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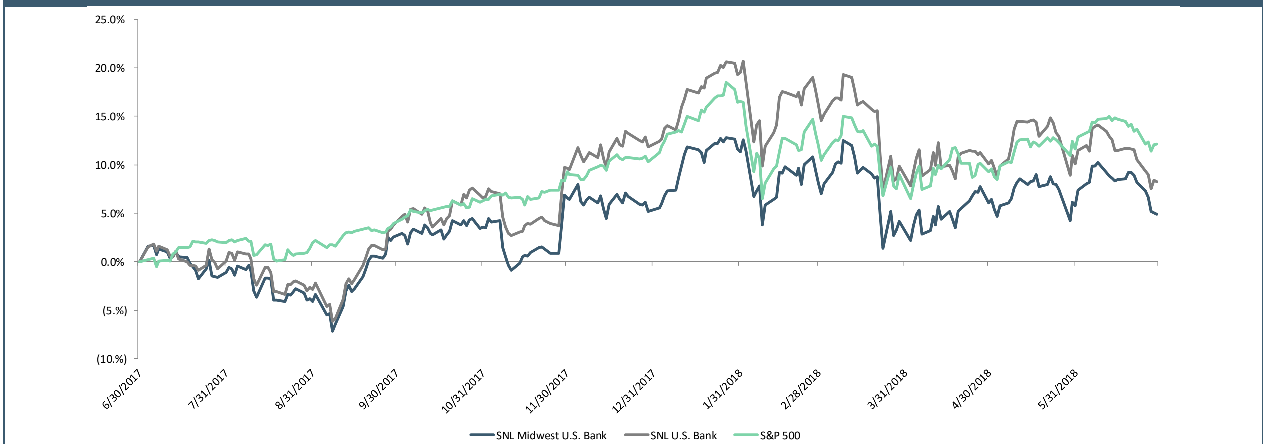
Midwest Bank Index Performance (shown as % change)



Indices Performance (% change)

	June 2018	LTM		June 2018	LTM
S&P 500	(0.6%)	12.2%	SNL U.S. Bank	(2.9%)	8.2%
Dow Jones	(1.5%)	13.7%	SNL Midwest U.S. Bank	(2.3%)	4.9%
NASDAQ	(0.6%)	22.3%			

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 June)

Bank Name	Price/Share	Price Change	Bank Name	Price/Share	Price Change
Norwood Financial Corp. (NWFL)	$36.02	14.3%	Guaranty Bancorp (GBNK)	$29.80	(12.6%)
Cass Info. Systems (CASS)	$68.82	9.9%	Independent Bank Group (IBTX)	$66.80	(12.0%)
Two River Bancorp (TRCB)	$19.13	8.1%	CapStar Financial (CSTR)	$18.53	(10.3%)
ACNB Corporation (ACNB)	$34.05	7.8%	Community Bankers Trust (ESXB)	$8.95	(9.1%)
Ohio Valley Banc Corp. (OVBC)	$36.45	7.7%	SVB Financial Group (SIVB)	$288.76	(9.1%)

Note: Price per share as of June 30, 2018. 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 6/30/2018)

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	354,728.8	2,590,050,000	NA	2.46	57.09	15.40	8.20	154.2	195.1
Bank of America Corp.	BAC	NC	285,828.4	2,291,670,000	NA	2.38	58.36	14.70	NA	118.8	168.1
Wells Fargo & Company	WFC	CA	270,152.1	1,879,700,000	NA	2.93	65.19	NA	NA	149.2	176.9
Citigroup Inc.	C	NY	170,641.5	1,912,334,000	NA	2.76	58.88	16.30	NA	93.4	108.6
U.S. Bancorp	USB	MN	82,155.8	460,119,000	0.73	3.11	55.20	12.50	8.78	188.5	244.6
PNC Financial Services Group, Inc.	PNC	PA	63,429.3	380,711,000	NA	2.98	59.32	12.60	9.40	147.7	189.8
Bank of New York Mellon Corporation	BK	NY	54,505.8	373,597,000	0.03	1.22	63.50	13.40	6.45	142.7	316.5
BB&T Corporation	BBT	NC	39,210.1	220,729,000	NA	3.41	57.19	13.98	9.91	148.1	241.8
State Street Corporation	STT	MA	34,015.8	250,286,000	0.00	1.41	72.52	14.64	6.90	177.1	294.3
SunTrust Banks, Inc.	STI	GA	30,688.1	204,885,000	1.59	3.20	62.35	12.90	9.75	140.0	196.3
Minimum			**30,688**	**204,885,000**	**0.0**	**1.2**	**55.2**	**12.5**	**6.5**	**93.4**	**108.6**
Mean			**138,536**	**1,056,408,100**	**0.6**	**2.6**	**61.0**	**14.0**	**8.5**	**146.0**	**213.2**
Median			**72,793**	**420,415,000**	**0.4**	**2.8**	**59.1**	**14.0**	**8.8**	**147.9**	**195.7**
Maximum			**354,729**	**2,590,050,000**	**1.6**	**3.4**	**72.5**	**16.3**	**9.9**	**188.5**	**316.5**

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	23,149.4	129,672,200	0.12	1.36	66.45	15.54	7.57	247.7	270.1
KeyCorp	KEY	OH	20,744.9	137,049,000	0.52	3.13	64.84	12.73	9.76	149.5	188.9
Fifth Third Bancorp	FITB	OH	19,456.3	141,500,000	0.87	3.13	68.35	15.25	10.11	132.3	159.0
Huntington Bancshares Incorporated	HBAN	OH	16,262.5	104,246,000	1.23	3.26	56.55	13.99	9.58	160.9	209.1
Commerce Bancshares, Inc.	CBSH	MO	6,897.9	24,524,742	NA	3.64	53.39	NA	11.18	270.2	286.0
Wintrust Financial Corporation	WTFC	IL	4,899.4	28,456,772	0.55	3.51	60.98	12.03	9.35	168.5	206.4
Associated Banc-Corp	ASB	WI	4,662.6	33,366,505	0.93	2.91	62.56	13.45	8.48	132.3	202.6
MB Financial, Inc.	MBFI	IL	3,926.4	20,167,523	0.50	3.67	66.26	13.57	9.73	143.3	233.2
First Midwest Bancorp, Inc.	FMBI	IL	2,625.6	14,379,971	0.65	3.75	59.79	12.07	9.07	140.5	235.6
First National of Nebraska, Inc.	FINN	NE	2,474.1	19,950,623	1.01	6.48	56.32	14.08	10.70	115.1	125.5
Minimum			**2,474**	**14,379,971**	**0.1**	**1.4**	**53.4**	**12.0**	**7.6**	**115.1**	**125.5**
Mean			**10,510**	**65,331,334**	**0.7**	**3.5**	**61.5**	**13.6**	**9.6**	**166.0**	**211.6**
Median			**5,899**	**30,911,639**	**0.7**	**3.4**	**61.8**	**13.6**	**9.7**	**146.4**	**207.7**
Maximum			**23,149**	**141,500,000**	**1.2**	**6.5**	**68.3**	**15.5**	**11.2**	**270.2**	**286.0**

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 (%)
Byline Bancorp, Inc.	BY	IL	807.8	3,462,372	0.83	4.39	68.77	16.05	12.14	145.2	172.0
Horizon Bancorp, Inc.	HBNC	IN	793.1	3,969,750	0.40	3.89	58.57	13.08	9.82	172.3	241.3
First Mid-Illinois Bancshares, Inc.	FMBH	IL	600.6	2,837,346	0.70	3.60	56.32	13.07	10.06	160.4	206.7
West Suburban Bancorp, Inc.	WNRP	IL	286.5	2,270,951	2.50	3.36	65.22	15.80	9.68	133.8	134.2
STAR Financial Group, Inc.	SFIG.A	IN	240.8	1,957,067	1.59	3.83	65.44	13.58	10.73	116.6	119.8
First Business Financial Services, Inc.	FBIZ	WI	227.9	1,878,217	1.16	3.65	66.58	11.78	9.26	132.9	141.8
Marquette National Corporation	MNAT	IL	145.6	1,586,089	1.38	3.46	77.53	16.36	9.00	99.6	131.3
Minimum			**146**	**1,586,089**	**0.4**	**3.4**	**56.3**	**11.8**	**9.0**	**99.6**	**119.8**
Mean			**443**	**2,565,970**	**1.2**	**3.7**	**65.5**	**14.2**	**10.1**	**137.2**	**163.9**
Median			**287**	**2,270,951**	**1.2**	**3.7**	**65.4**	**13.6**	**9.8**	**133.8**	**141.8**
Maximum			**808**	**3,969,750**	**2.5**	**4.4**	**77.5**	**16.4**	**12.1**	**172.3**	**241.3**

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Valuation Summary (as of 6/30/2018)

Asset Size Index – Nationwide

	Price/Book (%)	Price/Tangible Book (%)
$5B-$10B	199.8	257.0
$1B-$5B	182.5	213.5
$500M-$1B	172.9	181.5
$250M-$500M	177.8	180.3
< $250M	NA	NA

Geographic Index

	Price/Book (%)	Price/Tangible Book (%)
Mid-Atlantic	138.4	185.4
Midwest	181.0	226.9
New England	157.2	241.3
Southeast	130.1	186.4
Southwest	183.4	225.1
Western	167.5	199.3

Interest Rate Scorecard

Financial Yields	June 30, 2018	1 Month Prior	3 Month Prior	6 Month Prior	1 Year Prior
2 Year T Note	2.52	2.42	2.27	1.89	0.27
5 Year T Note	2.73	2.67	2.56	2.20	0.82
10 Year T Note	2.85	2.84	2.74	2.40	1.95
30 Year T Bond	2.98	3.01	2.97	2.74	3.12
Prime Rate	5.00	4.75	4.75	4.50	3.25
3 Month LIBOR	2.34	2.30	NA	1.69	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

- **First Midwest Bancorp to Buy Northern States Financial for $91M**

June 7, 2018 – Chicago-based First Midwest Bancorp Inc. is acquiring Waukegan, Illinois-based Northern States Financial Corp. in a transaction valued at approximately $91.0 million. Shareholders of Northern States will receive 0.0369 share of First Midwest Bancorp common stock for every Northern States common share they hold. The company said the price is 1.7x tangible book value per share and 10.8x last-12-months earnings. It expects 2% accretion to EPS in 2020, an earnback period of 2.5 years for dilution to tangible book value, and an internal rate of return of more than 20%. It also anticipates a reduction in Northern States' noninterest expense base of about 50%, to be fully phased in in 2020. The transaction has a one-day premium of 28.89%, based on Northern States' June 6 closing price of 78 cents, and a one-month premium of 34.97%, based on its May 5 closing price of 74.5 cents. On a per share basis, the purchase price equates to 174.6% of book and tangible book value. First Midwest Bank, a unit of First Midwest Bancorp, had $14.31 billion in assets as of March 31. Meanwhile, Northern States unit NorStates Bank has about $500 million in assets, $400 million in deposits and $320 million in loans.

- **First Mid-Illinois Bancshares Acquiring SCB Bancorp in Illinois**

June 12, 2018 – Mattoon, Illinois-based First Mid-Illinois Bancshares Inc. has agreed to acquire Decatur, Illinois-based SCB Bancorp Inc. in a stock-and-cash transaction valued at about $70.4 million. SCB shareholders can opt to receive either 8.0228 First Mid-Illinois shares or $307.93 in cash for each SCB share, subject to potential adjustments. SCB's outstanding stock options will be fully vested, and outstanding options unexercised before the transaction closes will be cashed out. Based on an average price of $38.38 per First Mid-Illinois share over the past 10 days, the aggregate transaction consideration is about $70.4 million. SCB also plans to issue $25 million of its cash as a special dividend to shareholders and as a corresponding reduction to the exercise price of outstanding options immediately before the transaction closes. On an aggregate basis, the purchase price equates to 157.3% of book and 191.8% of tangible book and 17.6x earnings. The purchase price also equates to 17.05% of assets, 22.11% of deposits and has a tangible book premium-to-core deposits ratio of 11.15%. SCB, which has $437 million in assets, operates in the Bloomington, Champaign, Decatur, Kankakee, Peoria and Springfield areas of the state. Unit Soy Capital Bank and Trust Co. has 10 branches providing full banking services, along with two other lines of business in insurance services and agricultural management services. J.L. Hubbard Insurance and Bonds, SCB's other subsidiary, is the largest bank-owned insurer in Illinois with gross revenue of about $10.1 million in 2017. First Mid-Illinois' assets would grow to about $3.8 billion with the transaction, and its wealth and farm management business would have about $3.9 billion in assets under management. The combined insurance business will have about $14.0 million in annual revenue.

- **Equity Bancshares to Buy Oklahoma-based City Bank and Trust**

June 12, 2018 – Wichita, Kansas-based Equity Bancshares Inc. agreed to buy Guymon, Oklahoma-based City Bank and Trust Co. from parent Docking Bancshares Inc. Under the terms of the transaction, Docking will receive cash consideration of roughly $18.9 million, subject to adjustments based on the equity capital of City Bank and Trust at closing. Equity expects the merger to be about 14 cents accretive to diluted EPS in 2019 and 17 cents accretive to EPS in 2020, with transaction-related and one-time costs of roughly $2.2 million. Equity anticipates the transaction to be about 2.8% dilutive to tangible book value per share at closing, inclusive of the estimated purchase accounting adjustments. It also expects the tangible book value earn back to be 2.75 years using the cross-over method. On an aggregate basis, the purchase price equates to 102.5% of book and 103.8% of tangible book. The purchase price also equates to 13.0x earnings, 10.96% of assets, 13.56% of deposits and has a tangible book premium-to-core deposits ratio of 0.59%. Equity reported consolidated total assets of $3.6 billion, loans of $2.4 billion and deposits of $2.8 billion following completion of its mergers with Kansas Bank Corp. and Adams Dairy Bancshares Inc. City Bank and Trust had total assets of $172.5 million, loans of $76.7 million and deposits of $139.4 million as of March 31. After transaction completion, Equity expects to have about $3.9 billion in consolidated total assets, and the combined institution is expected to have roughly $2.5 billion in loans and $3.0 billion in deposits.

- **Indiana-based Merchants Bancorp Acquiring FM Bancorp in Illinois**

June 13, 2018 – Carmel, Indiana-based Merchants Bancorp has agreed to acquire Paxton, Illinois-based FM Bancorp Inc. and its unit, Farmers-Merchants National Bank of Paxton, for $21.9 million, Merchants said in a regulatory filing. Farmers-Merchants National Bank of Paxton will merge into Merchants' unit Joy State Bank, which is based in Joy, Illinois. Merchants expects the transaction to close in the fourth quarter. After closing, Joy State Bank will have about $159 million in assets and five banking locations in Illinois. Merchants expects the transaction to be accretive to earnings per share starting in the first full year of combined operations. Joy State Bank is expected to exceed "well-capitalized" thresholds under all regulatory definitions after the transaction closes. FM Bancorp had total assets of $114.6 million, including gross loans of $33.6 million and deposits of $99.3 million, as of March 31. The purchase price equates to 144.67% of common equity and tangible common equity and 23.37x earnings, on an aggregate basis. The purchase price also equates to 19.11% of assets and 21.74% of deposits. The tangible book premium-to-core deposits ratio is 7.98%.

- **Old National Bancorp Buying Minnesota's Klein Financial for $433.8M**

June 21, 2018 – Evansville, Indiana-based Old National Bancorp is acquiring Chaska, Minnesota-based Klein Financial Inc. in an all-stock transaction valued at around $433.8 million, based on the buyer's June 20 closing price of $19.05. For each share held, Klein shareholders will receive 7.92 shares of Old National common stock. On an aggregate basis, the purchase price equates to 203.9% of common equity and 235.8% of tangible common equity. The purchase price also equates to 23.8x earnings, 22% of assets, 25.40% of deposits and has a tangible book premium-to-core deposits ratio of 14.88%. In the event of termination of the agreement under certain circumstances, Klein will be required to pay Old National a termination fee of approximately $17.1 million. Further, Old National will be required to pay $2.0 million to Klein if regulators do not approve the transaction due to a regulatory issue related to the Evansville, Indiana-based bank. As of March 31, Old National Bank had $17.39 billion in assets. KleinBank had $2.0 billion in assets, $1.1 billion in loans, $1.7 billion in deposits and $184 million in common shareholders' equity. It also has 18 full-service banking locations. Upon completion, Old National will have around $3.5 billion in deposits in Minnesota, the fifth largest market share position in both the state and the Minneapolis metropolitan statistical area. The transaction is expected to be 6.2% accretive to 2020 earnings per share, including fully realized cost savings. It is also 3.4% dilutive to tangible book value per share with an earnback period of around 3.5 years.

- **In Wisconsin, Citizens Community Bancorp Buying United Bank for $50.7M**

June 21, 2018 – In Wisconsin, Eau Claire-based Citizens Community Bancorp Inc. is buying Osseo-based United Bank, a unit of United Bancorp, in a cash transaction valued at approximately $50.7 million. On an aggregate basis, the purchase price equates to 171.2% of book and tangible book, and 15.1x earnings. The purchase price also equates to 18.05% of assets, 21.15% of deposits, and the tangible book premium-to-core deposits ratio is 9.47%. As of March 31, Citizens, parent company of Citizens Community Federal NA, had $940 million in assets. Meanwhile, United Bank had $281 million in assets, $214 million in loans, $240 million in deposits and $30 million in shareholders' equity. The combined company will have approximately $1.2 billion in assets and 28 locations. The transaction is expected to be immediately accretive to earnings and the tangible book value dilution earnback is around 4.4 years. Estimated cost savings are expected to be more than 40% of United Bank's operating expenses. Citizens also announced that it is selling an aggregate of 500,000 shares of its series A preferred stock at $130 per share for gross proceeds of around $65 million. Each preferred share will be mandatorily convertible into 10 common shares, following shareholder approval of the issuance of the common shares into which the preferred shares will be converted. Net proceeds from the private placement will be used to fund a portion of Citizens' pending transaction with United Bank and to pay related expenses; to support the company's capital ratios in connection with the transaction; and for general corporate purposes, including organic growth, funding acquisition opportunities, de novo branching into new markets and other organic expansion opportunities.

- **Corbin, Kentucky-based Forcht Bancorp Buying Cincinnati-based MW Bancorp**

June 26, 2018 – Corbin, Kentucky-based Forcht Bancorp Inc. has agreed to acquire Cincinnati-based MW Bancorp Inc. Terms of the transaction were not disclosed. The transaction completion will result in Watch Hill Bank, a subsidiary of MW Bancorp, merging into Forcht Bank NA, a subsidiary of Forcht Bancorp. MW Bancorp shareholders will receive $30 for each common share of MW Bancorp. The purchase price equates to 166.6% of book and tangible book, on an aggregate basis. The purchase price also equates to 17.16% of assets and 24.74% of deposits. The tangible book premium-to-core deposits ratio is 12.81%. The transaction carries a one-day premium of 30.43%, based on MW Bancorp's June 25 closing price of $23, and a one-month premium of 27.65%, based on MW Bancorp's May 25 closing price of $23.5. Forcht Bank has total assets of about $1 billion and operates 25 banking centers in 12 counties. Watch Hill Bank operates from two banking offices in Cincinnati and had about $163 million in assets as of March 31.

- **Raleigh, North Carolina-based First-Citizens Bank & Trust Buying Capital Commerce Bancorp**

June 27, 2018 – Raleigh, North Carolina-based First-Citizens Bank & Trust Co. is acquiring Milwaukee-based Capital Commerce Bancorp Inc., the holding company of Securant Bank & Trust. A cash consideration of $4.75 per share will be paid to Capital Commerce's shareholders for each share of its common stock, representing an aggregate price of $28.1 million. On an aggregate basis, the purchase price equates to 143.6% of common equity; and is 13.53% of assets and 17.46% of deposits. The transaction has a one-day premium and one-month premium of 24.93%, based on Capital Commerce Bancorp's $3.802 closing price as of June 26, and as of May 29. As of March 31, Capital Commerce had $216 million in consolidated assets, $171 million in deposits and $181 million in gross loans. First-Citizens Bank, a unit of First Citizens BancShares Inc., had about $34.26 billion in assets.

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Select Industry News

❖ Agriculture Loan Growth Slows in Q1'18

June 11, 2018 – Total agriculture loans at U.S. banks and thrifts grew 2.9% year-over-year in the first quarter, the slowest annual growth since the first quarter of 2017. Farm loans jumped 4.8% year-over-year to $101.28 billion as of March 31, while agricultural production loans increased only 0.5% to $75.62 billion. John Deere Capital Corp. remained the largest agriculture lender among banks and thrifts with $14.28 billion in agricultural production loans as of March 31. Of the top 20 agriculture lenders, only 11 reported positive growth in the first quarter of 2018. Omaha, Nebraska-based First National of Nebraska Inc. posted an 11.2% increase in total agriculture loans year over year, the largest increase among the top 20 lenders. BB&T Corp. posted the largest decrease at 11.4%.

❖ U.S. Banks and Thrifts Closed More than 200 Branches in May

June 14, 2018 – U.S. banks and thrifts continued to close branches in May, shuttering 265 offices while opening just 60. As of May 31, there were 88,429 active bank and thrift offices in the U.S. During the last 12 months, U.S. banks and thrifts closed a net of 2,011 branches, with the Southeast region accounting for 29.0% of total net closures and the Midwest region for 22.4%. In May, the Southeast region led the nation with 90 net closings, followed by the mid-Atlantic region with 60. The Southwest region saw three net openings for the month. Pennsylvania was the state that saw the most net closures in May at 34, followed by Florida with 24. There were three net openings in both Missouri and Oklahoma, the most among any states in the U.S. Rosemont, Illinois-based Wintrust Financial Corp. was the bank that had the highest number of net openings for May, at four. Versailles, Kentucky-based Citizens Commerce Bancshares Inc., Grapevine, Texas-based Greater Southwest Bancshares Inc., Birmingham, Ala.-based Regions Financial Corp. and TD Group US Holdings LLC, a Delaware-based subsidiary of Canada's Toronto-Dominion Bank, followed with two openings each for the month. BB&T Corp. closed a net 78 branches in May, the most by any banking institution in the country. More than 60% of those closures were in the Southeast region, while another 28% were in the mid-Atlantic. The bank expects to close between 150 to 160 branches in 2018 and the company has already shut down 82 offices while opening just one in the first five months of the year.

❖ Construction Loan Delinquencies Inch Higher for First Time Since 2009

June 14, 2018 – After almost a decade of improving quarter-over-quarter loan performance, U.S. banks' construction loan delinquencies leaned higher in early 2018 compared with the previous quarter. As of March 31, $2.93 billion in construction loans were delinquent or in nonaccrual status, up from $2.91 billion as of December 31, 2017. That marked the first quarterly increase since the third quarter of 2009. However, delinquent loans still accounted for only 0.85% of total construction loans at March 31, down from 0.86% at the end of 2017. In aggregate, construction loans at American banks reached $344.19 billion as of March 31, marking both a 7.8% increase year-over-year and five straight years of quarterly growth. Total construction loans are still well below the pre-recession peak of $631.36 billion reached in the first quarter of 2008. Nonresidential construction loans grew 8.1% year over year to $268.42 billion as of March 31, while residential construction loans grew 6.8% to $75.77 billion. Wells Fargo & Co., the country's largest construction lender among banks and thrifts, posted quarterly declines in both residential and non-residential construction loans. However, the company still has more construction loans than the next two banks combined. Goldman Sachs Group Inc., the nation's 18th-largest construction lender, posted a 539.2% quarterly increase in residential construction loans and a 22.5% jump in nonresidential construction loans, the largest gains in both categories among the top 25 lenders.

❖ Noninterest Mortgage Income at U.S. Banks Up in Q1'18

June 14, 2018 – Noninterest mortgage income soared in the first quarter at U.S. banks and thrifts, even as mortgage servicing assets grew only modestly. U.S. banks and thrifts reported $4.31 billion in noninterest income from the sale, servicing and securitizing of one- to four-family mortgages in the first quarter. This was higher than the $3.12 billion posted in the fourth quarter of 2017 and the $3.50 billion in the year-ago quarter. Mortgage servicing assets in the banks and thrifts industry reached $43.05 billion as of March 31, up from $40.52 billion at end-2017 and $40.16 billion at March 31, 2017. Wells Fargo & Co.'s mortgage servicing assets grew 9.3% quarter over quarter to $16.45 billion, the largest among U.S. banks. This figure was higher than the combined mortgage servicing assets of the succeeding six banks on the list.

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The Vault

A Midwest Bank Newsletter

❖ Fed Says Largest Banks are 'Strongly Capitalized' in Latest Stress Tests

June 21, 2018 – The Federal Reserve says its latest round of stress tests are another sign the U.S.'s largest banks are "strongly capitalized" and would stay resilient under a major downturn. The 35 participating bank holding companies would be able to keep lending even under the severely adverse hypothetical scenario the Fed designed, the regulator said in a June 21 news release. The companies would see total losses of $578 billion under the severely adverse scenario, but they have also added about $800 billion in common equity capital since 2009, the Fed said in the release. The companies' aggregate common equity Tier 1 capital ratio would fall from 12.3% in the fourth quarter of 2017 to a minimum level of 7.9% under this scenario. That is significantly above the required 4.5% minimum. The results show that even under a drastic downturn, the country's largest banks would end up with capital levels above those they saw before the financial crisis, said Randal Quarles, the Fed's vice chairman for supervision. That is even after accounting for a significantly tougher stress-test scenario and one-time capital hits that companies took under the new tax law, he added. The severely adverse scenario envisioned a global recession where U.S. unemployment would spike to 10% and equity prices would fall 65%, among other things.

The vast majority of the companies' losses under that scenario would be due to an estimated $429 billion in loan losses. The two largest factors for that decline would be credit card losses, which would total $113 billion, and losses on commercial and industrial loans, which would account for $111 billion. The companies would see pre-provision net revenue of $492.3 billion under the severely adverse scenario, while their aggregate pretax net income would fall to $138.5 billion. Meanwhile, their minimum supplementary leverage ratios would drop to 4.7%, above the required minimum of 3%. Last year, the stress-test results for participating companies indicated those figures would drop to a minimum of 5.4%. David Wright, a Deloitte managing director and former Fed official, said the companies are significantly closer to the minimum due to the tougher stress-test scenarios. Overall, he said, the results make it "pretty clear that the industry would be very resilient" under a scenario similar to the Great Recession, though he added there is always a risk that the next downturn would look different. Goldman Sachs Group Inc. came the closest to reaching the 3% supplementary leverage ratio minimum in the Fed's stress tests, with its figure falling to 3.1%. The company's internally run stress test, though, showed it would have a minimum supplementary leverage ratio of 4.3%. Three banks were no longer included in the latest round of stress-test results due to the recent Dodd-Frank revision that President Donald Trump signed into law, which exempted banks with less than $100 billion in assets from supervisory stress testing. Those companies are CIT Group Inc., Comerica Inc. and Zions Bancorp. The Fed next week will release the results of the Comprehensive Capital Analysis and Review exercise, where the regulator takes into account banks' capital distribution plans and determines whether they are appropriate. The CCAR results will come out June 28.