

The Vault

A Midwest Bank
Newsletter

Midwest Bank Index Performance (shown as % change)



Indices Performance (% change)

	<u>January 2018</u>	<u>LTM</u>		<u>January 2018</u>	<u>LTM</u>
S&P 500	4.7%	23.9%	SNL U.S. Bank	6.3%	24.7%
Dow Jones	5.3%	31.6%	SNL Midwest U.S. Bank	5.5%	13.0%
NASDAQ	5.8%	32.0%			

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 January)

Bank Name	Price/Share	Price Change	Bank Name	Price/Share	Price Change
Triumph Bancorp (TBK)	\$38.50	22.2%	Penns Woods Bancorp (PWOD)	\$42.87	(8.0%)
OFG Bancorp (OFG)	\$11.40	21.3%	Chemung Financial (CHMG)	\$44.67	(7.1%)
Customers Bancorp (CUBI)	\$30.65	17.9%	Commerce Union (RBNC)	\$24.00	(6.4%)
First BanCorp (FBP)	\$6.00	17.6%	First Bancshares (FBMS)	\$32.15	(6.0%)
Green Bancorp (GNBC)	\$23.85	17.5%	CapStar Financial (CSTR)	\$19.56	(5.8%)

Note: Price per share as of January 31, 2018. 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



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Select Public Trading Statistics (as of 1/31/2018)

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	396,149.7	2,533,600,000	NA	2.44	60.66	15.90	8.30	172.5	217.9
Bank of America Corporation	BAC	NC	329,193.7	2,281,234,000	NA	2.40	64.17	15.10	8.60	134.5	187.0
Wells Fargo & Company	WFC	CA	321,770.5	1,951,757,000	NA	2.85	66.33	NA	NA	175.7	211.8
Citigroup Inc.	C	NY	201,677.9	1,843,059,000	NA	2.72	59.53	NA	NA	110.8	113.5
U.S. Bancorp	USB	MN	94,623.8	462,040,000	0.75	3.09	58.40	12.90	8.90	216.9	281.6
PNC Financial Services Group, Inc.	PNC	PA	74,743.5	380,768,000	NA	2.91	75.39	13.70	9.90	171.7	219.6
Bank of New York Mellon Corporation	BK	NY	57,462.2	371,758,000	NA	1.16	73.04	13.40	6.60	152.4	343.4
BB&T Corporation	BBT	NC	43,158.9	221,642,000	NA	3.44	57.05	13.80	9.70	162.3	265.3
SunTrust Banks, Inc.	STI	GA	33,294.8	205,962,000	NA	3.19	62.72	13.10	9.80	147.5	205.1
State Street Corporation	STT	MA	25,495.5	238,425,000	NA	1.40	69.23	16.00	7.30	211.8	352.6
Minimum			25,496	205,962,000	0.8	1.2	57.0	12.9	6.6	110.8	113.5
Mean			157,757	1,049,024,500	0.8	2.6	64.7	14.2	8.6	165.6	239.8
Median			84,684	421,404,000	0.8	2.8	63.4	13.8	8.8	167.0	218.8
Maximum			396,150	2,533,600,000	0.8	3.4	75.4	16.0	9.9	216.9	352.6

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	23,831.5	138,590,500	NA	1.40	67.95	15.80	7.80	255.3	274.9
Fifth Third Bancorp	FTIB	OH	22,964.9	142,193,000	NA	3.04	63.27	15.16	10.01	152.8	182.8
KeyCorp	KEY	OH	22,878.4	137,698,000	0.48	3.11	62.89	12.84	9.64	163.4	206.7
Huntington Bancshares Incorporated	HBAN	OH	17,345.4	104,185,000	NA	3.33	55.68	13.21	8.99	178.0	234.3
Commerce Bancshares, Inc.	CBSH	MO	6,238.0	24,833,415	NA	3.32	66.34	NA	10.39	242.6	259.1
Wintrust Financial Corporation	WTFC	IL	4,807.4	27,915,970	0.51	3.51	64.50	12.00	9.30	168.6	206.1
Associated Banc-Corp	ASB	WI	3,783.0	30,483,594	0.99	2.80	64.63	13.22	8.02	122.9	181.4
MB Financial, Inc.	MBFI	IL	3,590.1	20,086,940	0.55	3.68	65.16	14.23	10.02	133.0	218.7
First Midwest Bancorp, Inc.	FMBI	IL	2,553.5	14,077,052	NA	3.86	61.84	12.15	8.99	136.9	230.0
First National of Nebraska, Inc.	FINN	NE	2,263.7	20,434,754	NA	6.50	56.74	12.60	10.38	115.3	125.9
Minimum			2,264	14,077,052	0.5	1.4	55.7	12.0	7.8	115.3	125.9
Mean			11,026	66,049,823	0.6	3.5	62.9	13.5	9.4	166.9	212.0
Median			5,523	29,199,782	0.5	3.3	63.9	13.2	9.5	158.1	212.7
Maximum			23,832	142,193,000	1.0	6.5	67.9	15.8	10.4	255.3	274.9

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	778.0	3,964,303	0.43	3.62	61.70	NA	NA	170.1	239.3
Byline Bancorp, Inc.	BY	IL	655.8	3,366,130	NA	4.29	64.19	15.98	12.25	146.3	172.9
First Mid-Illinois Bancshares, Inc.	FMBH	IL	487.4	2,841,539	NA	3.77	58.77	12.70	9.91	158.3	201.6
West Suburban Bancorp, Inc.	WNRP	IL	270.8	2,274,659	2.18	3.16	61.12	16.58	9.49	124.3	124.7
STAR Financial Group, Inc.	SFIGA	IN	215.3	1,903,989	0.96	3.76	70.13	13.73	10.79	104.1	107.0
First Business Financial Services, Inc.	FBIZ	WI	214.4	1,794,066	1.55	3.63	64.00	11.98	9.54	126.7	135.3
Marquette National Corporation	MNAT	IL	143.4	1,575,580	1.52	3.58	76.95	14.59	7.62	100.5	133.6
Minimum			143	1,575,580	0.4	3.2	58.8	12.0	7.6	100.5	107.0
Mean			395	2,531,467	1.3	3.7	65.3	14.3	9.9	132.9	159.2
Median			271	2,274,659	1.5	3.6	64.0	14.2	9.7	126.7	135.3
Maximum			778	3,964,303	2.2	4.3	77.0	16.6	12.3	170.1	239.3



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Valuation Summary (as of 1/31/2018)

Asset Size Index – Nationwide			Geographic Index		
	Price/Book (%)	Price/Tangible Book (%)		Price/Book (%)	Price/Tangible Book (%)
\$5B-\$10B	193.4	249.0	Mid-Atlantic	154.7	201.4
\$1B-\$5B	176.6	207.0	Midwest	194.3	245.1
\$500M-\$1B	161.1	170.5	New England	173.7	273.2
\$250M-\$500M	154.9	156.8	Southeast	141.7	200.6
< \$250M	NA	NA	Southwest	186.5	229.0
			Western	184.0	222.1

Interest Rate Scorecard

Financial Yields	January 31, 2018	1 Month	3 Month	6 Month	1 Year
		Prior	Prior	Prior	Prior
2 Year T Note	2.14	1.89	1.60	1.34	0.27
5 Year T Note	2.52	2.20	2.01	1.84	0.82
10 Year T Note	2.72	2.40	2.38	2.30	1.95
30 Year T Bond	2.95	2.74	2.88	2.89	3.12
Prime Rate	4.50	4.50	4.25	4.25	3.25
3 Month LIBOR	1.78	1.69	1.38	1.31	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

❖ Union Bankshares Crosses \$10B Mark with Xenith Bankshares Transaction Completion

January 1, 2018 – In Richmond, Virginia, Union Bankshares Corp. completed its acquisition of Xenith Bankshares Inc., resulting in a combined company headquartered in Virginia that would have total assets of about \$12.3 billion, deposits of roughly \$9.5 billion and loans of around \$9.3 billion, based on financial information reported as of September 30, 2017. Under the terms of the transaction, Xenith shareholders received 0.9354 of a Union common share in exchange for each share they owned, with cash paid in lieu of fractional shares. Until systems conversion in late May 2018, Union will separately operate the former Xenith Bank branches as Xenith Bank, a division of Union Bank & Trust of Richmond, Virginia. As of September 30, 2017, Union Bankshares had total assets of \$9.03 billion, while Xenith Bankshares had \$3.26 billion in assets.

❖ Meta Financial in \$320.6M All-Stock Transaction for Michigan's Crestmark

January 9, 2018 – Sioux Falls, South Dakota-based Meta Financial Group Inc. is acquiring Troy, Michigan-based Crestmark Bancorp Inc., in an all-stock transaction valued at \$320.6 million. Each Crestmark common share will be exchanged for 2.65 Meta common shares. Based on the buyer's January 8 closing price of \$91.35, Meta Financial is paying \$242.08 per Crestmark share to create a company with approximately \$6.4 billion in pro forma assets and \$2.2 billion in loans and leases. The purchase price equates to 335.1% of book, 379.9% of tangible book and 16.0x earnings, on an aggregate basis. The purchase price also equates to 27.13% of assets and 32.15% of deposits. The premium to tangible book is 24.97% of core deposits. If the transaction does not close, the merger terms include a \$10.0 million termination fee. Meta Financial expects to record approximately \$18 million in merger-related costs, pretax, as well as a 7.9% dilution to tangible book. The latter is projected to be earned back in 2.2 years, using the crossover method. The transaction will be immediately accretive to fiscal 2018 EPS, excluding merger costs, and approximately 10% accretive to fiscal 2019 EPS. Postmerger cost saves are pegged at 6% of Crestmark's noninterest expenses. The forward price-to-earnings ratio is estimated to be 9.6x Meta Financial's expected fiscal 2018 earnings and 7.2x its expected fiscal 2019 earnings, plus cost saves. The transaction also increases Meta Financial's loans by 65%, and will give the combined company a loan/deposit ratio of 54%.

❖ First Commonwealth Financial to Buy Garfield Acquisition in \$58M Transaction

January 10, 2018 – Indiana, Pennsylvania-based First Commonwealth Financial Corp. agreed to acquire Cincinnati-based Garfield Acquisition Corp in a 30% cash-and-70% stock transaction valued at about \$58 million. Garfield Acquisition shareholders will get roughly 2.8 million First Commonwealth Financial common shares and about \$17.4 million in cash. The purchase price equates to 137.0% of book, 152.9% of tangible book and 31.7x earnings, on an aggregate basis. The purchase price also equates to 26.65% of assets, 39.73% of deposits and the tangible book premium-to-core deposits ratio is 19.97%. The transaction is expected to result in combined restructuring charges of \$3.1 million, pretax, according to an investor presentation. As of September 30, 2017, First Commonwealth Bank had \$7.36 billion in assets. According to the merger release, Garfield's Foundation Bank had total assets of \$216 million, loans of \$187 million and deposits of \$145 million.

❖ Mackinac to Buy First Federal of Northern Michigan

January 16, 2018 – Mackinac Financial Corp. is acquiring First Federal of Northern Michigan Bancorp Inc. Each First Federal common share will be exchanged for 0.576 of a Mackinac common share. Based on an assumed Mackinac share price of \$15.75, the aggregate value of the stock consideration is \$33.8 million. First Federal shareholders can also expect to receive a special cash dividend of \$8.0 million before the merger's close, subject to certain conditions. The transaction has a one-day premium of 13.77%, based on First Federal's January 12 closing price of \$8.05. It has a one-month premium of 12.72%, based on First Federal's December 15, 2017, closing price of \$8.125. The purchase price equates to 128.6% of book, 132.0% of tangible book and 18.4x earnings, on an aggregate basis. The purchase price also equates to 10.40% of assets, 12.08% of deposits and the tangible book premium-to-core deposits ratio is 3.16%. First Federal's subsidiary, Alpena, Michigan-based First Federal of Northern Michigan, had \$335.1 million in assets as of September 30, 2017. It will merge into Mackinac's Manistique, Michigan-based mBank, which had \$1.01 billion. The parties expect the combined company to have approximately \$1.3 billion in assets, \$1 billion in gross balance sheet loans and \$1.1 billion in deposits. The buyer expects the transaction to be accretive to EPS, exclusive of merger-related costs, by 8.0% in 2018, 16.0% in 2019 and 18.0% in 2020. Economies of scale and other combined efficiencies are initially estimated at 35%. Dilution to tangible book value is expected to be earned back in approximately three years.

❖ In Illinois, CNB Buying Jacksonville Bancorp in \$61.6M Transaction

January 18, 2018 – In Illinois, Carlinville-based CNB Bank Shares Inc. is acquiring Jacksonville Bancorp Inc. for \$33.70 per share in cash, or a total of \$61.6 million. The purchase price equates, on a per-share basis, to 123.4% of book, 130.6% of tangible book and 20.2x earnings. The premium to tangible book is 6.11% of core deposits. The purchase price also equates to 18.31% of assets and 22.62% of deposits. It carries a



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one-day premium of 2.12%, based on Jacksonville Bancorp's January 17 closing price of \$33.00, and a one-month discount of 3.71%, based on the target's December 18, 2017, closing price of \$35.00. Jacksonville Savings Bank, which had approximately \$337 million in assets as of September 30, 2017, will merge into CNB Bank & Trust NA, which had \$924 million. The combined company will have approximately \$1.25 billion in assets. No branches are expected to be closed. CNB additionally disclosed that a \$30.0 million investment by Castle Creek Capital Partners VI LP will go toward funding the merger and supporting organic growth. Castle Creek will place one representative on CNB's board.

❖ Park National to Buy NewDominion in \$76.4M Transaction

January 23, 2018 – Newark, Ohio-based Park National Corp. is acquiring the 91.45% of Charlotte, North Carolina-based NewDominion Bank that it does not already own. The transaction is valued at \$76.4 million. NewDominion shareholders can elect to receive either 0.01023 of a Park National common share or \$1.08 in cash for each NewDominion common share. The consideration is subject to proration so that it will consist of approximately 60% stock and 40% cash. The companies estimate the transaction to be worth 200.9% of tangible book value and 188.1% of adjusted tangible book value, as well as 13.4x estimated 2019 EPS, with synergies. They expect tangible book value dilution to be earned back in 4.2 years. As of December 31, 2017, NewDominion had \$338 million in assets, \$282 million in deposits and \$284 million in loans. Park National had \$7.54 billion in assets as of that date. Park National had purchased an 8.55% stake in NewDominion for \$3.5 million in November 2016.

❖ Bank M&A 2018 Deal Tracker

January 22, 2018 – In the first fortnight of 2018, bank M&A transactions trended on the more-expensive side, with a median transaction value-to-tangible common equity ratio of 210.4%. The eight transactions announced through January 15 were worth a combined \$404.9 million, compared to seven transactions worth \$707.5 million with a median transaction value-to-tangible common equity ratio of 158.6% announced over the same period in 2017.

Select Industry News

❖ Wells Fargo Slips to 3rd Largest Bank by Market Cap in Q4'17

January 4, 2018 – Bank of America Corp. became the second-largest U.S. bank by market capitalization at the end of 2017, overtaking Wells Fargo & Co. during the fourth quarter of 2017. JPMorgan Chase & Co. remained firmly atop the U.S. banking mountain with a market capitalization of \$371.05 billion as of December 29, compared to \$308.12 billion at BofA. Around 18 months ago, before Wells Fargo's account opening scandal broke in fall 2016, the company had been the largest U.S. bank by market capitalization as of June 30, 2016, at \$238.95 billion. Since then, Wells Fargo's stock has increased, but has still lagged the broader industry. In 2017, Wells Fargo's stock returned 13.2%, compared to a 26.7% return at JPMorgan and a 37.0% return at BofA. The SNL U.S. Bank and Thrift Index as a whole underperformed the S&P 500 last year as well, posting a total return of 17.6% in comparison to the S&P 500's 21.8% return.

❖ Banks, Thrifts Close Net of 185 Branches in December 2017

January 11, 2018 – U.S. banks and thrifts continued to close offices across the country in December 2017, shutting down 249 branches while opening just 64. As of December 31, 2017, there were 89,121 active bank and thrift branches in the U.S. During 2017, U.S. banks and thrifts shut down a net of 2,122 branches, with the Midwest region accounting for over 33% of the net closures. In December, the Southeast region led the nation with 70 net closings, followed by the Midwest and mid-Atlantic regions with 40 and 39 closings, respectively. By state, Michigan led the nation with 23 net closures, followed by North Carolina and Virginia with 20 closings, each. Meanwhile, there were just three net openings in Colorado, the most among any states in the U.S. BB&T Corp. shut down 72 branches during the month of December, the most by any banking institution in the country.

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