

The Vault

A Midwest Bank
Newsletter

Midwest Bank Index Performance (shown as % change)



Indices Performance (% change)

	<u>April 2017</u>	<u>LTM</u>		<u>April 2017</u>	<u>LTM</u>
S&P 500	0.9%	15.0%	SNL U.S. Bank	(1.1%)	38.0%
Dow Jones	1.3%	17.7%	SNL Midwest U.S. Bank	(0.4%)	36.2%
NASDAQ	2.3%	23.1%			

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 April)

Bank Name	Price/Share	Price Change	Bank Name	Price/Share	Price Change
Bancorp, Inc. (TBBK)	\$6.45	26.5%	Texas Capital (TCBI)	\$76.10	(8.8%)
Univest Corp. of PA (UVSP)	\$30.30	17.0%	Bank of the Ozarks (OZRK)	\$47.47	(8.7%)
National Bankshares (NKSH)	\$42.05	12.0%	Sierra Bancorp (BSRR)	\$25.07	(8.6%)
City Holding Company (CHCO)	\$71.09	10.3%	Center Bancorp (CNOB)	\$22.20	(8.5%)
Flushing Financial Corp. (FFIC)	\$29.48	9.7%	PacWest Bancorp (PACW)	\$49.39	(7.3%)

Note: Price per share as of April 30, 2017. 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 4/30/2017)

Large U.S. National Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Tangible	
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)						Book (%)	Book (%)
JPMorgan Chase & Co.	JPM	NY	309,093.6	2,546,290,000	0.53	2.29	60.11	15.60	8.40	134.5	172.1
Wells Fargo & Company	WFC	CA	269,024.2	1,951,564,000	NA	2.85	62.64	NA	NA	150.8	184.5
Bank of America Corporation	BAC	NC	232,797.6	2,247,701,000	NA	2.38	66.15	14.40	8.80	95.8	137.9
Citigroup Inc.	C	NY	162,775.1	1,821,635,000	0.63	2.78	58.60	17.28	9.97	77.9	90.7
U.S. Bancorp	USB	MN	86,765.8	449,522,000	0.88	3.00	54.77	13.30	9.10	204.7	268.1
PNC Financial Services Group, Inc.	PNC	PA	58,078.8	370,944,000	NA	2.76	60.52	14.00	9.90	139.0	179.2
Bank of New York Mellon Corporation	BK	NY	48,936.6	337,536,000	NA	1.13	67.79	12.80	6.60	137.5	333.1
BB&T Corporation	BBT	NC	35,035.0	220,501,000	0.69	3.43	58.09	14.10	10.00	130.1	212.4
State Street Corporation	STT	MA	31,576.6	236,802,000	NA	1.15	75.60	15.40	6.80	174.5	299.8
SunTrust Banks, Inc.	STI	GA	27,593.3	205,642,000	NA	3.05	65.29	12.37	9.09	124.5	174.6
Minimum			27,593	205,642,000	0.5	1.1	54.8	12.4	6.6	77.9	90.7
Mean			126,168	1,038,813,700	0.7	2.5	63.0	14.4	8.7	136.9	205.2
Median			72,422	410,233,000	0.7	2.8	61.6	14.1	9.1	136.0	181.8
Maximum			309,094	2,546,290,000	0.9	3.4	75.6	17.3	10.0	204.7	333.1

Large Midwest Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Tangible	
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)						Book (%)	Book (%)
Northern Trust Corporation	NTRS	IL	20,662.7	121,488,700	0.18	1.33	68.96	15.00	8.20	227.2	242.1
KeyCorp	KEY	OH	20,018.0	134,476,000	0.57	3.10	61.37	12.64	9.81	143.5	178.7
Fifth Third Bancorp	FTB	OH	18,326.0	140,200,000	NA	2.98	67.31	15.45	10.15	121.4	144.7
Huntington Bancshares Incorporated	HBAN	OH	13,980.4	100,045,506	NA	3.26	58.32	13.26	8.76	149.3	200.1
Commerce Bancshares, Inc.	CBSH	MO	5,586.7	25,308,171	NA	3.10	61.38	NA	9.56	231.4	252.9
PrivateBancorp, Inc.	PVTB	IL	4,623.0	20,416,218	0.89	3.30	54.40	12.59	10.33	231.7	243.3
Wintrust Financial Corporation	WTFC	IL	3,941.6	25,778,893	0.55	3.34	62.88	12.10	9.30	148.0	186.6
Associated Banc-Corp	ASB	WI	3,792.8	29,109,857	1.22	2.82	64.32	13.05	8.05	128.2	191.6
MB Financial, Inc.	MBFI	IL	3,563.7	19,146,062	0.49	3.69	63.13	11.80	8.58	142.5	247.5
First Midwest Bancorp, Inc.	FMBI	IL	2,333.6	13,773,471	0.62	3.84	60.06	11.48	8.89	129.3	222.2
First National of Nebraska, Inc.	FINN	NE	2,306.2	19,272,983	NA	6.01	61.37	13.72	11.28	111.9	121.7
Minimum			2,306	13,773,471	0.2	1.3	54.4	11.5	8.1	111.9	121.7
Mean			9,012	59,001,442	0.6	3.3	62.1	13.1	9.4	160.4	202.9
Median			4,623	25,778,893	0.6	3.3	61.4	12.8	9.3	143.5	200.1
Maximum			20,663	140,200,000	1.2	6.0	69.0	15.5	11.3	231.7	252.9

Small Midwest Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Tangible	
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)						Book (%)	Book (%)
Horizon Bancorp	HBNC	IN	598.5	3,169,643	0.40	3.66	65.03	NA	NA	171.7	228.9
First Mid-Illinois Bancshares, Inc.	FMBH	IL	407.1	2,849,446	NA	3.63	57.82	12.89	9.37	140.0	192.7
First Business Financial Services, Inc.	FBIZ	WI	231.6	1,800,590	2.20	3.51	71.48	11.55	9.26	141.1	151.1
First Community Financial Partners, Inc.	FCFP	IL	231.6	1,336,769	NA	3.45	58.45	12.68	9.26	192.1	199.2
West Suburban Bancorp, Inc.	WNRP	IL	229.6	2,244,293	2.47	2.78	73.83	15.34	9.34	111.1	111.4
STAR Financial Group, Inc.	SFIGA	IN	194.5	1,862,858	1.06	3.41	71.87	13.31	10.14	100.4	103.4
Marquette National Corporation	MNAT	IL	120.0	1,584,053	1.59	3.56	85.20	13.81	7.24	88.9	120.6
Minimum			120	1,336,769	0.4	2.8	57.8	11.6	7.2	88.9	103.4
Mean			288	2,121,093	1.5	3.4	69.1	13.3	9.1	135.0	158.2
Median			232	1,862,858	1.6	3.5	71.5	13.1	9.3	140.0	151.1
Maximum			599	3,169,643	2.5	3.7	85.2	15.3	10.1	192.1	228.9



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Valuation Summary (as of 4/30/2017)

Asset Size Index – Nationwide			Geographic Index		
	Price/Book (%)	Price/Tangible Book (%)		Price/Book (%)	Price/Tangible Book (%)
\$5B-\$10B	192.6	251.1	Mid-Atlantic	124.0	169.8
\$1B-\$5B	180.1	208.4	Midwest	181.9	229.5
\$500M-\$1B	147.5	157.1	New England	149.2	236.5
\$250M-\$500M	156.7	164.0	Southeast	116.2	163.8
< \$250M	NA	NA	Southwest	164.5	203.2
			Western	162.8	198.2

Interest Rate Scorecard

Financial Yields	April 30, 2017	1 Month	3 Month	6 Month	1 Year
		Prior	Prior	Prior	Prior
2 Year T Note	1.28	1.28	1.22	0.86	0.27
5 Year T Note	1.81	1.96	1.94	1.33	0.82
10 Year T Note	2.29	2.42	2.49	1.86	1.95
30 Year T Bond	2.96	3.03	3.08	2.62	3.12
Prime Rate	4.00	4.00	3.75	3.50	3.25
3 Month LIBOR	1.17	1.15	1.03	0.89	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.





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Select Mergers and Acquisitions & Capital Raising News

❖ Flagstar Bancorp Buying Opes Advisors

April 3, 2017 – Flagstar Bancorp Inc. agreed to purchase certain assets of Opes Advisors Inc. Financial terms were not specified. Once the transaction closes, Opes will retain its own brand, functioning as a separate division of Flagstar. Troy, Michigan-based Flagstar Bancorp had assets of \$14.05 billion as of December 31, 2016. Opes Advisors' wealth advisory arm currently has approximately \$325 million in assets under management, and its mortgage banking business generates retail originations from 39 retail locations in California, Oregon and Washington.

❖ Piper Holdings to Buy Farmers State Bank for \$9.4M Cash

April 5, 2017 – In Indiana, Covington-based Piper Holdings Inc. has agreed to acquire Brookston-based Farmers State Bank for approximately \$9.43 million in an all-cash transaction. Farmers State Bank will merge into Fountain Trust Co. The purchase price equates to 155.6% of book and tangible book. The purchase price also equates to 15.31% of deposits and 13.14% of assets, and the tangible book premium to core deposits ratio is 6.21%. The combined entity will have approximately \$364 million in assets, \$228 million in loans and \$310 million in deposits.

❖ Amalgamated Bank of Chicago Acquires Seaway Bank's Corporate Trust Accounts

April 6, 2017 – Chicago-based Amalgamated Bank of Chicago completed its acquisition of the now-defunct Seaway Bank and Trust Co.'s corporate trust accounts from Dallas-based State Bank of Texas. State Bank of Texas assumed all deposits, as well as \$309.0 million in assets, of Seaway Bank, after the Illinois Department of Financial and Professional Regulation – Division of Banking closed the bank on January 27. Prior to the acquisition, Amalgamated Bank of Chicago's corporate trust division managed around 2,000 taxable and tax-exempt debt instruments representing over \$35 billion in principal amount of securities and escrows representing roughly \$1.5 billion in assets.

❖ Prospect Federal Savings Bank Closes Transaction with Hoyne Savings Bank

April 24, 2017 – Worth, Illinois-based Prospect Federal Savings Bank closed its transaction with Chicago-based Hoyne Savings Bank, resulting in a combined institution with assets of roughly \$500 million and equity of \$86.0 million. Hoyne Savings Bank now has an eight-branch footprint spanning the Chicagoland area. Prospect's banking business will function as a division of Hoyne Savings Bank, the surviving institution.

❖ Failed Chicago Bank Attracted 8 Bids

April 30, 2017 – Failed Seaway Bank and Trust Co. attracted eight bids, with State Bank of Texas winning the FDIC-brokered auction, placing an all-deposit, whole-bank bid with an asset discount of \$48.1 million. Details of the cover bid were omitted from the FDIC bid summary. There were several other bids for Seaway Bank involving asset discounts ranging from \$87.7 million to roughly \$50.9 million. The FDIC listed the following as other bidders: Raleigh, N.C.-based First-Citizens Bank & Trust Co., a unit of First Citizens BancShares Inc.; New Orleans-based Liberty Bank and Trust Co., a unit of Liberty Financial Services Inc.; and Republic Bank of Chicago, a unit of Republic Bancorp Co.

❖ Bank M&A 2017 Deal Tracker

April 25, 2017 – Through April 15, there were 65 transaction announcements in the U.S. banking sector with an aggregate disclosed transaction value of \$10 billion and a median transaction value-to-tangible common equity ratio of 159.2%. The prior-year period saw 72 transaction announcements with an aggregate disclosed transaction value of \$6.70 billion and a median transaction value-to-tangible common equity ratio of 124.8%.

Select Industry News

❖ With Seaway Failure, Minority-Owned Institutions Continue to Dwindle

April 3, 2017 – With the failure of Seaway Bank and Trust Co., Chicago has one less African-American-owned financial institution, and on a national scale, the number of banks and thrifts with that designation has fallen to 23. Since peaking in 2008, the number of minority-owned financial institutions has fallen from 215 to 157 as of December 31, 2016. That number is down from 162 minority designated institutions that reported assets on June 30, 2016. Illinois-Service Federal, which was founded in 1934, is one of Chicago's two remaining African-American



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owned banks, along with Urban Partnership Bank. Like Seaway, it has traditionally been a strong provider of residential and small-business loans. After the crisis, Illinois-Service Federal was in need of recapitalization and underwent a voluntary supervisory conversion in April 2016 when the company was acquired by Groupe Nduom, a family business group of Ghanaian and American origin. Seaway, founded in 1965, was once the largest African-American owned bank in the Midwest, but struggled with foreclosure losses following the recession.

❖ Weaker Q1 Loan Growth Could Place Greater Importance on Securities Portfolios

April 12, 2017 – Relatively weak loan growth in the first quarter will likely make banks more reliant on their securities portfolios for income in the upcoming earnings season. The last six months have offered banks greater opportunities to put liquidity to work in their securities portfolios at more attractive yields than were available throughout much of 2016. The pickup in yield was welcome with loan growth remaining relatively weak over the last two quarters, despite improving customer and business sentiment in the aftermath of the U.S. presidential election. The Federal Reserve's latest H.8 release, which tracks commercial bank balances through March 28, shows that loans have grown by 0.4% since September 28, two days before the end of the third quarter, while securities have grown 1.1% during the same time frame. Over the last year, loans have grown by 3.8% and securities have increased by 6.8%.

❖ U.S. Banks Taper Off CLO Holdings Due to Market Conditions, Not Volcker Rule

April 21, 2017 – As compliance with the Volcker rule continues to transition into full applicability this year, growth in total collateralized loan obligation holdings at U.S. bank holding companies tapered off between 2015 and 2016. However, market participants made it clear that the Volcker rule isn't to blame for the lower CLO growth. Between 2015 and 2016, total CLO holdings grew by \$4.6 billion, but as a percentage of total securities, CLO holdings plateaued. In 2015, CLOs represented 2.99% of total securities. In 2016, that number ticked up only slightly to 3.01%. The decline in CLO growth comes as companies face the July 21 deadline to be in full compliance with the Volcker rule. The rule restricts proprietary trading and ownership stakes in any covered funds, meaning that any CLOs with a debt component in the underlying asset mix would be prohibited. Volcker compliance isn't necessarily scaring banks from the instruments; they're just seeing less attractive spreads as a result of market movements.

❖ U.S. Banks and Thrifts Cut a Net 97 Branches in March

April 26, 2017 – U.S. banks and thrifts continued to scale back their branch networks across the country, shutting down 155 branches, while opening just 58 offices in March. During the first quarter, U.S. banks and thrifts shuttered a net 365 branches, with the Midwest accounting for 190 of those closures. Wells Fargo & Co. maintained its focus on branch closures in March, trimming 16 offices during the month, bringing its total first-quarter net closures to 31; Wells Fargo also expects to close around 200 branches in 2017 and another 200 in 2018.

❖ Community Banks Report Lower Margins for Q1'17 Despite Rate Hikes

April 26, 2017 – Despite the Federal Reserve's rate hikes, community banks still show signs of net interest margin pressure. Among major exchange-traded banks and thrifts with less than \$10 billion in assets that reported earnings up to April 21, the median net interest margin was 3.51% for the first quarter of 2017, down 8 basis points from the year-ago quarter. The median return on average assets was slightly down as well to 0.92%, compared to 0.93%. Meanwhile, the median efficiency ratio improved, falling to 62.48% from 63.51%. The smallest community banks, those with less than \$1 billion in assets, reported the highest median net interest margin at 3.58% for the first quarter, down 5 basis points from the year-ago quarter. However, the group also had the lowest median ROAA at 0.84% and the highest median efficiency ratio at 71.04%.

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