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Comptroller of the Currency  
Administrator of National Banks

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Central District Office  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, Illinois 60605

September 14, 2005

**CRA Decision #127  
November 2005**

Mr. Brian R. Bodager  
Chief Administrative Officer,  
General Counsel & Corporate Secretary  
Associated Banc-Corp  
1200 Hansen Road  
Green Bay, Wisconsin 54304

Re: Application for the proposed merger of State Financial Bank, National Association, Hales Corner, Wisconsin with and into Associated Bank, National Association, Green Bay, Wisconsin, CAIS Control Number: 2005-CE-02-0018.

Dear Mr. Bodager:

On September 14, 2005, the Comptroller of the Currency (OCC) approved the proposal to merge State Financial Bank, National Association, Hales Corner, Wisconsin ("State Financial") into Associated Bank, National Association, Green Bay, Wisconsin ("Associated") under the charter and title of the latter.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application and the merger agreement and by your representatives.

We reviewed the proposed merger transaction under the criteria of the Bank Merger Act (12 U.S.C. 1828(c)), the Community Reinvestment Act ("CRA") (12 U.S.C. 2901 et. seq.)<sup>1</sup> and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have any anticompetitive effects. We considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the

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<sup>1</sup> The OCC assigned Associated an overall "Satisfactory" CRA performance rating in the last Performance Evaluation ("PE"), dated November 10, 2003. The PE stated that the OCC found no evidence of illegal discrimination or other illegal credit practices. The OCC assigned State Financial an overall "Satisfactory" CRA performance rating in the last PE, dated August 26, 2002. Based on the analysis of public comments, consumer complaints, and Home Mortgage Disclosure Act and small business data, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with the CRA PE. The last comprehensive fair lending examination of State Financial was performed by the OCC in May of 2000. That examination disclosed no fair lending concerns.

communities to be served. In addition, the Bank Merger Act requires the OCC to consider "...the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including overseas branches." We considered this factor and believe the approval of this transaction is consistent with that statutory provision as well.

While the OCC did not receive any direct public comments, the Federal Reserve Bank of Chicago provided the OCC with a copy of a letter it received in connection with the related bank holding company application.<sup>2</sup> The commenter expressed a general concern that the merger would threaten State Financial Bank's record of mortgage lending to traditionally underserved communities in the Milwaukee/Waukesha Metropolitan Statistical Area ("MSA"). The commenter also expressed concerns that while State Financial has a strong record of lending in LMI communities and predominately minority areas, Associated's record tends to be on par or slightly under all other lenders in the same areas.<sup>3</sup> The commenter based that concern on an analysis of 2003 Home Mortgage Disclosure Act ("HMDA") data.<sup>4</sup> Associated responded to that concern by representing that it is committed to capturing the best practices of both banks. Associated indicated it would continue to offer products designed to meet the needs of low- and moderate-income ("LMI") and minority borrowers and that bilingual loan officers serve in its Milwaukee and Waukesha branches.<sup>5</sup> Associated also indicated its willingness to discuss with the commenter specific ideas to increase loans and services to minorities and LMI borrowers.

The commenter also expressed concern that the level of branches for each bank was low in predominately minority and low-income census tracts. The OCC's most recent CRA Performance Evaluations ("PEs") for each of the banks considered the number and location of branches.<sup>6</sup> The OCC determined that Associated's delivery system in the Milwaukee/Waukesha MSA was reasonably accessible and that State Financial's delivery system was good. As a result, Associated received an overall "Low Satisfactory" service test rating and State Financial received an overall "High Satisfactory" service test rating.<sup>7</sup> The OCC also notes that Associated

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<sup>2</sup> While the public comment period for the bank merger had expired, the OCC considered the comments submitted to the Federal Reserve Bank of Chicago.

<sup>3</sup> Both banks received a "High Satisfactory" Lending Test rating at their most recent PEs.

<sup>4</sup> It is important to note that HMDA data alone are not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or in indicating whether its level of lending is sufficient. HMDA data do not take into consideration borrower creditworthiness, housing prices, and other factors relevant in each of the individual markets, nor do they fully reflect the range of a bank's lending activities or efforts. Nevertheless, denial and pricing disparities are of concern to the OCC and are evaluated in fair lending examinations.

<sup>5</sup> Associated will continue its participation in the Wisconsin Housing and Economic Development Authority home purchase program, certain Federal Home Loan Affordable Housing and Small Business Administration programs, and its own community affordable real estate mortgage program. In addition, Associated indicated that it has implemented its own community development entity ("CDE") and federal new markets tax credits and will continue the CDE and new markets tax credits program that it acquires from State Financial.

<sup>6</sup> The distribution and number of branches analyzed by OCC examiners in conducting the latest PEs are not significantly different from the distribution and number of branches currently operating.

<sup>7</sup> The CRA's community service test evaluates:

a bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of a bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

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indicated it would be willing to discuss with the commenter ways in which minority census tracts might be served throughout its existing branches and programs.

In addition, the commenter expressed concerns that Associated demonstrated little understanding of innovative ways to partner with nonprofit organizations or for-profit businesses serving and developing LMI communities. The OCC's most recent PEs for Associated resulted in a "High Satisfactory" rating under the investment test. Associated's response indicated that it continues to analyze opportunities available for investing in affordable housing. Associated currently holds qualified investments in affordable housing projects that offer tax credits, Community Development Corporations, the CRA Qualified Investment Fund, and mortgage-backed securities.

In sum, based on Associated's and State Financial's CRA records of performance, the OCC found approval to be consistent with the CRA.

The district office must be advised in writing in advance of the desired effective date for the merger so that the OCC may issue the necessary certification letter. As a reminder, the bank may not consummate the transaction until the Board of Governors of the Federal Reserve System has approved the related holding company merger application and the appropriate waiting period has expired. If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

If you have any questions, please contact me at (312) 360-8863.

Sincerely,

/s/

David J. Rogers  
Director for District Licensing