

The Vault

A Midwest Bank
Newsletter

Midwest Bank Index Performance (shown as % change)



Indices Performance (% change)

	<u>March 2016</u>	<u>LTM</u>		<u>March 2016</u>	<u>LTM</u>
S&P 500	4.1%	(0.4%)	SNL U.S. Bank	1.4%	(8.9%)
Dow Jones	4.9%	(0.5%)	SNL Midwest U.S. Bank	2.4%	(5.9%)
NASDAQ	3.8%	(0.6%)			

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 March)

Bank Name	Price/Share	Price Change	Bank Name	Price/Share	Price Change
Oriental Financial (OFG)	\$6.99	15.0%	Sierra Bancorp (BSRR)	\$18.15	(5.3%)
Enterprise Bancorp (EBTC)	\$26.24	14.1%	Great Southern Bancorp (GSBC)	\$37.13	(4.9%)
Texas Capital Bancshares (TCBI)	\$38.38	12.0%	Enterprise Financial (EFSC)	\$27.04	(3.9%)
PacWest Bancorp (PACW)	\$37.15	11.1%	Hancock Holding (HBHC)	\$22.96	(3.7%)
Prosperity Bancshares (PB)	\$46.39	9.6%	Southwest Bancorp (OKSB)	\$15.05	(3.6%)

Note: Price per share as of March 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 3/31/2016)

Large U.S. National Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Tangible	
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)						Book (%)	Book (%)
Wells Fargo & Company	WFC	CA	244,568.4	1,787,632,000	1.50	2.94	59.52	15.45	9.37	143.1	172.5
JPMorgan Chase & Co.	JPM	NY	217,353.1	2,351,698,000	0.62	2.25	62.40	15.12	8.49	97.9	125.3
Bank of America Corporation	BAC	NC	139,603.1	2,144,316,000	0.92	2.17	69.91	13.16	8.60	60.0	87.1
Citigroup Inc.	C	NY	122,796.1	1,731,210,000	0.81	3.02	61.32	16.69	10.18	60.1	68.4
U.S. Bancorp	USB	MN	70,460.8	421,853,000	1.01	3.08	53.03	13.27	9.46	174.3	232.8
PNC Financial Services Group, Inc.	PNC	PA	42,378.5	358,493,000	1.02	2.73	61.80	14.62	10.15	103.3	134.1
Bank of New York Mellon Corporation	BK	NY	39,629.1	393,780,000	0.09	0.99	71.24	12.52	5.96	112.6	285.0
BB&T Corporation	BBT	NC	25,966.3	209,947,000	0.65	3.37	58.39	14.26	9.77	105.1	167.8
State Street Corporation	STT	MA	23,409.0	245,192,000	0.00	1.07	73.17	17.38	6.88	127.1	213.4
SunTrust Banks, Inc.	STI	GA	18,220.3	190,817,000	1.75	3.01	62.17	12.54	9.69	83.0	116.5
Minimum			18,220	190,817,000	0.0	1.0	53.0	12.5	6.0	60.0	68.4
Mean			94,438	983,493,800	0.8	2.5	63.3	14.5	8.9	106.7	160.3
Median			56,420	407,816,500	0.9	2.8	62.0	14.4	9.4	104.2	151.0
Maximum			244,568	2,351,698,000	1.7	3.4	73.2	17.4	10.2	174.3	285.0

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	14,906.4	116,749,600	0.19	1.12	70.72	13.21	7.45	179.7	193.0
Fifth Third Bancorp	FITB	OH	13,081.7	141,082,000	1.43	2.87	47.61	14.13	9.54	90.3	108.5
KeyCorp	KEY	OH	9,225.1	95,133,000	0.55	2.89	66.09	12.97	10.72	88.2	98.4
Huntington Bancshares Incorporated	HBAN	OH	7,610.5	71,044,551	1.83	3.11	63.63	12.64	8.79	122.2	138.5
Commerce Bancshares, Inc.	CBSH	MO	4,354.0	24,604,962	0.28	2.97	61.28	13.28	9.23	197.4	211.1
FirstMerit Corporation	FMER	OH	3,489.1	25,524,604	0.84	3.32	60.52	13.74	8.63	122.9	171.2
PrivateBancorp, Inc.	PVTB	IL	3,063.5	17,259,421	0.45	3.31	47.66	12.37	10.35	179.7	190.6
Associated Banc-Corp	ASB	WI	2,689.2	27,715,021	1.01	2.83	67.35	12.62	7.60	96.4	148.2
MB Financial, Inc.	MBFI	IL	2,391.0	15,585,007	1.07	3.90	63.78	12.54	10.40	121.3	199.1
Wintrust Financial Corporation	WTFC	IL	2,147.3	22,917,166	0.70	3.32	67.13	12.21	9.09	102.1	133.7
First National of Nebraska, Inc.	FINN	NE	2,029.0	18,346,653	1.03	5.93	61.49	13.24	10.80	107.3	117.6
First Midwest Bancorp, Inc.	FMBI	IL	1,466.4	9,732,676	0.61	3.62	64.62	11.15	9.40	122.5	174.1
Minimum			1,466	9,732,676	0.2	1.1	47.6	11.2	7.5	88.2	98.4
Mean			5,538	48,807,888	0.8	3.3	61.8	12.8	9.3	127.5	157.0
Median			3,276	25,064,783	0.8	3.2	63.7	12.8	9.3	121.7	159.7
Maximum			14,906	141,082,000	1.8	5.9	70.7	14.1	10.8	197.4	211.1

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	296.7	2,652,401	0.75	3.41	65.98	13.99	9.82	116.1	149.6
First Mid-Illinois Bancshares, Inc.	FMBH	IL	203.9	2,114,499	0.21	3.31	60.69	14.25	9.20	114.8	159.7
First Business Financial Services, Inc.	FBIZ	WI	199.5	1,782,892	1.44	3.63	58.79	11.11	8.63	132.3	142.6
West Suburban Bancorp, Inc.	WNRP	IL	176.7	2,172,276	3.51	2.99	84.07	15.23	9.33	87.5	87.8
First Community Financial Partners, Inc.	FCFP	IL	149.3	1,040,652	0.93	3.29	56.10	14.69	9.36	143.8	143.8
STAR Financial Group, Inc.	SFIGA	IN	146.0	1,864,984	0.73	3.47	73.90	13.75	10.47	76.3	78.7
Marquette National Corporation	MNAT	IL	103.4	1,526,325	2.56	3.49	85.28	15.14	7.13	78.4	107.2
Minimum			103	1,040,652	0.2	3.0	56.1	11.1	7.1	76.3	78.7
Mean			182	1,879,147	1.4	3.4	69.3	14.0	9.1	107.0	124.2
Median			177	1,864,984	0.9	3.4	66.0	14.3	9.3	114.8	142.6
Maximum			297	2,652,401	3.5	3.6	85.3	15.2	10.5	143.8	159.7



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Valuation Summary (as of 3/31/2016)

Asset Size Index – Nationwide				Geographic Index			
	<u>Price/Book (%)</u>	<u>Price/Tangible Book (%)</u>		<u>Price/Book (%)</u>	<u>Price/Tangible Book (%)</u>		
\$5B-\$10B	159.5	210.3	Mid-Atlantic	94.4	131.1		
\$1B-\$5B	135.1	154.7	Midwest	150.0	188.4		
\$500M-\$1B	107.9	114.2	New England	110.9	175.9		
\$250M-\$500M	125.9	127.3	Southeast	86.7	121.7		
< \$250M	NA	NA	Southwest	108.3	137.5		
			Western	146.4	176.6		

Interest Rate Scorecard

Financial Yields	March 31, 2016	1 Month	3 Month	6 Month	1 Year
		Prior	Prior	Prior	Prior
2 Year T Note	0.73	0.78	1.06	0.64	0.27
5 Year T Note	1.21	1.22	1.76	1.37	0.82
10 Year T Note	1.78	1.74	2.27	2.06	1.95
30 Year T Bond	2.61	2.61	3.01	2.87	3.12
Prime Rate	3.50	3.50	3.50	3.25	3.25
3 Month LIBOR	0.63	0.63	0.61	0.33	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

❖ Small Wisconsin Banks to Team Up in MOE

March 2, 2016 – Boscobel, WI-based Boscobel Bancorp Inc. and Livingston, WI-based Rural Bancshares of Wisconsin Inc. have entered into an agreement for a merger of equals, whereas Rural will merge into Boscobel in a transaction set to close in the second quarter. Boscobel is the holding company of Community First Bank (\$233.6 million) and Rural is the parent of Livingston State Bank (\$165.5 million). Livingston State Bank will merge into Community First Bank in the third or fourth quarter. The combined bank will take the Community First Bank name and is expected to have roughly \$400 million in assets, approximately \$330 million in deposits and \$262 million in loans, with eight locations in southwest Wisconsin. Terms of the transaction were not disclosed.

❖ Divestitures on the Horizon for KeyCorp's First Niagara Transaction

March 4, 2016 – A handful of banks received bid sheets to buy divestitures that will result from KeyCorp's pending acquisition of First Niagara Financial Group Inc., a transaction that would result in some highly concentrated markets in upstate New York. New York Gov. Andrew Cuomo wrote to the Fed, OCC and DOJ, urging them to reject the transaction on the basis of competitiveness concerns. The Fed received many comment letters from community groups and nonprofits in Ohio (as well as some in New York) voicing support for the transaction and highlighting KeyCorp's dedication to local communities.

❖ Illinois-based Hometown Community Bancorp, Trivoli Bancorp to Merge

March 4, 2016 – Morton, IL-based Hometown Community Bancorp Inc. on March 1 agreed to merge with Trivoli, IL-based Trivoli Bancorp Inc. Hometown Community Bancorp is the parent company of Morton Community Bank (\$3.05 billion), which has more than 30 locations throughout Central Illinois. Trivoli Bancorp is the parent company of Heritage Bank of Central Illinois (\$256.5 million), which operates six branches in Trivoli, Hanna City, Peoria, Peoria Heights and East Peoria, IL.

❖ Indiana-based Horizon Bancorp Buying La Porte Bancorp in over \$94M Stock-and-Cash Transaction

March 10, 2016 – Michigan City, IN-based Horizon Bancorp (\$2.65 billion) agreed to acquire LaPorte, IN-based La Porte Bancorp Inc. (\$543.2 million) in a stock-and-cash transaction. Under the terms of the transaction, La Porte Bancorp shareholders will have the option to receive \$17.50 per share in cash or 0.629 of a share of Horizon Bancorp common stock, or a mix of both, for each La Porte Bancorp common share. La Porte Bancorp shareholders will receive a total consideration comprising 65% stock and 35% cash. The purchase price equates to 104.5% of book, 116.1% of tangible book, 18.6x earnings, 18.9x last-12-month core earnings and 25.8x estimated EPS on a per-share basis. The purchase price also equates to 23.88% of deposits and 17.19% of assets, and has a tangible book premium-to-core deposits ratio of 4.72%. The transaction has a one-day premium of 9.75%, based on La Porte Bancorp's closing price of \$14.60 on March 9, and a one-month premium of 10.13%, based on the February 10 closing price of \$14.55.

❖ First Community Financial Bank to Merge with Mazon State Bank

March 14, 2016 – Joliet, IL-based First Community Financial Partners Inc. and Mazon, IL-based First Mazon Bancorp Inc. signed a definitive agreement under which First Mazon unit Mazon State Bank will merge with Plainfield, IL-based First Community Financial Bank, a subsidiary of First Community Financial. Under the terms of the transaction, First Community will pay \$8.5 million to First Mazon for the assets of Mazon State Bank. The purchase price equates to 114.5% of book and tangible book on an aggregate basis. It is 11.50% of deposits and 10.05% of assets. The tangible book premium-to-core deposits ratio is 1.51%.

First Community anticipates it will be able to achieve an earnback of less than one year on the estimated dilution to tangible book value and expects modest accretion to its EPS in 2016 and beyond. As of Dec. 31, 2015, Mazon State Bank had total assets of approximately \$84.6 million, while First Community Financial Bank's assets totaled about \$1.04 billion

❖ Central Bancshares in Iowa to Buy Illinois-based Bank

March 23, 2016 – Central Bancshares Inc. of Iowa will acquire Brimfield, IL-based Brimfield Bank (\$46.6 million) and merge it into subsidiary Farmers & Mechanics Bank (\$297.2 million). The transaction is slated for completion within the second quarter. Terms of the transaction were not disclosed.



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❖ Bank M&A 2016 Deal Tracker

March 23, 2016 – There have been 47 transaction announcements during 2016 in the banking sector, with an aggregate disclosed transaction value of \$6.10 billion and a median price-to-tangible book ratio of 127.78%.

❖ Hometown Community Bancorp Announces 2nd Transaction in March

March 24, 2016 – Morton, IL-based Hometown Community Bancorp Inc., which announced a pending transaction with Trivoli Bancorp Inc. earlier in March, is buying Springfield, IL-based Illini Corp. Hometown Community is the parent of Morton Community Bank (\$3.05 billion), while Illini Corp. is the parent of Illini Bank (\$284.8 million) and Farmers State Bank of Camp Point (\$48.6 million).

❖ Fentura Financial Buying Fellow Michigan Bank

March 24, 2016 – Fenton, MI-based Fentura Financial Inc. agreed to acquire St. Charles, MI-based Community Bancorp Inc. in a cash transaction valued at approximately \$21.6 million. Community Bancorp is the holding company of Community State Bank, which had approximately \$195.8 million in assets at December 31, 2015. Fentura Financial is the parent of State Bank, which had \$444.4 million in assets at year-end 2015.

The combined banks will have approximately \$620 million in assets, \$461 million in loans and \$550 million in deposits. The transaction value is 101.2% of book value, 115.2% of tangible book value and 17.3x last-12-months earnings on an aggregate basis. The price is 12.42% of deposits and 11.03% of assets and the tangible book premium in the deal was equal to 1.70% of core deposits.

Select Industry News

❖ Problem and Undercapitalized Banks Down Again in Q4'15

March 2, 2016 – The number of problem and undercapitalized banking institutions continued to fall in the fourth quarter of 2015. At year-end 2015, 183 banks and thrifts were classified as “problem institutions,” down from 203 sequentially. Fifteen banks and thrifts reported common equity Tier 1 ratios less than 4.5% as of December 31, 2015, down from 17 at September 30, 2015, and 27 a year ago. As of February 24, those 15 undercapitalized banks remained active. All 15 banks had a Texas ratio north of 200% as of December 31, 2015.

❖ Capital Ratios Improve in Q4'15 for Most ‘Advanced Approaches’ Banks

March 8, 2016 – Capital ratios at nine banks reporting under the “advanced approaches” Basel III framework showed improvement in the fourth quarter of 2015. As of December 31, 2015, the median common equity Tier 1 capital ratios and Tier 1 capital ratios at 16 of the previously approved advanced approaches banks increased quarter-over-quarter by 25 and 26 basis points, respectively, while total risk-based ratios improved by a median of 23 basis points.

❖ C&I Loan Growth Continued in Q4'15 Despite Energy Exposure Concerns

March 9, 2016 – Commercial-and-industrial loan growth at U.S. banks and thrifts continued to expand in the fourth quarter of 2015, marking five consecutive periods of year-over-year growth. Despite fears surrounding exposure to U.S. oil and gas producers, C&I loans increased \$126.83 billion year over year, or 7.40%, to \$1.841 trillion as of December 31, 2015. In 2010, C&I loans made up 16.08% of total industry loans. C&I loans now account for 20.83% of total loans.

❖ More Banks Became Concentrated in CRE During Q4'15

March 10, 2016 – More banks became concentrated in commercial real estate loans in the fourth quarter of 2015, continuing the upward trend seen in prior quarters of 2015. The number of institutions exceeding recommended thresholds of certain riskier loan types as a percent of risk-based capital rose to 488 as of December 31, 2015, compared to 474 as of September 30, 2015 and 422 as of December 31, 2014.



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❖ Banks, Thrifts Keep Cutting Branches in February

March 16, 2016 – U.S. banks and thrifts continued trimming branches in February, closing 115 branches while opening only 53. As of February 29, there were 92,738 bank and thrift branches in the U.S. By comparison, U.S. credit unions closed 24 branches and opened 28 branches in February. Three of the "Big Four" U.S. banks accounted for more than 23% of the branch closures in February.

❖ Construction Loans Continue Growth in 2015

March 23, 2016 – Total construction and land development loans grew 15.30% in 2015, reaching a total of \$274.87 billion at the end of the year, the highest level since 2010. Of that total, \$214.01 billion were nonresidential construction loans, up 14.31% from 2014, and \$60.86 billion were residential construction loans, up 18.93%.

In the past nine years, 2007 saw the most construction loans at year-end, with \$413.48 billion in nonresidential loans and \$203.11 billion in residential loans. By comparison, 2012 saw only \$160.91 billion in nonresidential loans and \$42.27 billion in residential construction loans at year-end. Despite 2015's increase in construction lending, loans 30 days or more past due and nonaccrual loans continued to decline, reaching only \$4.20 billion as of December 31, or 1.53% of total construction loans. This is down from 1.68% at the end of the third quarter of 2015 and 2.57% at the end of 2014.

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