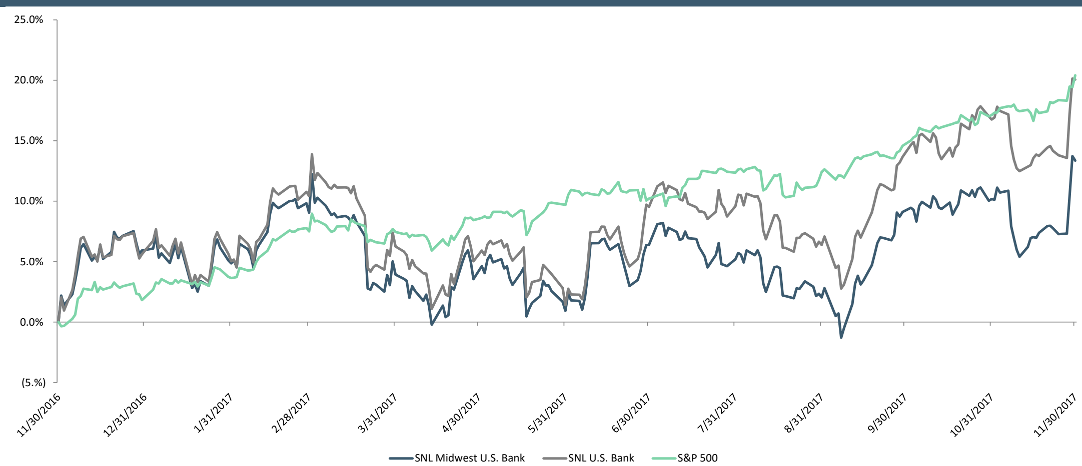
The Chicago Corporation
November 2017 | Volume VI, Issue XI

Midwest Bank Index Performance (shown as % change)



Indices Performance (% change)

	November 2017	LTM		November 2017	LTM
S&P 500	2.6%	20.4%	SNL U.S. Bank	2.7%	20.1%
Dow Jones	3.6%	26.9%	SNL Midwest U.S. Bank	2.9%	13.4%
NASDAQ	2.3%	29.1%			

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 November)

Bank Name	Price/Share	Price Change	Bank Name	Price/Share	Price Change
OFG Bancorp (OFG)	$9.80	15.3%	Old Point Financial (OPOF)	$28.67	(10.0%)
Northrim BanCorp (NRIM)	$37.45	14.7%	SmartFinancial (SMBK)	$22.22	(4.5%)
FCB Financial (FCB)	$52.85	13.9%	QCR Holdings (QCRH)	$45.40	(4.0%)
Bancorp, Inc. (TBBK)	$9.67	13.5%	Two Rivers Bancorp (TRCB)	$18.28	(3.7%)
Ohio Valley Banc (OVBC)	$39.70	12.9%	Univest Corp. Of PA (UVSP)	$28.10	(3.3%)

Note: Price per share as of November 30, 2017. Consists of public banks listed on the NYSE and NASDAQ with a market capitalization greater than $150 million.

Financial Institutions Group Contacts

Louis Rosenthal **(312) 283-0628** **louis.rosenthal@thechicagocorp.com**	**Thomas C. Denison** **(312) 283-0819** **thomas.denison@thechicagocorp.com**
Philip R. Clarke III **(312) 283-0803** **philip.clarke@thechicagocorp.com**	**Stan Cutter** **(312) 283-0804** **stan.cutter@thechicagocorp.com**

The Chicago Corporation

November 2017 | Volume VI, Issue XI

Select Public Trading Statistics (as of 11/30/2017)

Large U.S. National Banks:

Institution Name	Ticker	State	Market Capitalization ($ in millions)	Total Assets ($ in thousands)	NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
JPMorgan Chase & Co.	JPM	NY	362,655.7	2,563,074,000	0.49	2.39	55.78	16.13	8.42	156.1	196.9
Bank of America Corporation	BAC	NC	293,830.4	2,283,896,000	0.65	2.38	59.87	15.10	8.95	117.8	164.6
Wells Fargo & Company	WFC	CA	278,073.0	1,934,939,000	1.10	2.88	60.79	17.21	9.27	152.8	181.9
Citigroup Inc.	C	NY	199,622.2	1,889,133,000	0.55	2.81	57.85	17.72	9.64	95.8	109.2
U.S. Bancorp	USB	MN	91,520.9	459,227,000	0.79	3.12	53.49	13.22	9.14	212.3	275.7
PNC Financial Services Group, Inc.	PNC	PA	66,878.6	375,191,000	0.85	2.94	58.17	13.71	9.87	157.8	203.3
Bank of New York Mellon Corporation	BK	NY	56,055.0	354,397,000	0.04	1.17	64.88	13.95	6.82	151.6	350.8
BB&T Corporation	BBT	NC	38,988.5	220,340,000	0.60	3.50	58.51	13.97	9.86	145.7	237.8
State Street Corporation	STT	MA	35,359.3	235,986,000	0.00	1.36	66.99	15.58	7.40	183.2	303.6
SunTrust Banks, Inc.	STI	GA	29,337.9	208,252,000	1.58	3.17	60.08	12.69	9.50	130.7	182.3
Minimum			**29,338**	**208,252,000**	**0.0**	**1.2**	**53.5**	**12.7**	**6.8**	**95.8**	**109.2**
Mean			**145,232**	**1,052,443,500**	**0.7**	**2.6**	**59.6**	**14.9**	**8.9**	**150.4**	**220.6**
Median			**79,200**	**417,209,000**	**0.6**	**2.8**	**59.2**	**14.5**	**9.2**	**152.2**	**200.1**
Maximum			**362,656**	**2,563,074,000**	**1.6**	**3.5**	**67.0**	**17.7**	**9.9**	**212.3**	**350.8**

Large Midwest Banks:

Institution Name	Ticker	State	Market Capitalization ($ in millions)	Total Assets ($ in thousands)	NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
Northern Trust Corporation	NTRS	IL	22,237.2	131,400,200	0.13	1.30	68.49	15.41	7.98	239.5	255.0
Fifth Third Bancorp	FITB	OH	21,527.3	142,264,000	0.91	3.09	38.33	15.16	9.97	143.2	171.0
KeyCorp	KEY	OH	20,411.1	136,733,000	0.50	3.17	61.83	13.09	9.83	144.0	180.4
Huntington Bancshares Incorporated	HBAN	OH	15,565.6	101,988,126	1.19	3.32	57.13	13.39	8.96	161.7	214.0
Commerce Bancshares, Inc.	CBSH	MO	6,332.5	24,979,141	0.32	3.20	58.95	14.32	10.16	236.8	250.8
Wintrust Financial Corporation	WTFC	IL	4,689.2	27,358,162	0.46	3.49	61.09	12.17	9.18	168.2	206.9
MB Financial, Inc.	MBFI	IL	3,905.3	20,116,535	0.48	3.81	60.67	11.67	8.59	151.5	256.9
Associated Banc-Corp	ASB	WI	3,854.7	30,064,547	1.01	2.85	62.22	13.04	7.93	127.6	188.8
First Midwest Bancorp, Inc.	FMBI	IL	2,565.1	14,267,142	0.61	3.89	58.13	11.79	9.04	137.5	230.1
First National of Nebraska, Inc.	FINN	NE	2,163.3	19,425,800	1.02	6.44	56.85	13.07	10.49	108.6	118.4
Minimum			**2,163**	**14,267,142**	**0.1**	**1.3**	**38.3**	**11.7**	**7.9**	**108.6**	**118.4**
Mean			**10,325**	**64,859,665**	**0.7**	**3.5**	**58.4**	**13.3**	**9.2**	**161.9**	**207.2**
Median			**5,511**	**28,711,355**	**0.6**	**3.3**	**59.8**	**13.1**	**9.1**	**147.8**	**210.4**
Maximum			**22,237**	**142,264,000**	**1.2**	**6.4**	**68.5**	**15.4**	**10.5**	**239.5**	**256.9**

Small Midwest Banks:

Institution Name	Ticker	State	Market Capitalization ($ in millions)	Total Assets ($ in thousands)	NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
Horizon Bancorp	HBNC	IN	700.8	3,519,501	0.40	3.80	59.38	13.22	10.11	163.6	222.1
Byline Bancorp, Inc.	BY	IL	625.8	3,305,442	0.80	4.21	68.62	16.08	11.95	139.3	164.8
First Mid-Illinois Bancshares, Inc.	FMBH	IL	508.1	2,794,456	0.79	3.64	53.42	13.26	9.84	163.2	210.9
West Suburban Bancorp, Inc.	WNRP	IL	256.7	2,274,659	2.18	3.16	61.12	16.58	9.49	117.6	118.0
STAR Financial Group, Inc.	SFIGA	IN	211.6	1,903,989	0.96	3.76	70.13	13.73	10.79	102.3	105.2
First Business Financial Services, Inc.	FBIZ	WI	204.7	1,785,656	2.02	3.52	73.98	11.91	9.39	122.7	131.3
Marquette National Corporation	MNAT	IL	129.9	1,575,580	1.52	3.58	76.95	14.59	7.62	91.0	121.0
Minimum			**130**	**1,575,580**	**0.4**	**3.2**	**53.4**	**11.9**	**7.6**	**91.0**	**105.2**
Mean			**377**	**2,451,326**	**1.2**	**3.7**	**66.2**	**14.2**	**9.9**	**128.5**	**153.3**
Median			**257**	**2,274,659**	**1.0**	**3.6**	**68.6**	**13.7**	**9.8**	**122.7**	**131.3**
Maximum			**701**	**3,519,501**	**2.2**	**4.2**	**77.0**	**16.6**	**12.0**	**163.6**	**222.1**

The Chicago Corporation November 2017 | Volume VI, Issue XI

Valuation Summary (as of 11/30/2017)

Asset Size Index – Nationwide

	Price/Book (%)	Price/Tangible Book (%)
$5B-$10B	201.7	260.1
$1B-$5B	182.9	212.3
$500M-$1B	155.8	164.5
$250M-$500M	153.1	154.5
< $250M	NA	NA

Geographic Index

	Price/Book (%)	Price/Tangible Book (%)
Mid-Atlantic	140.5	187.9
Midwest	188.4	237.4
New England	158.4	246.3
Southeast	129.3	181.6
Southwest	176.9	217.7
Western	168.8	201.0

Interest Rate Scorecard

Financial Yields	November 30, 2017	1 Month Prior	3 Month Prior	6 Month Prior	1 Year Prior
2 Year T Note	1.78	1.58	1.33	1.28	0.27
5 Year T Note	2.14	2.00	1.72	1.76	0.82
10 Year T Note	2.42	2.37	2.15	2.21	1.95
30 Year T Bond	2.83	2.88	2.75	2.88	3.12
Prime Rate	4.25	4.25	4.25	4.00	3.25
3 Month LIBOR	1.49	1.38	1.32	1.20	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 November 2017 | Volume VI, Issue XI

Select Mergers and Acquisitions & Capital Raising News

- **Lincoln County Bancshares to Acquire Remaining Stake in New Frontier Bancshares**

November 1, 2017 – Troy, Missouri-based Lincoln County Bancorp Inc. applied with the Federal Reserve Bank of St. Louis to acquire the remaining 51.39% stake that it does not own in Saint Charles, Missouri-based New Frontier Bancshares Inc. In November 2015, Lincoln County Bancorp applied with the St. Louis Fed to acquire a 48.61% stake in New Frontier Bancshares. The shares are priced at $3.00 apiece for a cash consideration of $240,171. Once the target shares are acquired, Lincoln County Bancorp will invest nearly $7.7 million to recapitalize New Frontier Bancshares. This brings the total consideration to around $7.9 million. On an aggregate basis, the purchase price equates to 255.2% of book and tangible book. The purchase price also equates to 0.56% of deposits, 0.51% of assets and the tangible book premium-to-core deposits ratio is 0.39%. As of June 30, total consolidated assets of Lincoln County Bancorp reached $696.5 million, while that of New Frontier Bancshares reached $90.7 million.

- **Two Illinois Banks to Merge**

November 2, 2017 – In Illinois, Speer-based State Bank of Speer is merging with Morton-based Morton Community Bank. State Bank's Speer location will be renamed Speer Community Bank; its Peoria branch will fall under the label of Peoria Community Bank. No layoffs are expected in connection with the merger. Morton Community Bank, a unit of Hometown Community Bancorp Inc., had $3.36 billion in assets as of September 30. State Bank, a unit of Speer Bancshares Inc., had assets of $178.9 million as of the same date.

- **Missouri Bank to Acquire In-State Peer**

November 7, 2017 – In Missouri, Perryville-based Reliable Community Bancshares Inc. agreed to acquire Martinsburg-based Martinsburg Bancorp Inc. The financial terms of the transaction were not disclosed in the report. The merger is expected to close in the first quarter of 2018. Reliable Community Bancshares is the parent of Bank of Missouri, which had $1.37 billion in assets as of September 30. Martinsburg Bancorp is the parent of Martinsburg Bank and Trust, which had assets of $200.1 million as of the same date.

- **Heartland Financial to Acquire Minnesota's Signature Bancshares**

November 13, 2017 – Dubuque, Iowa-based Heartland Financial USA Inc. is acquiring Minnetonka, Minnesota-based Signature Bancshares Inc. for approximately $53.4 million in stock and cash, based on the buyer's November 10 closing price of $47.30. Each Signature common share may be exchanged for 0.0610 share of Heartland common stock and 33.5 cents in cash, subject to certain adjustments. The purchase price equates to approximately 1.82x tangible book value per share, 2.00x tangible book and 16.1x last-12-months earnings. It carries a core deposit premium of 9.3%. The purchase price also equates to 191.7% of common equity, 206.4% of tangible common equity and 15.5x earnings, on an aggregate basis. It is also 13.70% of assets and 15.73% of deposits and carries a 10.85% tangible book premium-to-core deposits. Heartland projects cost savings of 25%, entirely phased in by the end of 2018. It expects the transaction to be immediately accretive to EPS in 2018 and to be about 3% accretive to 2019 EPS. Tangible book value dilution is projected to be earned back in approximately 3.7 years; the internal rate of return is pegged at more than 15%. Signature Bank had about $390 million in assets, $326 million in net loans outstanding and $339 million in deposits as of September 30. Heartland, which will cross the $10 billion asset threshold with the transaction, expects the Durbin amendment to impact the company in July 2019 by about $5 million annually, pretax.

- **Byline Buying First Evanston for $169M in Cash and Stock**

November 27, 2017 – Chicago-based Byline Bancorp Inc. is acquiring Evanston, Illinois-based First Evanston Bancorp Inc. for approximately $169 million in cash and stock, based on Byline's closing price of $19.73 on November 24. Each First Evanston common share will be converted into the right to receive 3.994 Byline common shares, plus cash equal to $27.0 million divided by the number of outstanding First Evanston shares. The buyer expects resulting pretax cost savings to amount to 29% of First Evanston's expense base. Byline expects the transaction to be accretive to 2018 EPS and then accretive by 14.5% to 2019 EPS. The internal rate of return is projected to be more than 17%. Using the crossover method, tangible book value dilution is calculated to be earned back in about 3.3 years. On an aggregate basis, the purchase price equates to 172.6% of book and tangible book and 23.2x earnings. The purchase price also equates to 17.01% of deposits, 15.03% of assets and the tangible book premium-to-core deposits ratio is 7.90%. As of September 30, First Evanston had $1.1 billion in total assets, $892 million in loans and $994 million in deposits. The combined company, which will operate under the Byline brand, will have approximately $4.4 billion in assets, $3.1 billion in loans and $3.5 billion in deposits. The resulting board will have eight members, including First Evanston Chairman and CEO Robert Yohanan.

The Chicago Corporation November 2017 | Volume VI, Issue XI

Select Industry News

❖ Community Banks Report Improved Efficiency Ratios as Q3 Earnings Season Begins

November 6, 2017 – Community banks have started the third-quarter earnings season on a strong note, reporting improved efficiency ratios, along with higher profitability and net interest margins. Of the 253 banks with less than $10 billion in assets that reported earnings up to October 27, 172 reported a lower efficiency ratio – operating expense as a percentage of operating revenue – year-over-year. Among the banks with less than $1 billion in assets, the median efficiency ratio was 67.9%, compared to 69.23% in the second quarter and 71.05% in the third quarter of last year.

❖ Loan Growth at Large Banks Slowest in More than 6 Years

November 9, 2017 – Loan growth slowed significantly at large retail banks in the third quarter. Among the 10 largest banks by assets, gross loans and leases grew by 0.5% quarter-over-quarter and only 1.8% year-over-year. This was the slowest year-over-year growth for these banks since the second quarter of 2011. Loans fell quarter-over-quarter across the board at Wells Fargo Bank NA, but the other three members of the "Big Four" saw gains. Gross loans at the nation's second-largest bank by assets fell to $932.82 billion as of September 30, down from $948.76 billion at the end of June and $942.17 billion a year earlier. Branch Banking and Trust Co. also posted a year-over-year drop as its gross loans fell by 1.1% to $139.89 billion as of September 30.

❖ Deposit Costs Continue to Climb at US Banks in Q3’17

November 9, 2017 – While overall deposit expenses remained low for U.S. banks and thrifts relative to historical norms, the cost of savings and interest-bearing transaction accounts rose noticeably in the third quarter. Following a Federal Reserve interest rate increase late in 2016 and two more hikes in the first half of this year, banks have started to experience upward pressure on funding costs, with some clients looking for higher rates on their deposits after the Fed moves. The banking industry's total cost of funds was 0.54% in the third quarter, up from 0.47% the previous quarter and up from 0.39% a year earlier. Cost of funds is defined as total interest expense as a percent of the sum of average interest bearing liabilities and average noninterest bearing deposits. The analysis of regulatory data also found that the industrywide cost of interest-bearing transaction accounts, including demand deposit accounts, rose to 67 basis points in the third quarter from 51 basis points the previous quarter and from 28 basis points a year earlier. The cost for these accounts was just 19 basis points in the first quarter of 2014, following a yearlong low-rate era induced by the Fed to help the economy recover from the 2008 financial crisis. Further, the analysis shows that the cost of savings accounts, including money market demand accounts, or MMDAs, rose to 25 basis points in the third quarter from 20 basis points the previous quarter and from 15 basis points a year earlier. In the first quarter of 2014, the cost of savings accounts was 14 basis points.

❖ US Bank Margins Reach Highest Level Since 2014

November 13, 2017 – Net interest margins at U.S. banks, the key profitability metric for commercial banking institutions, rose in the third quarter to the highest level in four years, aided by expansion in loan yields. Commercial banks' fully taxable-equivalent net interest margin rose 6 basis points to 3.23% in the third quarter from 3.17% in the linked quarter and 3.12% a year earlier. U.S. bank margins continued to rebound from the historic low sustained in the first quarter of 2015, when margins fell to 2.96% following years of persistently low interest rates and fierce competition for quality loans. The struggle to grow their portfolios prompted many banks to lower prices on loans, with hopes of attracting new borrowers, but resulted in many institutions collecting less income against credits of the same size. Lower prices resulted in compression in loan yields across the banking industry, but that pressure stabilized earlier this year and now yields have expanded, buoyed by increases in short-term interest rates. Higher short-term rates have also lifted funding costs across the banking industry, but the increases have been relatively modest thus far, allowing for net interest margins to expand. Short-term rates have risen significantly over the first nine months of 2017, with the effective fed funds rate increasing close to 75 basis points after a trio of Fed rate hikes between December 2016 and June 2017. Many banks positioned their loan portfolios to benefit from rate increases and those efforts seemed to have paid off, with commercial banks' yield on loans and leases rising to 4.75% through the third quarter of 2017, up 18 basis points from the levels seen in 2016. Yields on commercial and industrial loans, which are generally tied to short-term rates, rose the most of any loan segment, jumping 31 basis points in the period. The rates on those loans could have risen further had competition not led to pricing pressure in the markets.

The Chicago Corporation November 2017 | Volume VI, Issue XI

Banks, Thrifts Close Net 88 Branches in October

November 15, 2017 – U.S. banks and thrifts shut more offices across the country in October, closing 160 branches while opening just 72. As of October 31, there were 89,486 active bank and thrift branches in the U.S. During the first three quarters of the year, U.S. banks and thrifts closed a net 1,800 branches, with the Midwest region accounting for over 38% of the closures. In October, however, the Southwest region led the nation with 37 net closures, while the Midwest posted only eight. By state, Texas led the nation with 20 net closures, followed by Florida with 16. Meanwhile, there were four net openings in Ohio as well as three apiece in both New York and Virginia. Wells Fargo & Co. closed a net 36 branches across the U.S. in October, the most of any company. However, the company accounted for only four of the closures in the Southwest, but closed six branches in North Carolina and four in Florida. Regions Financial Corp. closed 22 branches during October, seven of which were located in Florida. JPMorgan Chase & Co., meanwhile, closed 28 branches, including 15 in Texas, and opened 12 during the month.

Hurricane Damage Spikes Provisioning Metric to Highest Since '09

November 21, 2017 – Banks increased loan loss provisioning in the third quarter, and executives generally attributed the jump to a couple of extraordinary events: Hurricane damage and depreciating taxi medallions. Still, there were some fundamental concerns that the credit cycle might be approaching its end. Across the industry, banks set aside $13.80 billion of provisions in the third quarter, a 15% increase from the previous quarter and a 21% jump from a year ago. That represented the highest level of provisioning since the 2012 fourth quarter. Charge-offs remained very low by historical standards, translating to the highest provision-to-charge-off ratio since 2009: Provisions amounted to 126% of net charge-offs in the third quarter.

Multifamily Loans at U.S. Banks and Thrifts Hit $400B in Q3'17

November 29, 2017 – U.S. banks and thrifts added $1.68 billion in multifamily loans during the third quarter, pushing the aggregate balance to just over $400 billion as of September 30. In addition, delinquent multifamily loans fell to 0.24% of total multifamily loans, down 3 basis points from the previous quarter. Of the nation's 25 largest multifamily lenders, 15 reported an increase in multifamily loans during the quarter. JPMorgan Chase & Co., the nation's largest bank multifamily lender, reported $69.21 billion in multifamily loans, up $346.0 million from the second quarter. At No. 2, New York Community Bancorp Inc. reported $27.16 billion in multifamily loans as of September 30, up 1.1% from June 30. Wells Fargo & Co. dropped to the No. 4 spot as its multifamily loans fell 10.1% to $14.21 billion. Signature Bank became the new No. 3 with $14.81 billion in multifamily loans as of September 30, up $279.5 million quarter-over-quarter. Citigroup Inc. at No. 13 added $233.0 million in loans during the quarter, taking its balance to $4.60 billion, while Bank of America Corp., at No. 10, reduced its multifamily balance by 5.9% to $5.56 billion.

C&I Loans Inch Up, Delinquencies Continue to Decline in Q3

November 30, 2017 – Commercial and industrial loans at U.S. banks and thrifts reached $1.989 trillion as of September 30, up $6.95 billion from the second quarter. Delinquent C&I loans fell to 1.27% of total C&I loans, down 9 basis points from the linked quarter and 32 basis points year-over-year. The nation's largest C&I lender, Bank of America Corp., added $8.36 billion in C&I loans during the quarter, more than any other bank in the country, pushing its total C&I balance to $268.87 billion as of September 30. The bank's C&I delinquency ratio also fell to 0.67%, down 23 basis points year-over-year. Morgan Stanley added $2.97 billion to its C&I portfolio during the quarter, pushing it to $20.58 billion as of September 30. Although Morgan Stanley's delinquency ratio did fall 147 basis points from the previous quarter and 54 basis points year-over-year to 5.81%, it was still the 6th highest ratio among all lenders with at least $1 billion in C&I loans. Three other companies added more than $1 billion in C&I loans during the third quarter as well, including American Express Co., Goldman Sachs Group Inc. and Citigroup Inc.

The Vault is a monthly newsletter published by The Chicago Corporation's Financial Institutions Group. To subscribe, please visit www.thechicagocorp.com.