank and First Community Bank.¹⁵ The asset quality, earnings, and liquidity of St. Charles Bank and First Community Bank are consistent with approval, and Wintrust appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Wintrust, First Community, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Wintrust; the Board's supervisory experiences with Wintrust and First Community 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.

Wintrust and its subsidiary depository institutions, including St. Charles Bank, are considered to be well managed. Wintrust has a record of successfully integrating organizations into its operations and risk-management systems after acquisitions. Wintrust'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.

¹⁵ To effect the holding company merger, each share of First Community common stock would be converted into a right to receive cash, based on a certain exchange ratio. Wintrust has the financial resources to fund the transaction.

The Board also has considered Wintrust's plans for implementing the proposal. Wintrust 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. Wintrust would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Wintrust's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner.

Based on all the facts of record, including Wintrust'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 Wintrust and First Community 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.¹⁶ 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 Community Reinvestment Act ("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

¹⁶ 12 U.S.C. §§ 1842(c)(2) and 1828(c)(5).

which they operate, consistent with their safe and sound operation,¹⁷ 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.¹⁸

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 the assessments of other relevant supervisors; the supervisory views of examiners; other supervisory information; information provided by the applicant; and comments received on the proposal. The Board also may consider the institution's business model, its marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of First Community Bank and St. Charles Bank; the fair lending compliance records of both banks; the supervisory views of examiners; confidential supervisory information; information provided by Wintrust; and the public comment received on the proposal.¹⁹ The Board also considered the reports of examination of the CRA

¹⁷ 12 U.S.C. § 2901(b).

¹⁸ 12 U.S.C. § 2903.

¹⁹ One community organization asserted that the proposal should not be approved unless Wintrust develops and agrees to a Community Reinvestment Act Plan ("Plan") and such Plan is included as a condition of the Board's approval. In response to the comment, Wintrust asserts that it is in agreement with the principles raised by the commenter, such as the value of community engagement, the importance of the CRA, and the importance of meeting community needs. Wintrust asserts that St. Charles Bank has a strong record of meeting the credit and other banking needs of LMI individuals and routinely evaluates the credit and deposit needs of unbanked and underbanked individuals. Wintrust further

performance and fair lending compliance records of Wintrust's 14 other insured depository institutions.

Businesses of Involved Institutions

St. Charles Bank is a state-chartered, commercial bank, headquartered in St. Charles, Illinois. It offers a broad range of banking and financial services, including deposit accounts; checking accounts; certificates of deposits; and commercial, real estate, and consumer loan products. The bank's main loan focus is small and medium-sized businesses and loans secured by commercial real estate.

First Community Bank is a state-chartered, commercial bank that offers a broad range of consumer and commercial banking products and services, including checking, savings, money market, and certificate of deposit accounts; mortgages, consumer installment loans, and loan products; and retirement services. The bank's primary loan focus is commercial and commercial real estate lending.

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 responses to comments by the applicant. In particular, the Board evaluates an institution's performance record in light of examinations by the appropriate

represents that it is strongly committed to compliance with the CRA and that it has a history of strong CRA performance throughout the organization.

The Board has consistently found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organization. See, e.g., Huntington Bancshares Incorporated, FRB Order No. 2016-13 at 32 n. 50 (July 29, 2016); CIT Group, Inc., FRB Order No. 2015-20 at 24 n. 54 (July 19, 2015); Citigroup Inc., 88 Federal Reserve Bulletin 485 (2002); Fifth Third Bancorp, 80 Federal Reserve Bulletin 838, 841 (1994). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas.

federal supervisors of the CRA performance records of the relevant institutions, as well as information and views provided by the appropriate federal supervisors.²⁰ 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.²¹ An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution’s primary federal supervisor of the institution’s overall record of lending in its communities.

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

²⁰ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

²¹ 12 U.S.C. § 2906.

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;²² (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.

CRA Performance of St. Charles Bank

St. Charles Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Reserve Bank, as of April 22, 2013 ("St. Charles Bank Evaluation").²³ St. Charles Bank received a "Low Satisfactory" rating for the Lending Test and a "High Satisfactory" rating for both the Service Test and the Investment Test.²⁴

Examiners found that St. Charles Bank's overall lending levels reflected adequate responsiveness to credit needs in the assessment area. Examiners noted that the

²² Examiners also consider the number and amounts of small business and small farm loans made 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).

²³ The St. Charles Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed HMDA-reportable loans and small business lending from January 1, 2009, to December 31, 2012. The evaluation period for all qualified community development activities, including community development loans, investments and donations, and services was April 20, 2009, through April 22, 2013.

²⁴ The St. Charles Bank Evaluation included a full-scope evaluation of Kane County, the bank's only assessment area. In September 2011, the bank's assessment area was expanded to include all of Kane County, Illinois, to reflect the acquisition of Elgin State Bank. The assessment area is located entirely within the Chicago-Joliet-Naperville, Illinois-Indiana-Wisconsin Metropolitan Statistical Area ("Chicago MSA").

bank originated a majority of home mortgage loans and small business loans within its assessment area²⁵ and that the geographic distribution of loans reflected adequate penetration throughout the assessment area. In particular, examiners found that St. Charles Bank displayed adequate penetration among customers of different income levels and good penetration among businesses of different sizes. Examiners also noted that, overall, the bank originated a relatively high level of community development loans in its assessment area and that the bank made use of innovative and flexible lending practices in order to serve the assessment area's credit needs.

Examiners found that St. Charles Bank had a significant level of qualified community development investments and grants and that the bank occasionally acted in a leadership position for such investments made throughout its assessment area. Examiners noted that St. Charles Bank exhibited good responsiveness to the credit needs of the assessment area. Examiners highlighted the bank's participation in an innovative investment that funded the acquisition and rehabilitation of properties in LMI areas and extended mortgages to qualified LMI individuals for the purchase of those properties. Examiners noted that the bank made qualified community development grants and donations to organizations providing home construction and home repairs, transitional and emergency housing, affordable medical care, and youth programs to LMI individuals. Likewise, examiners noted that qualified investments were distributed for affordable housing, community services, and economic development purposes.

Examiners highlighted that St. Charles Bank's officers and staff provided a relatively high level of community development services in the bank's assessment area. Examiners also considered St. Charles Bank's retail services. Examiners noted that St. Charles Bank's delivery systems were accessible to geographies and individuals of different income levels in the assessment area and that the bank offered services through

²⁵ St. Charles Bank is treated, for CRA purposes, as originating some of the loans of its affiliate, Wintrust Mortgage Co., Rosemont, Illinois, a subsidiary of Barrington Bank & Trust Company, National Association, Barrington, Illinois, in determining the level of loans originated in its assessment area.

several delivery channels, including automated teller machines, online banking services, branches, and a telebanking service. In addition, examiners noted that St. Charles Bank's customers had access to automated teller machines operated by any of Wintrust's other subsidiary depository institutions without incurring a transaction fee.

St. Charles Bank's Efforts Since the St. Charles Bank Evaluation

Wintrust asserts that, since the St. Charles Bank Evaluation, St. Charles Bank has initiated a number of efforts to enhance its support of all of the communities in which the bank operates. Wintrust also asserts that the bank has continued to provide a variety of financial products and services designed to meet the credit and banking needs of LMI individuals. Additionally, Wintrust represents that the bank opened a branch in a moderate-income community in recognition of the additional need in that community. Wintrust also represents that the bank has served in a leadership role in supporting a number of community development organizations. According to Wintrust, St. Charles Bank has provided more than 3,300 community service hours since the St. Charles Bank Evaluation.

Wintrust further represents that the bank has continued its initiatives and programs focused on lending, investment, and service activities in its communities, with emphasis on small business lending and affordable housing and on offering products and services aimed at meeting the needs of unbanked and underbanked residents. In particular, Wintrust states that the bank offers checking and savings account products that do not require minimum balances, as well as a personal loan product that is an affordable, safe, and accessible alternative to a payday loan. Additionally, the bank participates in a number of programs aimed at first-time homebuyers and LMI homebuyers. According to Wintrust, the bank has made a number of community development loans since the St. Charles Bank Evaluation, with a focus on affordable housing. Further, Wintrust represents that St. Charles Bank has established a CRA Committee consisting of St. Charles Bank executives that meets monthly to oversee CRA-related initiatives, products, and services.

CRA Performance of Other Wintrust Subsidiary Banks

In addition to St. Charles Bank, Wintrust is the parent company of 14 other insured depository institutions. Seven of Wintrust's 14 other wholly owned depository institutions received "Outstanding" CRA performance ratings on their most recent CRA examinations, with the other seven institutions receiving "Satisfactory" CRA ratings. Wintrust further represents that five of its subsidiary banks improved their component CRA performance ratings from "Satisfactory" to either "High Satisfactory" or "Outstanding" in their subsequent CRA performance exams. The largest of these depository institutions, Lake Forest Bank & Trust Company, Lake Forest, Illinois, was among the depository institutions that received an "Outstanding" CRA performance rating by the Reserve Bank at its most recent CRA performance evaluation, dated February 29, 2016. This rating included "Outstanding" ratings on each of the Lending, Service, and Investment Tests. Wintrust further represents that it has set a number of CRA goals, including a goal that each subsidiary bank strive to attain an "Outstanding" CRA performance rating and that lending be aligned with meeting or exceeding peer lending percentages.

CRA Performance of First Community Bank

First Community Bank was assigned an overall "Satisfactory" rating by the FDIC at its most recent CRA performance evaluation ("First Community Bank Evaluation"), as of February 11, 2013.²⁶

²⁶ The First Community Bank Evaluation was conducted by the FDIC using the Interagency Evaluation Procedures for Small Institutions. The examination procedures applicable to small banks specifically evaluate (1) the institution's loan-to-deposit ratio and other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments; (2) the percentage of loans and other lending-related activities located in the bank's assessment areas; (3) the bank's record of lending to and engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; (4) the geographic distribution of the bank's loans; and (5) the bank's record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment areas. See, e.g., 12 CFR 228.26(b). In the First Community Bank Examination,

Examiners found that First Community Bank's loan-to-deposit ratio was reasonable, given the institution's size, financial condition, and assessment area's credit needs. Examiners noted that a majority of the bank's loans and other lending-related activities were made within its assessment area. Examiners also found that the geographic distribution of loans reflected reasonable dispersion throughout the assessment area. Examiners noted that the bank's borrower distribution reflected reasonable penetration among business of different sizes and individuals of different income levels.

Examiners also noted that First Community Bank was an active small business lender and that the distribution of the bank's small business loans was reasonable. Further, examiners noted that while these loans would not be considered community development initiatives, they supported credit availability for small businesses in the bank's assessment area. Examiners also noted that bank's distribution of home mortgage loans reflected reasonable penetration among individuals of different income levels.

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. Wintrust represents that on consummation of the proposal, existing customers of First Community Bank will find enhanced convenience through greater access to capital, a wider range of products and services, and a larger network of automated teller machines in the Chicago MSA. Wintrust has also indicated that customers of First Community Bank would have access to products currently offered at St. Charles Bank that serve the needs of the unbanked and underbanked in the communities within the bank's assessment area. Wintrust represents that there will be no substantive change in banking operations and no significant changes

examiners evaluated the bank's home mortgage loans and small business loans in 2011 and 2012. The First Community Evaluation included a full-scope evaluation of the bank's only assessment area, which is composed of geographies in Kane and Cook Counties in Illinois. The assessment area is located entirely in the Chicago MSA.

in product offerings, interest rates, fees, or pricing as a result of the proposal. Wintrust asserts that St. Charles Bank has set a number of CRA goals, including a goal for community development lending to be 20 percent of tier 1 capital and a goal for small business lending to exceed peer-institution percentages for small business lending in the bank's assessment area.

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 Wintrust; 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.

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."²⁷

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

²⁷ Section 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).

complexity of the financial system, and the extent of the cross-border activities of the resulting firm.²⁸ These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.²⁹

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, Wintrust would have approximately \$24.6 billion in consolidated assets and, by any of a number of alternative measures of firm size, Wintrust would not be likely to pose systemic risks. The Board generally presumes that a proposal that involves an acquisition of less than \$2 billion in assets, or 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.

²⁸ Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

²⁹ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012).

Establishment of Branches

St. Charles Bank has applied under section 9 of the FRA to establish branches at current locations of First Community Bank.³⁰ The Board has assessed the factors it is required to consider when reviewing an application under that section.³¹ Specifically, the Board has considered St. Charles Bank's financial condition, management, capital, actions in meeting the convenience and needs of the communities to be served, CRA performance, and investments in bank premises.³² For the reasons discussed in this order, the Board finds those factors to be consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to 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 Wintrust 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.

³⁰ 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). On consummation, all of St. Charles Bank's branches would be permissible under applicable state law. See 205 Ill. Comp. Stat. Ann. 5/1 et seq.

³¹ 12 U.S.C. § 322; 12 CFR 208.6.

³² On consummation of the proposed transaction, St. Charles Bank's investments in bank premises would remain within legal requirements under 12 CFR 208.21.

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 the Reserve Bank acting under delegated authority.

By order of the Board of Governors,³³ effective October 28, 2016.

Robert deV. Frierson (signed)

Robert deV. Frierson,
Secretary of the Board.

³³ Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.

Appendix

Branches to Be Acquired by St. Charles Bank

1. 50 Tyler Creek Plaza, Elgin, Illinois 60123
2. 165 South Randall Road, Elgin, Illinois 60123