

# The Vault

A Midwest Bank  
Newsletter

Midwest Bank Index Performance (shown as % change)



Indices Performance (% change)

	<u>December 2016</u>	<u>LTM</u>		<u>December 2016</u>	<u>LTM</u>
S&P 500	2.2%	9.5%	SNL U.S. Bank	3.5%	23.4%
Dow Jones	3.2%	13.4%	SNL Midwest U.S. Bank	3.7%	30.5%
NASDAQ	2.5%	7.5%			

Note: U.S. Bank index includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ). Midwest region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in IA, IN, IL, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI.

Movers and Losers (largest % changes in the month of December)

Bank Name	Price/Share	Price Change	Bank Name	Price/Share	Price Change
Southwest Bancorp (OKSB)	\$29.00	32.1%	Oriental Financial (OFG)	\$13.10	(3.7%)
National Bankshares (NKSH)	\$43.45	19.2%	State Street Corp. (STT)	\$77.72	(3.3%)
Community Trust (CTBI)	\$49.60	16.0%	Signature Bank (SBNY)	\$150.20	(2.8%)
Heritage Commerce (HTBK)	\$14.43	15.9%	Bank of New York (BK)	\$47.38	(2.5%)
Enterprise Bancorp (EBTC)	\$37.56	15.5%	Ameris Bancorp (ABCB)	\$43.60	(1.9%)

Note: Price per share as of December 31, 2016. Consists of public banks listed on the NYSE and NASDAQ with a market capitalization greater than \$150 million.

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## Select Public Trading Statistics (as of 12/31/2016)

### Large U.S. National Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)							
JPMorgan Chase & Co.	JPM	NY	308,768.4	2,521,029,000	0.59	2.25	58.91	15.14	8.50	135.3	171.5
Wells Fargo & Company	WFC	CA	276,779.1	1,942,124,000	1.30	2.83	59.33	15.40	9.11	153.9	185.2
Bank of America Corporation	BAC	NC	223,321.5	2,195,314,000	0.83	2.23	61.87	14.21	9.07	91.4	129.7
Citigroup Inc.	C	NY	169,359.5	1,818,117,000	0.71	2.96	59.12	17.27	10.25	79.8	90.9
U.S. Bancorp	USB	MN	87,312.4	454,134,000	0.95	2.99	53.66	13.30	9.22	207.2	272.4
PNC Financial Services Group, Inc.	PNC	PA	56,901.2	369,348,000	0.96	2.71	61.20	14.20	10.11	135.1	173.8
Bank of New York Mellon Corporation	BK	NY	50,096.6	374,114,000	0.05	1.06	65.80	12.64	6.58	138.6	333.2
BB&T Corporation	BBT	NC	38,153.2	222,622,000	0.68	3.40	58.10	14.03	9.81	141.3	231.5
State Street Corporation	STT	MA	29,979.3	256,140,000	0.00	1.15	70.99	17.61	6.81	158.1	267.7
SunTrust Banks, Inc.	STI	GA	26,920.3	205,091,000	1.73	2.97	63.22	12.57	9.28	117.6	162.1
<b>Minimum</b>			<b>26,920</b>	<b>205,091,000</b>	<b>0.0</b>	<b>1.1</b>	<b>53.7</b>	<b>12.6</b>	<b>6.6</b>	<b>79.8</b>	<b>90.9</b>
<b>Mean</b>			<b>126,759</b>	<b>1,035,803,300</b>	<b>0.8</b>	<b>2.5</b>	<b>61.2</b>	<b>14.6</b>	<b>8.9</b>	<b>135.8</b>	<b>201.8</b>
<b>Median</b>			<b>72,107</b>	<b>414,124,000</b>	<b>0.8</b>	<b>2.8</b>	<b>60.3</b>	<b>14.2</b>	<b>9.2</b>	<b>136.9</b>	<b>179.5</b>
<b>Maximum</b>			<b>308,768</b>	<b>2,521,029,000</b>	<b>1.7</b>	<b>3.4</b>	<b>71.0</b>	<b>17.6</b>	<b>10.3</b>	<b>207.2</b>	<b>333.2</b>

### Large Midwest Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)							
Fifth Third Bancorp	FTB	OH	20,378.9	143,279,000	1.24	2.90	54.89	14.88	9.80	131.9	156.5
Northern Trust Corporation	NTRS	IL	20,163.7	120,085,000	0.19	1.15	68.19	13.98	7.86	231.8	248.1
KeyCorp	KEY	OH	19,744.6	135,805,000	0.67	2.85	66.15	12.63	10.22	142.9	180.1
Huntington Bancshares Incorporated	HBAN	OH	14,340.8	100,765,412	1.25	3.19	59.18	12.56	9.89	153.9	208.4
Commerce Bancshares, Inc.	CBSH	MO	5,863.2	24,734,468	0.27	3.09	60.64	13.39	9.58	243.6	259.0
PrivateBancorp, Inc.	PVTB	IL	4,318.1	19,105,560	0.86	3.25	48.99	12.41	10.43	229.3	241.6
MB Financial, Inc.	MBFI	IL	3,947.3	19,341,882	0.59	3.70	64.17	11.65	9.29	161.3	284.4
Wintrust Financial Corporation	WTFC	IL	3,757.0	25,321,759	0.55	3.26	64.60	12.10	9.02	154.9	195.8
Associated Banc-Corp	ASB	WI	3,716.6	29,152,764	1.32	2.78	61.94	12.49	7.64	127.2	191.6
First National of Nebraska, Inc.	FINN	NE	2,160.4	18,695,571	0.98	5.95	49.26	13.72	11.08	105.4	114.7
First Midwest Bancorp, Inc.	FMBI	IL	2,051.9	11,578,197	0.64	3.61	60.18	12.25	8.90	161.7	227.6
<b>Minimum</b>			<b>2,052</b>	<b>11,578,197</b>	<b>0.2</b>	<b>1.2</b>	<b>49.0</b>	<b>11.7</b>	<b>7.6</b>	<b>105.4</b>	<b>114.7</b>
<b>Mean</b>			<b>9,131</b>	<b>58,896,783</b>	<b>0.8</b>	<b>3.2</b>	<b>59.8</b>	<b>12.9</b>	<b>9.4</b>	<b>167.6</b>	<b>209.8</b>
<b>Median</b>			<b>4,318</b>	<b>25,321,759</b>	<b>0.7</b>	<b>3.2</b>	<b>60.6</b>	<b>12.6</b>	<b>9.6</b>	<b>154.9</b>	<b>208.4</b>
<b>Maximum</b>			<b>20,379</b>	<b>143,279,000</b>	<b>1.3</b>	<b>6.0</b>	<b>68.2</b>	<b>14.9</b>	<b>11.1</b>	<b>243.6</b>	<b>284.4</b>

### Small Midwest Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)							
Horizon Bancorp	HBNC	IN	620.8	3,325,650	0.50	3.75	57.19	13.39	9.69	179.3	236.8
First Mid-Illinois Bancshares, Inc.	FMBH	IL	423.6	2,783,948	0.64	3.41	57.56	12.79	11.02	147.4	195.1
First Business Financial Services, Inc.	FBIZ	WI	206.5	1,772,438	1.58	3.50	65.61	11.44	8.75	129.3	138.7
West Suburban Bancorp, Inc.	WNRP	IL	204.9	2,214,269	2.51	2.83	67.60	15.60	9.30	96.5	96.8
First Community Financial Partners, Inc.	FCFP	IL	201.7	1,246,598	1.07	3.44	60.62	13.52	9.15	175.1	176.3
STAR Financial Group, Inc.	SFIGA	IN	175.7	1,863,111	0.94	3.45	74.01	13.20	10.38	89.3	91.9
Marquette National Corporation	MNAT	IL	107.2	1,570,769	1.54	3.52	76.01	13.86	7.15	78.7	106.3
<b>Minimum</b>			<b>107</b>	<b>1,246,598</b>	<b>0.5</b>	<b>2.8</b>	<b>57.2</b>	<b>11.4</b>	<b>7.2</b>	<b>78.7</b>	<b>91.9</b>
<b>Mean</b>			<b>277</b>	<b>2,110,969</b>	<b>1.3</b>	<b>3.4</b>	<b>65.5</b>	<b>13.4</b>	<b>9.3</b>	<b>127.9</b>	<b>148.8</b>
<b>Median</b>			<b>205</b>	<b>1,863,111</b>	<b>1.1</b>	<b>3.5</b>	<b>65.6</b>	<b>13.4</b>	<b>9.3</b>	<b>129.3</b>	<b>138.7</b>
<b>Maximum</b>			<b>621</b>	<b>3,325,650</b>	<b>2.5</b>	<b>3.7</b>	<b>76.0</b>	<b>15.6</b>	<b>11.0</b>	<b>179.3</b>	<b>236.8</b>



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## Valuation Summary (as of 12/31/2016)

Asset Size Index – Nationwide			Geographic Index		
	Price/Book (%)	Price/Tangible Book (%)		Price/Book (%)	Price/Tangible Book (%)
\$5B-\$10B	211.5	278.3	Mid-Atlantic	125.4	169.7
\$1B-\$5B	187.4	216.0	Midwest	187.1	236.0
\$500M-\$1B	139.3	146.7	New England	146.0	226.7
\$250M-\$500M	155.7	163.1	Southeast	118.2	166.1
< \$250M	NA	NA	Southwest	171.5	213.3
			Western	168.0	202.9

## Interest Rate Scorecard

Financial Yields	December 31, 2016	1 Month	3 Month	6 Month	1 Year
		Prior	Prior	Prior	Prior
2 Year T Note	1.20	1.11	0.77	0.58	0.27
5 Year T Note	1.93	1.83	1.14	1.01	0.82
10 Year T Note	2.45	2.37	1.60	1.49	1.95
30 Year T Bond	3.06	3.02	2.32	2.30	3.12
Prime Rate	3.75	3.50	3.50	3.50	3.25
3 Month LIBOR	1.00	0.93	0.85	0.65	0.47

**Note:**

Mid-Atlantic region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in DE, DC, MD, NJ, NY, PA, PR.

Midwest region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in IA, IN, IL, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI.

New England region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in CT, ME, MA, NH, RI, VT.

Southeast region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in AL, AR, FL, GA, MS, NC, SC, TN, VA, WV.

Southwest region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in CO, LA, NM, OK, TX, UT.

Western region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in AZ, AK, CA, HI, ID, MT, NV, OR, WA, WY.



THE CHICAGO CORPORATION



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## Select Mergers and Acquisitions & Capital Raising News

### ❖ **Byline Bancorp Completes Purchase of Wisconsin-based Bank**

December 7, 2016 – Chicago-based Byline Bancorp Inc.'s acquisition of Brookfield, Wisconsin-based Ridgestone Financial Services Inc. is complete. The transaction was concluded with the completion of Byline Bank's conversion of Ridgestone Bank's banking systems, signage and marketing at its branches in Brookfield, Wisconsin and Schaumburg, Illinois, as well as its nine loan production offices. As of September 30, Byline Bank had \$2.75 billion in assets, while Ridgestone Bank had total assets of \$452.7 million.

### ❖ **Dickinson Financial to Buy Community Bancshares of Kansas**

December 16, 2016 – Kansas City, Missouri-based Dickinson Financial Corp. agreed to acquire Overland Park, Kansas-based Community Bancshares of Kansas. The terms of the transaction, which requires regulatory approvals, were not disclosed. Community Bancshares of Kansas unit Merit Bank will fully merge into Dickinson Financial subsidiary Academy Bank NA upon completion of the transaction, which is expected to occur during the first half of 2017. Academy Bank has assets of more than \$1 billion and Merit Bank has assets of \$104 million.

### ❖ **MainSource Financial Strikes \$56.9M Acquisition Agreement with FCB Bancorp**

December 19, 2016 – Greensburg, Indiana-based MainSource Financial Group Inc. struck a \$56.9 million transaction to acquire Louisville, Kentucky-based FCB Bancorp Inc. in a cash-and-stock transaction. Completion of the transaction will also see FCB Bancorp unit First Capital Bank of Kentucky become a subsidiary of MainSource Financial and subsequently merge into MainSource Bank. The purchase price equates to 188.9% of book and tangible book, on a per-share basis. It is also 14.63% of deposits and 11.17% of assets. The tangible book premium-to-core deposits ratio is 8.41%. The one-day premium on the transaction is 91.5%, based on FCB Bancorp's closing price of \$19.00 on December 16. The one-month premium is 97.21%, based on the target's closing price of \$18.45 on November 21. There is also a primary termination fee of \$2 million and a secondary termination fee of \$500,000, which will kick in per the merger agreement under certain circumstances.

### ❖ **In Wisconsin, River Valley to Buy Integrity First Bank**

December 21, 2016 – In Wausau, Wisconsin, River Valley Bancorp. Inc. agreed to buy Integrity First Bank. The terms of the transaction were not disclosed. As of September 30, Integrity First Bank, a unit of Integrity First Bancorp. Inc., had assets of \$82.6 million. River Valley Bancorp. unit River Valley Bank had assets of \$1.13 billion as of September 30. River Valley Bancorp. will expand in Marathon County, Wisconsin, by one branch to be ranked third with a 13.84% share of approximately \$3.13 billion in total market deposits.

### ❖ **Bison State Bank, First Mortgage Solutions to Merge**

December 22, 2016 – Bison, Kansas-based Bison State Bank and Kansas City, Missouri-based First Mortgage Solutions LLC have agreed to merge. Before the merger, all existing bank stockholders will receive 0.49 common shares of the bank for each bank share they currently own in a reverse stock split. First Mortgage Solutions will merge into the bank through an exchange of stock, with First Mortgage Solutions owner and operator Ryan Wiebe receiving 51% of the bank's outstanding stock. The current shareholders will hold 49% of the 250 common shares outstanding.

### ❖ **In Kansas, Astra to Buy Midwest Community Bank**

December 30, 2016 – In Kansas, Belleville-based Astra Bank has applied to acquire Midwest Community Bank of Plainville. Astra and Midwest Community are the respective subsidiaries of First Belleville Bancshares Inc. and Palco Bankshares Inc. First Belleville will incur debt in connection with the transaction, but expects to maintain its long-term capital goals. The purchase price equates to 103.4% of book, 105.5% of tangible book and 15.0x last-12-months earnings, on an aggregate basis. The price represents 17.72% of deposits and 13.03% of assets. The tangible book premium-to-core deposits ratio is 1.22%.

### ❖ **Bank M&A 2016 Deal Tracker**

December 27, 2016 – Through December 15, there have been 239 transaction announcements in the banking sector with an aggregate disclosed transaction value of \$25.19 billion and a median price-to-tangible book ratio of 132.6%. The prior year period saw 269 transaction announcements with an aggregate disclosed transaction value of \$25.85 billion and a median price-to-tangible book ratio of 139.3%.



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## Select Industry News

### ❖ Banks Concentrated in CRE, Q3'16

December 2, 2016 – The number of banks concentrated in commercial real estate loans increased again in the third quarter, marking the sixth consecutive quarterly increase. Since 2006, banks have been subject to regulatory guidance advising banks to keep their commercial real estate loan exposure below certain thresholds. At the end of the first quarter of 2011, the number of banks exceeding the thresholds was 755, or 10.9% of institutions filing call reports. Also, 2011 was the first year CRE concentrations could be fully measured due to limitations in the public disclosures of the component loan types. The number of concentrated banks began a steady decline until 2013, when they began creeping back up. At September 30, 521 institutions met regulators' criteria to be considered concentrated in commercial real estate, up from 505 in the prior quarter and 474 in the year-ago quarter. The 521 institutions considered concentrated in commercial real estate represents 8.6% of the banks and thrifts that filed call reports for the third quarter.

### ❖ Agriculture Loans, Delinquencies Increase

December 5, 2016 – Agricultural loans held at U.S. banks and thrifts, including both farm and agricultural production loans, increased by 5.1% year-over-year to \$174.23 billion as of September 30. Meanwhile, delinquencies also grew, hitting \$2.53 billion, or 1.5% of total agriculture loans. This was up from 1.4% in the second quarter and 1.1% in the third quarter of 2015. Loans secured by farmland increased by 7.2% year-over-year, reaching \$94.74 billion as of September 30. Agricultural production loans increased 2.6% to \$79.49 billion. Most of the increase in delinquencies can be attributed to agricultural production loans; past due and nonaccruing agricultural production loans increased by over two-thirds year-over-year to \$1.15 billion. By comparison, delinquencies on farm loans increased by only 19.2% to \$1.70 billion as of September 30.

### ❖ Banks Cut Provisioning Despite Uptick in Credit Quality Concerns

December 5, 2016 – Banks and thrifts cut provisioning in the third quarter despite some concern that the credit cycle is approaching a turn. During the 2008 credit crisis, banks built huge reserves to handle the massive spike in mortgage defaults. As mortgage delinquencies abated, banks were able to release reserves at a rapid clip, acting as an earnings tailwind for the industry. At the start of the year, it appeared those days were over as energy concerns forced banks to increase provisioning on a linked-quarter basis. But energy prices have rebounded, dampening concerns of losses from the oil-and-gas sector. That has allowed banks to pull back on provisioning over the last two quarters. After the industry posted a recent peak of \$12.6 billion of loan loss provisions, the figure shrank by 6% in the second quarter and then by 5% in the third quarter to come in at \$11.4 billion in the third quarter.

As oil prices cratered, banks set aside significant reserves for expected loan losses that have not fully materialized. Banks have been able to release some of those reserves, offsetting increased provisioning in other parts of their loan portfolios such as consumer loans. Overall, banks are continuing to build reserves despite the releases related to their energy holdings. The industry, in aggregate, held \$122.1 billion in loan loss reserves in the third quarter, up 0.3% from the previous quarter and a 3.0% year-over-year increase. However, the reserves are not keeping pace with asset growth, meaning the ratio of reserves to assets for the industry ticked down to 0.73% in the third quarter from 0.74% in the second quarter. A notable exception was Bank of America Corp., which set aside loan loss provisions equal to 94% of its net charge-offs in the third quarter.

### ❖ Multifamily Lending Keeps Towering

December 13, 2016 – Multifamily loans continued their brisk double-digit growth in the third quarter of 2016, even as industry participants prepare for some softening in the space. Among commercial banks, savings banks and savings & loan associations based in the U.S., multifamily loans grew by 13.7% in the third quarter compared to the year-ago quarter. That compares to overall growth in total loans of just 6.8%, including loans held for sale. Multifamily loan growth also outpaces growth in other types of loans, including commercial & industrial, which grew at 7.8% year over year, and nonresidential real estate and farm loans, which grew at 8.4% year over year. The growth is about equal to the increase in construction & land development loans, which also grew by 13.7% compared to the year-ago quarter. Among the top 25 holders of multifamily loans, almost all of the companies grew multifamily loans on a year-over-year basis, while the trend during the quarter was more mixed.



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## ❖ Mortgage Rate Spike Shuttters Refinance Boom

December 13, 2016 – Mortgage rates have spiked since the presidential election, making housing less affordable and dampening refinance activity. Interest rates have historically had little impact on home prices, meaning the purchase market might not be affected as much as refinancing activity. Mortgage rates for 30-year fixed-rate mortgages jumped 38 basis points between November 11 and December 9. Rates on 15-year mortgages showed a similar spike. Among the 20 largest banks that provide no-fee mortgage rates, M&T Bank Corp. stands out with a 3.63% mortgage rate. With large banks such as JPMorgan Chase & Co. and Wells Fargo & Co. above 4.25%. Higher rates have had little effect on home purchase applications since the election, volume for home purchase applications is up 12%, but refinancing activity is another story, falling 28%.

## ❖ US Banks Continue to Trim Branch Networks in November

December 14, 2016 – U.S. banks and thrifts shuttered 182 branches and only opened 48 during November, almost perfectly matching October's 133 net closures. There were 91,095 active branches in the U.S. as of November 30. Bank of America Corp. shed 20 branches in November without opening any, the largest net decrease among any bank or thrift. JPMorgan Chase & Co. and Comerica Inc. followed with 15 net branch closings apiece, although JPMorgan did open four new branches in November, compared to zero for Comerica.

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