

INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 25, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Union Bank, National Association
Charter Number 24291**

**4921 North May Avenue
Oklahoma City, OK 73112**

**Comptroller of the Currency
Chicago South
7600 Country Line Road Unit 3
Burr Ridge, IL 60521**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated “Outstanding”.

The Lending Test is rated: “Outstanding”.

The Community Development Test is rated: “Outstanding”.

Union Bank has an outstanding record of meeting community credit needs. This conclusion is based on the following:

- The bank’s loan-to-deposit ratio is reasonable and averaged 73 percent during the evaluation period.
- A substantial majority of Union Bank’s loans were originated within the bank’s assessment area (AA).
- Union Bank’s distribution of loans to businesses with gross revenues of less than \$1 million is excellent. The bank’s overall distribution of home mortgage products to low- and moderate-income families is excellent.
- The bank’s distribution of business loans and home mortgage loans to low- and moderate-income geographies is excellent.
- Union Bank’s community development performance demonstrates excellent responsiveness to the community development needs of its AA. The bank has made a significant commitment to affordable housing, which is a critical need in the bank’s AA.

SCOPE OF EXAMINATION

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on the origination of home mortgage products and small business loans from January 1, 2004 through December 31, 2005. Conclusions regarding the Community Development Test are based on community development activities from May 5, 2003 through September 25, 2006.

DESCRIPTION OF INSTITUTION

Union Bank, N.A. (Union Bank), with total assets of \$418 million at June 30, 2006, is a full service commercial bank headquartered in Oklahoma City, Oklahoma. Union Bank is a wholly owned subsidiary of MB Financial, Inc., a multi-bank holding company with combined assets of approximately \$6 billion. Union Bank became part of the MidCity Financial Corporation in 1988, a company that has since merged with another Chicago financial institution, and is now known as MB Financial, Inc. Union Bank became a nationally chartered bank on November 8, 2001. Union Bank was rated “Satisfactory” at the prior CRA examination dated May 5, 2003.

Union Bank is an intrastate bank with 5 full service banking center locations and one drive through branch. All of the banking offices are located within Oklahoma County, which is in the Oklahoma City Metropolitan Statistical Area (MSA). Four of the bank’s offices, and its drive through branch, are located in Oklahoma City and one bank office is located in Edmond, Oklahoma. The Capitol Hill branch is located in a low-income census tract, which is also located in a federally designated Empowerment Zone. No branches have been opened or closed since the last CRA examination. The bank’s branch distribution in low- and moderate-income geographies is excellent, as the percentage of bank branches located in low- and moderate-income geographies exceeds the percentage of low- and moderate-income census tracts in the bank’s AA. The following table details the bank’s branch and ATM distribution by income level of census tract in which it is located:

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	20	8.81%	1	20.00%	1	16.67%
Moderate	83	36.56%	3	60.00%	4	66.67%
Middle	69	30.40%	0	0.00%	0	0.00%
Upper	51	22.47%	1	20.00%	1	16.66%
NA	4	1.76%	0	0.00%	0	0.00%
Total	227	100.00%	5	100.00%	**6	100.00%

Source: 2004 U.S. Census Data; *ATMs are non-deposit taking; **Includes 6 ATMs contiguous to banking locations.

The bank’s business strategy is to provide its customers with a full range of products and services consistent with a community bank.

As of June 30, 2006, Union Bank had total assets of \$418 million, total loans of \$291 million, and total deposits of \$342 million. The loan to deposit ratio was 84 percent. The loan portfolio is segmented into real estate loans (54 percent), commercial loans (24 percent), individual loans (2 percent) and other loans (20 percent).

There are no legal or financial impediments to Union Bank’s ability to help meet the credit, investment, and service needs of its AA. Union Bank’s Tier 1 Capital level is \$30 million representing 7.30 percent of average assets. The bank is financially capable of meeting almost any request for credit, subject to sound underwriting criteria and certain legal restrictions applicable to all national banks.

Union Bank’s banking locations are supplemented by 24-hour access to deposit accounts through its automated teller machine (ATM) network. The bank has 6 ATM locations within the AA, with additional locations available through membership in the Cirrus ATM network. Telephone banking, personal computer banking and Internet banking is also available. Union Bank has four employees who are fluent in Spanish. Two are located at the Capital Hill branch location, which serves a predominantly Spanish speaking community.

DESCRIPTION OF UNION BANK’S AA

Demographic and Economic Characteristics of Union Bank’s AA	
Population	
	660,448
Number of Families	171,849
Number of Households	267,018
Geographies	
Number of Census Tracts/BNA	227
% Low-Income Census Tracts/BNA	8.81
% Moderate-Income Census Tracts/BNA	36.56
% Middle-Income Census Tracts/BNA	30.40
% Upper-Income Census Tracts/BNA	22.47
Median Family Income (MFI)	
2000 MFI for AA	44,898
2004 HUD-Adjusted MFI	52,200
Economic Indicators	
Unemployment Rate	2.53
2004 Median Housing Value	77,700
% of Households Below Poverty Level	14.00

Source: 2000 Census data and 2004 HUD updated income data.

The above table provides basic demographic information based on the income level of census tracts and families within the AA.

Union Bank's AA consists of the 227 census tracts comprising Oklahoma County, which is part of the Oklahoma City MSA. Four of these tracts, representing 1.76 percent, are not classified by income level and are not included in the above table. The AA is consistent with CRA regulatory requirements and does not arbitrarily exclude low- and moderate-income census tracts. The AA includes census tracts in which the bank has its branches and where a substantial portion of the bank's loans have been originated. Union Bank operates 5 full service branches, 6 proprietary ATMs, and one additional limited service facility, a drive-through branch. The bank's presence in low- and moderate-income geographies within the AA is excellent. Of the five full service locations, one is located in a low-income census tract, three in moderate-income tracts, and one in an upper-income tract. Of the six propriety ATMs, one is located in a low-income tract, four are located in moderate-income tracts, and one is located in an upper-income tract.

According to the 2000 census, the total population of the AA was 660,448. Most of the AA population is concentrated in the City of Oklahoma City, which is located in the center of the state. The population is distributed 4.62 percent, 35.85 percent, 31.89 percent, and 27.55 percent in low, moderate, middle, and upper-income tracts, respectively. The low- and moderate-income tracts are concentrated in the south central portion of Oklahoma City. Upper-income census tracts are concentrated in the northern and western areas of Oklahoma City.

Of the 171,849 AA families, 22.30 percent, 18.43 percent, 20.85 percent, and 38.42 percent report earning low, moderate, middle, and upper-incomes, respectively. Approximately 14 percent of the population lives below the poverty level. A low-income family in Oklahoma County has an income of less than \$26,000. Based on estimates by the Department of Housing and Urban Development, the adjusted median family income figure of \$52,200 was used to determine the borrower's income levels for the AA in 2004.

Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, numerous small community banks, credit unions, and non-bank financial service providers.

The economic conditions in Oklahoma City are robust and the outlook remains good in the short run, as the strong energy industry will continue to help the region by boosting employment and income growth. As of June 30, 2006, unemployment was low at 3.7 percent. The retail, government, and service sectors account for the majority of the employers in the AA. The leading employers include the State of Oklahoma, Tinker Air Force Base, Oklahoma Health Center, Integris Health Center, and Oklahoma City Public Schools.

A review of community contacts conducted within the Oklahoma City MSA noted that there are several opportunities to participate in community service activities, but that opportunities are more limited for community development lending and investments. Contacts indicated that local banks are interested and active in seeking community development opportunities. Several contacts stated investment opportunities are limited in Oklahoma. Contacts indicated that affordable housing, social services for the poor, and rehabilitation of declining areas continue to be the primary needs of the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is rated "**Outstanding**".

Because small business lending is the bank's primary business line, more weight was given to small business lending when evaluating performance under the criteria detailed below.

Loan-to-Deposit Ratio

Union Bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The average quarterly loan-to-deposit ratio from June 30, 2003 through June 30, 2006 was 72.75 percent. This average was compared to the average of four similarly sized institutions with total assets between \$250 million and \$500 million, for the same time period, in Oklahoma County. Refer to the table below for comparative data:

Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 09/30/06)	Average Loan - to-Deposit Ratio
Rose Rock Bank, Oklahoma City, Oklahoma	391,697	104.77%
Quail Creek Bank, Oklahoma City, Oklahoma	328,043	104.68%
Citizens Bank of Edmond, Edmond, Oklahoma	252,834	78.63%
Union Bank, N.A., Oklahoma City, Oklahoma	418,187	72.75%
First National Bank, Midwest City, Oklahoma	317,794	53.49%

Source: Institution Reports of Condition from June 2003 to June 2006

Lending in Assessment Area

Union Bank's lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of the home mortgage and small business loans were originated within the bank's AA. As depicted in the table below, 83 percent of both the number and dollar amount of loans were originated in Union Bank's AA.

Lending in Union Bank's AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Home Mortgage	109	74%	39	26%	148	\$15,367	76%	\$4,966	24%	\$20,333
Small Business	356	87%	55	13%	411	\$43,817	86%	\$7,087	14%	\$50,904
Totals	465	83%	94	17%	559	\$59,184	83%	\$12,053	17%	\$71,237

Source: Data reported under CRA and HMDA sample of loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Union Bank's borrower distribution of home mortgage loans and small business loans is outstanding and exceeds the standard for satisfactory performance.

Union Bank's borrower distribution of small business loans is excellent. Loans to businesses with revenues of \$1 million or less represented 74 percent of sampled business loans, which exceeds the 64 percent of area businesses that reported revenues of less than \$1 million.

Union Bank's overall distribution of home mortgage loans is excellent, particularly when considering that low-income families have a difficult time qualifying for conventional home purchase/refinance products. Union Bank's distribution to low-income families is excellent with regard to home improvement loans, as the percentage of the number of bank loans made to low-income families exceeds the percentage of low-income families in the AA.

The bank's distribution of home mortgage products to moderate-income families is excellent as the percentage of the number of the bank's home purchase and refinance loans originated exceeds the percentage of moderate-income families in the AA. The bank's percentage of home improvement loans originated is good as it is near to the percentage of moderate-income families in the AA.

2004 – 2005 Borrower Distribution of Loans to Businesses in Union Bank’s AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	64.15%	7.27%
% of Bank Loans in AA by #	74.44%	25.56%

Source: Loan sample (Data reported under 2004 and 2005 CRA); Dunn and Bradstreet data. *28.58% of AA did not report revenue data.

2004 – 2005 Borrower Distribution of Residential Real Estate Loans in Union Bank’s AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	22.30%		18.43%		20.85%		38.42%	
Loan Type(s)	% of Number	% of Amount						
Home Purchase	10.00%	6.70%	22.50%	21.91%	25.00%	15.07%	42.50%	56.32%
Home Improvement	22.58%	7.34%	16.13%	8.83%	19.35%	14.05%	41.94%	69.78%
Home Refinance	11.54%	4.89%	23.08%	16.31%	26.92%	15.06%	38.46%	63.74%

Source: Loan sample (Data reported under 2004 and 2005 HMDA); 2000 U.S. Census data.

Geographic Distribution of Loans

Union Bank’s geographic distribution of loans is excellent and exceeds the standard for satisfactory performance.

The geographic distribution of small business loans is excellent. The bank’s distribution of small business loans by number to both the low- and moderate-income tracts exceeds the percentage of small businesses located in those tracts.

The geographic distribution of home mortgage loans is excellent. The bank’s distribution of the number of home purchase, home improvement, and home refinance loans exceeds the percentage of owner occupied housing units in the low-income tracts. The bank’s distribution of the number of home purchase and home improvement loans to moderate-income tracts exceeds the percentage of owner occupied housing units in the moderate-income tracts. The bank’s distribution of home refinance loans by number in moderate-income tracts is slightly less than the level of owner occupied units in the moderate-income tracts.

2004 – 2005 Geographic Distribution of Loans to Businesses in Union Bank’s AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	6.29%		31.32%		32.13%		26.51%	
LOANS	% of Number	% of Amount						
Small Business Loans	6.46%	6.19%	35.67%	37.46%	30.34%	31.53%	24.72%	21.86%

Source: Loan sample (Data reported under 2004 and 2005 CRA); Dunn and Bradstreet data. *3.74% of the AA businesses were located in census tracts that were NA.

2004 – 2005 Geographic Distribution of Residential Real Estate loans in Union Bank’s AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Owner Occupied Housing	2.81%		28.33%		34.78		34.08%	
LOANS	% of Number	% of Amount						
Home Purchase	10.00%	1.85%	32.00%	35.84%	32.00%	49.81%	26.00%	12.50%
Home Improvement	6.06%	34.71%	36.36%	7.81%	30.30%	30.73%	27.28%	26.75%
Home Refinance	3.85%	2.12%	19.23%	9.94%	53.85%	61.18%	23.07%	26.76%

Source: Loan sample (Data reported under 2004 & 2005 HMDA); 2000 U.S. Census data.

Responses to Complaints

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during the evaluation period.

Community Development Loans, Qualified Investments, and Community Development Services Test

The bank's performance under the Community Development Test is rated "**Outstanding**".

Union Bank is very active in the communities they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to low- and moderate-income individuals. Additionally, Union Bank has made a significant commitment to affordable housing through construction lending and by their involvement with non-profit organizations that facilitate affordable housing. Affordable housing has been identified as a critical need in the bank's AA.

Community Development Loans

Union Bank has made an excellent level of community development loans during the evaluation period.

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

Union Bank originated six loans totaling \$816 thousand to a non-profit organization for the purpose of constructing affordable owner occupied housing. The non-profit organization was formed specifically to redevelop blighted neighborhoods in the Oklahoma City metropolitan area. These residential construction loans are part of an effort to develop and build 30 new brick homes in the Oklahoma City JFK neighborhood, which is a low-income neighborhood. The bank also originated and renewed a revolving line of credit totaling \$115 thousand to this non-profit organization to begin development of another affordable housing project.

Union Bank originated six loans totaling \$526 thousand to a local builder to construct affordable owner occupied housing in Cashion, Oklahoma. The homes are 1,300 square feet in size and have an average cost of \$90 thousand. These homes qualify for Rural Housing Section 502 Direct Loans. This USDA loan program is designed to help low-income individuals or households to purchase homes in rural areas.

The bank originated a loan totaling \$1.3 million to purchase and rehabilitate a 96 unit apartment complex. The apartment complex is located in a low-income neighborhood within a moderate-income census tract in Oklahoma City. Average rent for the apartment complex is approximately \$400 a month, which is less than the median monthly rent for Oklahoma County of \$487.

The bank originated a loan totaling \$1.4 million to finance an office building located in the Oklahoma City downtown Federal Empowerment Zone. The funds for this loan were provided by the Federal Home Loan Bank's Community Development Program. Projects must be CRA qualified in order to be eligible for funds under this program.

Union Bank extended and renewed a revolving line of credit totaling \$35 thousand to a local church to fund a reading program (City Care's Whiz Kids) for underprivileged children with weak reading skills. According to Oklahoma City Public Schools Statistical Profile for 2003, 95 percent of the kids in this community qualify for Federal assistance. The bank also made the church a \$21 thousand loan for a van to provide transportation for these children.

The bank originated a loan totaling \$862 thousand to a non-profit organization that is dedicated to improving the system of care for the homeless in Oklahoma City through collaboration with service providers, city government, and local businesses. The proceeds were used to purchase and to convert a warehouse into a homeless shelter, along with 12 to 15 office spaces to house other non-profit agencies that facilitate the needs of the homeless. While this loan is secured by commercial real estate and does not meet the size test to be eligible as a qualified community development loan, it does meet the definition of community development and demonstrates the bank's commitment to meet the needs of low- and moderate-income individuals and families in their AA.

Union Bank's commitment to their community is further demonstrated by their partnership with a local non-profit organization to provide affordable housing. In March of 2002, the bank allocated \$500 thousand to be used to fund a program to help low- to moderate-income individuals by providing ownership opportunities and the training needed to maintain that ownership for single family residences. The bank provided construction funding for 9 affordable housing units in a low-income area totaling \$489 thousand. Three of the homes, totaling \$180 thousand, were funded during this evaluation period. In December 1999, the bank allocated \$500 thousand to the Capital Hill Loan Program that provides flexible terms, such as reduced interest rates and closing costs, to make home ownership more affordable in the Capital Hill area. Another \$500 thousand was allocated to this program in March 2002. Since 1999, 24 loans have been booked under this program totaling \$506 thousand. Two loans under this program were made during the evaluation period and totaled \$40 thousand.

Additionally, Union Bank has originated over 80 loans totaling \$9.8 million to small businesses located in the Oklahoma City Federally designated Empowerment Zone. These loans have helped revitalize and stabilize these low-income areas and contributed to economic development through retention of jobs.

Community Development Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation.

Union Bank made an equity investment totaling \$50 thousand in the CRA Qualified Investment Fund. The CRA Qualified Investment Fund invested these funds into securities that are backed by home mortgage loans originated to low- and moderate-income families residing in Oklahoma County. The bank made prior period equity investments in the CRA Qualified Investment Fund totaling \$256 thousand, which were also invested in mortgage backed securities to low- and moderate-income families residing in Oklahoma County.

Union Bank made a prior period investment of \$356 thousand, with a current book value of \$51 thousand, in a CRA Targeted Mortgage Backed Security. The security is backed by home mortgage loans originated to low- and moderate-income families residing in the bank's AA.

During the evaluation period, the bank made over 100 qualified donations totaling \$117 thousand to local non-profit organizations that provide affordable housing and other social services to low- to moderate-income individuals and families.

Community Development Services

The level of qualified community development services is excellent. Bank personnel are very active in providing financial expertise to non-profit organizations whose primary purpose is to provide affordable housing or community services to low- to moderate-income individuals. Bank officers also volunteer their time to non-profits agencies to provide small business training, workshops, seminars, as well as educational programs to teach financial management, entrepreneurship and economics. The following are examples of qualified community development services:

- **Neighborhood Services Organization**

A bank officer serves on the Board of this non-profit organization. This organization provides affordable housing and other social services to low-income individuals. Services provided address crisis intervention, suicide, substance abuse, homelessness and many other social service needs.

- **Central Urban Development**

A bank officer joined this organization and provides technical and financial related services. The purpose of this non-profit organization is the development and maintenance of housing, education, and child care in low-income areas and neighborhoods in Oklahoma City.

- **United Way**

A bank director serves on the Campaign Cabinet Committee. A bank officer serves on the Allocation Committee. Both provide financial expertise on their respective committees. United Way allocates funds to affiliate agencies that provide services to low-income individuals.

Infant Crisis Service, Inc.

A bank officer serves this organization that is an emergency food pantry providing formula, baby and toddler food, diapers and other essentials to babies who are in crisis situations.

- **Action Center, Inc.**

Union Bank has partnered with this agency to offer courses from the *Money Smart* curriculum provided by the FDIC.

- **Community Action Agency**

A bank officer presents a small business training course for the Economic Development Department of this non-profit organization. The subject is “*How to Get a Small Business Loan*” and is attended by individuals interested in starting a new business.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.