



AMBASSADOR FINANCIAL GROUP

Notes from the Ambassador Bank Vault

March 24, 2017

Mergers & Acquisitions: A Look at Wisconsin – E Pluribus Unum (“Out of Many, One” – words inscribed on the state flag)

Investment Thesis

Bank consolidation activity in Wisconsin should remain robust for the foreseeable future given the abundance of smaller community banks and strong currencies possessed by potential buyers. Smaller banks, in particular, have more reasons to sell due primarily to the lack of scale necessary to overcome earnings, technology, and regulatory hurdles. The trend indicates that Wisconsin bank consolidation has exceeded the pace for the rest of the nation; and we are hard-pressed to explain why that will stop.

On a national basis, the significant increase in bank stock prices since the presidential election has fueled speculation that M&A activity will accelerate. **Based on anecdotal evidence, however, it appears that opinions are split whether improved operating conditions will lead to many more deals.** Our talks with investors revealed their broad belief that deal volume will increase because buyers have stronger currencies and can pay higher premiums that sellers will readily accept. On the other hand, bank executives and deal lawyers generally opined that the underlying causes of higher stock prices – talk of lower taxes, less regulation, and favorable interest rates – may encourage banks to stay independent. Succession and other social issues, rather than strict economics, are among the reasons why community banks sell.

The number of willing sellers probably won't change much, but the odds of finding an interested buyer should be greater than in recent years, and result in moderately more deals in 2017. Potential sellers will likely see more opportunities to realize higher deal premiums in 2017. In other words, prospective sellers should be able to find a willing buyer with the capacity to pay the asking price.

Deals are likely to be smaller in size given that there are fewer mid-sized banks. **Our analysis suggests deal pace will follow recent trends until there are strong signs that the economy either picks up significantly or falls precipitously.** The consensus forecast for GDP growth is moderately higher in 2017 vs. 2016. There were 246, 279, and 282 announced deals nationally in 2016, 2015, and 2014, respectively.

Wisconsin, the focus of this *Industry Report*, is a fragmented banking market as there are numerous smaller community banks, and only a handful with assets greater than \$1 billion. Please see *Appendix A*. The nation's largest banks have a lower overall deposit market share in the Badger State (vs. other states); and much of that presence is confined to the Milwaukee and Madison metropolitan areas. Wisconsin's community banks also face tough competition from credit unions and other non-bank financial companies.

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Highlights

- Wisconsin is home to 5.8 million people, or 1.8% of the United States population. According to the U.S. Bureau of Labor Statistics, the unemployment rate was only 3.9% in January 2017, vs. 4.7% for the nation. Wisconsin's unemployment rate peaked at 9.2% in January 2010.
- Wisconsin has 206 regulated depository institutions of which 23 are publicly-traded banks and thrifts. Only three companies headquartered there have total assets greater than \$2 billion.
- The top five banks have a combined Wisconsin deposit market share of 54%. U.S. Bancorp (NYSE: USB) and Bank of Montreal (TSX: BMO) are market leaders with deposit shares of 21% and 13%, respectively. Associated Banc-Corp (NYSE: ASB), which is the largest institution headquartered in Wisconsin, has a state-wide deposit market share of 10%.
- As of March 23, 2017 (when we went to press), there were 295 bank and thrift deals announced nationally (18 involved Wisconsin-based sellers) since January 1, 2016. The acquisition of Madison-based Anchor Bancorp by Indiana-based Old National Bancorp (NASDAQ: ONB), which was completed on May 1, 2016, is the largest deal with a Wisconsin seller in the past 15 months.
- On the flip side, Eau Claire, Wisconsin-based Citizens Community Bancorp Inc. (NASDAQ: CZWI) agreed to buy Minnesota-based Wells Financial Corp. (OTCQB: WEFP) in a cash and stock deal on March 17, 2017.
- The most recent deal involving a Wisconsin seller was Peoples Bank, which agreed to be acquired by Advia Credit Union. Advia, based in Michigan, acquired Janesville, Wisconsin-based-Mid-America Bank in 2016.
- Companies with stronger currencies are typically the more active acquirers. Among the larger institutions, the more logical buyers of Wisconsin's community banks appear to be Associated Banc-Corp., Bank of Montreal, Bank Mutual, (NASDAQ: BKMU), Heartland Financial USA, Inc. (NASDAQ: HTLF), Johnson Bank, MB Financial, Inc. (NASDAQ: MBFI), Nicolet Bankshares, Inc. (NASDAQ: NCBS); Old National Bancorp (NASDAQ: ONB); and Wintrust Financial Corp (NASDAQ: WTFC).
- Smaller institutions often combine to achieve economies of scale, including the ability to raise loans-to-one borrower limits. In April 2016, Nicolet Bancshares and Baylake Corp. completed its merger-of-equals (MOE). There should be more of this type of transaction as MOEs are often attractive strategically and financially. That said, they rarely occur due mainly to social considerations.
- Depending upon the deal price, acquiring core deposits may be preferable vs. organic growth. This becomes even more vital in a rising interest rate environment as core deposits become more valued.
- On a national basis, the core deposit premium (at announcement) was 7.1% for the six months ending February 28, 2017, vs. 5.6% and 5.1% for the year ending December 31, 2015, and 2104, respectively. Core deposit premiums have edged higher, but are far below core deposit premiums that were paid 10 years ago by acquirers (median premiums for 2006 were 19.6% and 16.4% for banks and thrifts, respectively).
- Bank and thrift merger premiums could increase significantly due to the stronger currencies of potential buyers. It remains to be seen if acquirers will be more disciplined than in previous M&A cycles.
- On an individual basis, banks are sold and not bought; and not necessarily for pure economic reasons. On an aggregate basis, however, it appears that major changes in the overall economy and regulatory environment have a more significant impact on bank merger activity.

- Rightly or wrongly, bank stock investors are paying more attention to tangible book value dilution and earn-back periods. Analysts and investors generally prefer earn-back periods of five years or less, although market sentiment does vary.
- Wisconsin companies are generally well-capitalized. As of December 31, 2016, the median tangible common equity-to-assets ratio was 8.5% for commercial banks and 10.8% for thrift institutions. Publicly-traded companies with tangible capital ratios of 13% or more include BOSP Bancshares, Inc., (Grey Market: BSPB), and Waterstone Financial, Inc. (NASDAQ: WSBF). NEB Corporation, which is privately held, has a tangible capital ratio of 19.0% (and total assets of \$2.0 billion).
- Solid asset quality continued through the December 2016 quarter for Wisconsin banks, which should embolden potential buyers that they are not “buying problems”. Companies with superior asset quality or at least those that exhibit signs that the credit has improved are more desirable merger candidates.
- Effective cyber-security is a major concern and entails constant vigilance rather than a one-time technology upgrade. Management and staff must exercise proper corporate governance and continually prove to regulators that complex operational risk issues are under control.
- Banks of all sizes need to upgrade risk management systems, which will weigh down efficiency ratios and earnings in the short-run. **Companies that invest in technology and enhanced management systems should seek strategic partnerships to realize economies of scale.** One of the bigger cost elements related to compliance is staffing, and smaller banks, in particular, are more apt to sell as they often lack the critical mass of interest-earning assets and/or other revenue drivers to offset fixed costs.

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Recent Deals With Wisconsin Sellers

Figure 1: Recent Bank Deals

Buyer/Target Name	Status	Completion Date*	Deal Value (\$MM)	Price/Tangible Book (%)	Price/LTM Earnings (X)	Core Deposit Premium (%)
Advia Credit Union/ Peoples Bank	Pending	1/9/2017	NA	NA	NA	NA
River Valley Bancorporation, Inc./ Integrity First Bank	Pending	12/21/2016	NA	NA	NA	NA
Nicolet Bankshares, Inc./ First Menasha Bancshares, Inc.	Pending	11/4/2016	74.1	164.6	22.1	10.2
Stratford Bancshares, Inc./ Spencer Bancorporation, Inc.	Pending	10/5/2016	NA	NA	NA	NA
Monona Bankshares, Inc./ MCB Bankshares, Inc.**	Completion	1/7/2017	40.1	103.5	9.0	0.8
First State BancShares, Inc./ Rudolph Bancshares, Inc.	Completion	12/5/2016	NA	NA	NA	NA
River Holding Company/ Sparta Union Bancshares, Inc.	Completion	11/10/2016	22.0	113.5	19.6	3.7
North Shore Bank, FSB/ Layton Park Financial Group, Inc.	Completion	10/28/2016	5.7	122.4	NM	NA
Byline Bancorp, Inc./ Ridgestone Financial Services, Inc.	Completion	10/15/2016	105.0	181.2	8.3	21.0
Mackinac Financial Corporation/ Niagara Bancorporation, Inc.	Completion	8/31/2016	3.6	99.3	18.2	-0.1
Advia Credit Union/ Mid America Bank	Completion	8/1/2016	NA	NA	NA	NA
Boscobel Bancorp, Inc./ Rural Bancshares of Wisconsin, Inc.	Completion	6/17/2016	NA	NA	NA	NA
Calumet Bancorporation, Inc./ Calumet Bancshares, Incorporated	Completion	6/1/2016	NA	NA	NA	NA
Citizens Community Bancorp/ Community Bank of N. Wisconsin	Completion	5/16/2016	17.0	102.3	18.2	0.4
County Bancorp, Inc./ Fox River Valley Bancorp, Inc.	Completion	5/13/2016	28.9	120.2	48.3	3.2
Chippewa Valley Agency, Ltd./ State Bank of Drummond	Completion	5/6/2016	NA	NA	NA	NA
Mackinac Financial Corporation/ First National Bank of Eagle River	Completion	4/29/2016	12.5	94.3	39.3	-0.8
Nicolet Bankshares, Inc./ Baylake Corp.	Completion	4/29/2016	141.7	145.5	15.2	6.2
Wintrust Financial Corporation/ Generations Bancorp, Inc.	Completion	3/31/2016	30.0	129.3	42.9	15.1
West End Financial Corporation/ Gresham Bancshares, Inc.	Completion	2/22/2016	NA	NA	NA	NA
Centre 1 Bancorp, Inc./ Walworth State Bank	Completion	2/2/2016	NA	NA	NA	NA
Baylake Corp./ New Bancshares, Inc.	Completion	12/4/2015	9.7	103.1	NM	0.4
Hometown Bancorp, Ltd./ Farmers Exchange Bank	Completion	11/20/2015	NA	NA	NA	NA
Portage County Bancshares, Inc./ Bancroft State Bank	Completion	11/14/2015	NA	NA	NA	NA
Heartland Financial USA/ Community Banc-Corp. of Sheboygan	Completion	1/16/2015	52.0	190.5	5.6	6.6
Wintrust Financial Corporation/ Delavan Bancshares, Inc.	Completion	1/16/2015	38.0	143.7	31.1	7.9
NEB Corporation/ InvestorsBank	Completion	10/17/2014	NA	NA	NA	NA
Stephenson National Bancorp, Inc./ PWB Bancshares, Inc.	Completion	6/13/2014	NA	NA	NA	NA
Security Financial Services Corporation/ Bloomer Bancshares, Inc.	Completion	5/15/2014	NA	NA	NA	NA
Dairy State Bancorp, Inc./ Bank of Turtle Lake	Completion	1/7/2014	NA	NA	NA	NA
Lake Shore III Corporation/ Union Bank of Blair	Completion	12/28/2013	NA	NA	NA	NA
Farmers and Merchants Bank of Kendall/ Community State Bank	Completion	6/8/2013	NA	NA	NA	NA
Nicolet Bankshares, Inc./ Mid-Wisconsin Financial Services, Inc.	Completion	4/26/2013	10.2	38.3	NM	NA

Deals announced through March 22, 2017

*Announcement date is listed for pending deals

**Ambassador Financial Group prepared the buyer fairness opinion

Source: S&P Global Market Intelligence

Figure 2: Recent Thrift Deals

Buyer/Target Name	Status	Completion Date*	Deal Value (\$MM)	Price/Tangible Book (%)	Price/LTM Earnings (X)	Core Deposit Premium (%)
TCB Mutual Holding Company/ Merrill Federal Savings & Loan	Completion	11/5/2016	NA	NA	NA	NA
Old National Bancorp/ Anchor BanCorp Wisconsin Inc.	Completion	5/1/2016	443.4	123.2	3.2	4.7
Starion Bancorporation/ WPS Community Bank, FSB	Completion	4/10/2015	NA	NA	NA	NA
First Federal Bank of Wisconsin/ Bay View Federal SLA	Completion	5/17/2014	NA	NA	NA	NA
Landmark Credit Union/ Hartford Savings Bank	Completion	2/28/2014	NA	NA	NA	NA
Investor group/ Anchor BanCorp Wisconsin Inc.	Completion	9/27/2013	NA	NA	NA	NA

Deals announced through March 22, 2017

*Announcement date is listed for pending deals

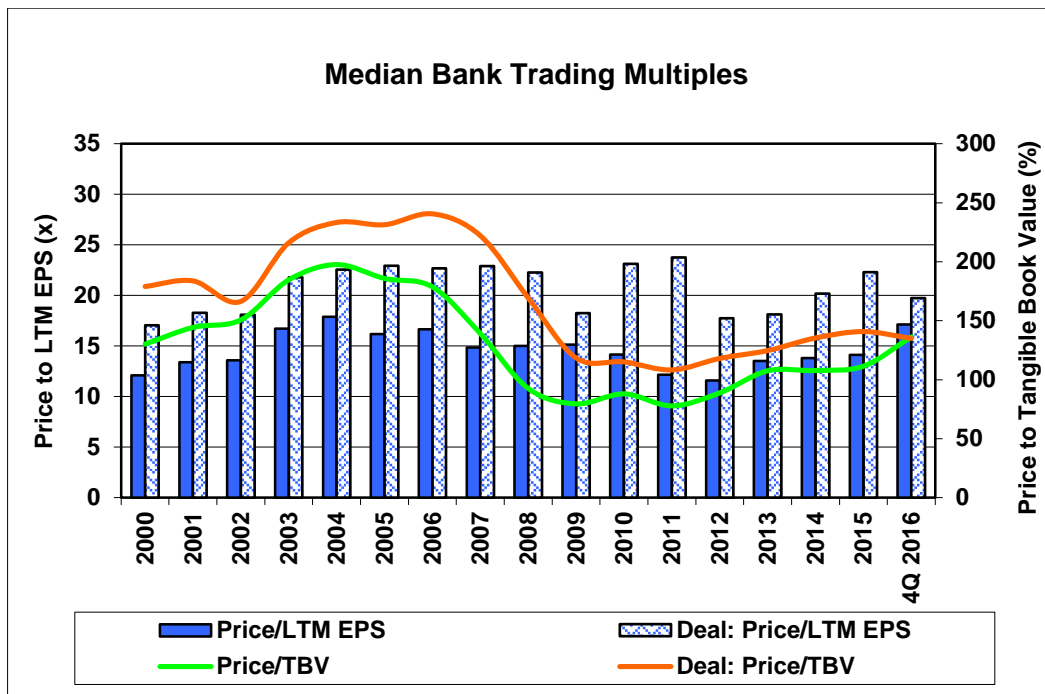
Source: S&P Global Market Intelligence

Valuation Summary

As of March 23, 2017 (the date we went to press), the median price-to-trailing 12-month earnings and price-to-tangible book multiples for Wisconsin banks and thrifts (ex. MHCs) billion were 17.8x and 132%. As of the same date, Midwest banks with total assets between \$500 million and \$50 billion were trading at median multiples of 16.7x and 165%, respectively. The core deposit premium was 8.5%. Midwest thrifts with total assets between \$500 million and \$50 billion were trading at median multiples of 19.0x and 140%, respectively. The core deposit premium was 7.1%.

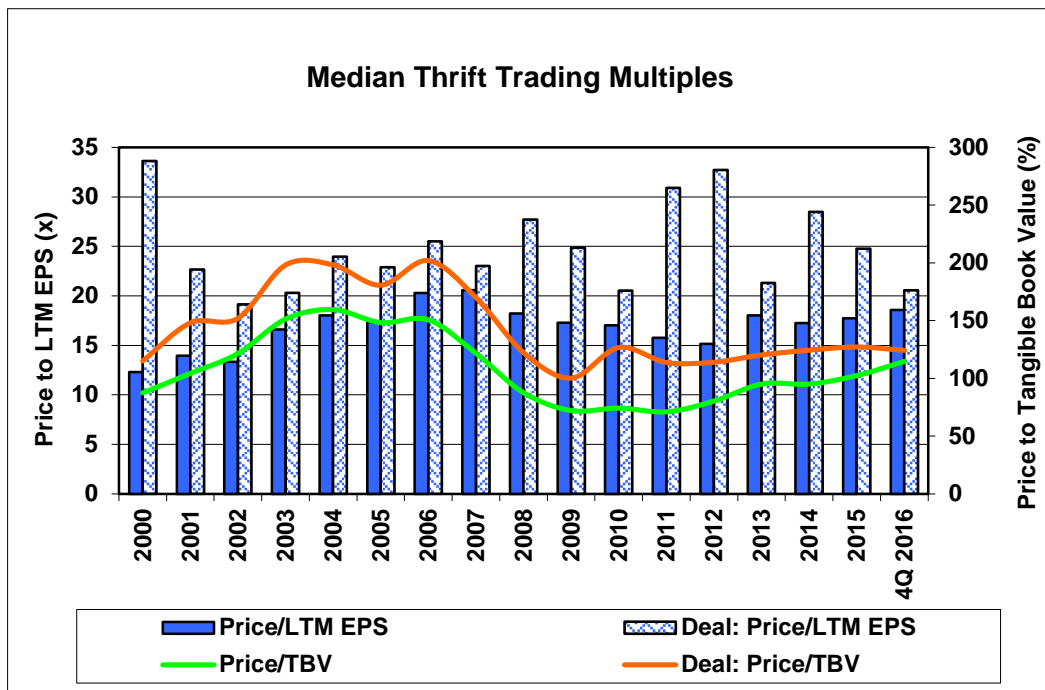
Nationally, the median price-to-trailing 12 month earnings and price-to-tangible book multiples for banks with total assets between \$500 million and \$50 billion were 17.7x and 163%, respectively. The core deposit premium was 9.2%. Nationally, the median price-to-trailing 12 month earnings and price-to-tangible book multiples for thrifts with total assets between \$500 million and \$50 billion were 17.9x and 158%, respectively. The core deposit premium was 9.0%. Many of the stock prices of those banks and thrifts are based on tangible book value, rather than earnings.

Figure 3



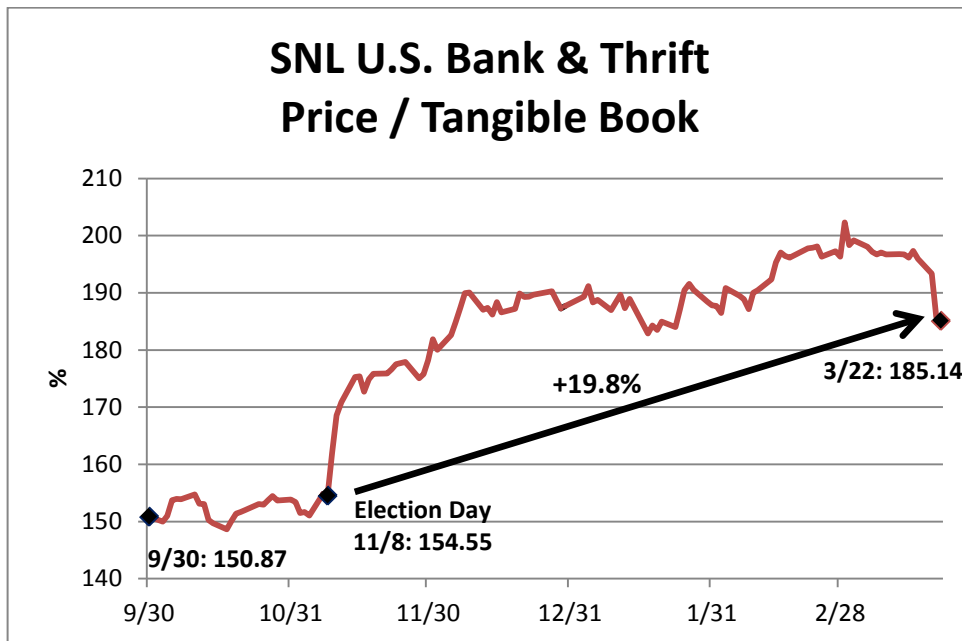
Includes all publicly traded U.S. banks
 Source: S&P Global Market Intelligence

Figure 4



Includes all publicly traded U.S. thrifts
 Source: S&P Global Market Intelligence

Figure 5



Source: S&P Global Market Intelligence

Wisconsin: Recent Strong M&A Trends Should Continue

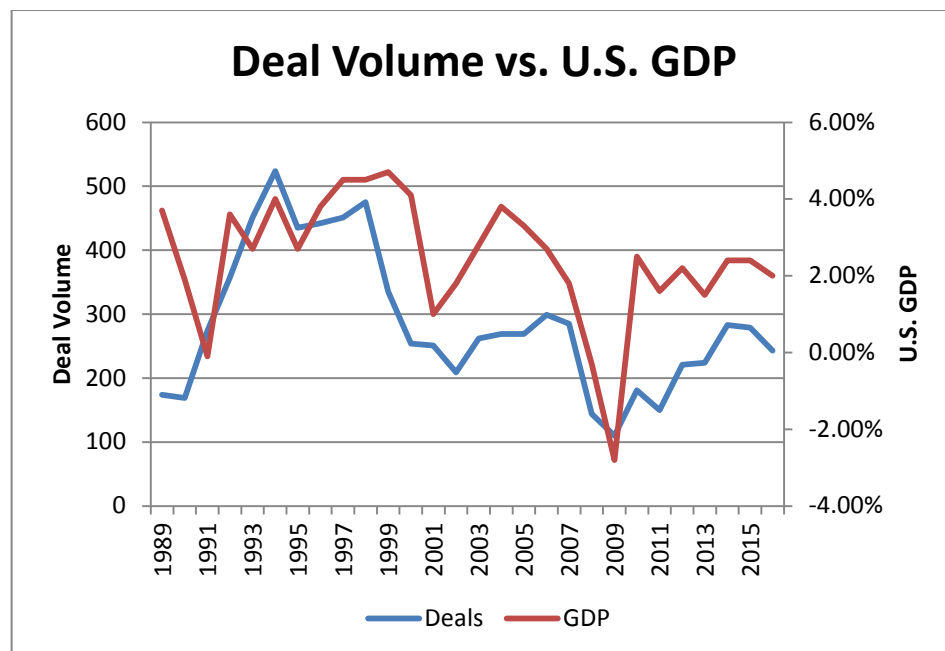
Geography and demographics along with formerly restrictive branch banking laws resulted in many smaller Wisconsin community banks, and a lesser presence of systemically important financial institutions (SIFIs), compared with more densely populated states. Larger institutions with a statewide deposit market share include U.S. Bancorp (22%), Bank of Montreal (13%), JPMorgan Chase (7%) and Wells Fargo (3%). Johnson Financial Group, which is a private bank, is the sixth largest market share leader with 2.3% of the state's deposits. Associated Banc-Corp, by far the largest locally headquartered bank based on total assets of \$28 billion and a 10% deposit market share, theoretically would make an attractive acquisition candidate for a relatively large acquirer wishing to enter Wisconsin. The Bank of Montreal substantially grew its position through the acquisition of Marshall & Isley Corporation in 2011. Marshall & Isley, which was headquartered in Milwaukee, had total assets of approximately \$53 billion.

Wisconsin fits in with our global view that the banking industry will continue to consolidate to alleviate irrational pricing decisions and achieve economies of scale. Deal flow should stay active for the foreseeable future as both potential buyers and sellers have the means and motivation to enter into strategic partnerships. Merger activity has been fairly steady across the nation, but has increased in Wisconsin due in large part to the abundance of smaller community banks. Deals in Wisconsin are likely to be concentrated in more active markets (i.e., Eau Claire, Green Bay, Madison, and Milwaukee) where buyers have a better chance of accelerating earnings growth. Franchises located in slow growing and rural markets can also be desirable because of their core deposits.

There have been approximately 7,900 bank mergers (excluding government-assisted) since 1990 – over 4,100 banks were sold between 1990 and 2000. There were also roughly 2,000 bank failures in the United States since 1990. As a result, the number of banks has declined from approximately 15,000 in the mid-1980s to roughly 5,500 today.

The chart below shows the correlation between GDP and the number of bank mergers. The largest change in the number of deals occurs in those years when GDP contracts significantly. **We surmise that a poor economy typically leads to credit quality problems, which in turn, stymies deal flow as potential buyers are reluctant to assume another banks' troubled assets.** For example, the number of banks deals dropped 49% from 2007-2008 when the economy soured. Conversely, deal volume picks up when the economy starts to improve as evidenced by the number of transactions in 2010 compared with 2009.

Figure 6



Source: S&P Global Market Intelligence

According to a recent forecast by *Kiplinger*, the U.S. Gross Domestic Product is projected to be 2.1% for 2017, roughly in-line with the growth rate for 2016. The projected economic growth rate in the U.S. continues to be deliberate, which suggests that recent merger and acquisition trends are likely to continue. The law of numbers, moreover, implies that the number of deals should decline over time as the industry continues to shrink. There has not been a year since 1999 when the number of merger transaction reached 300, although 2006 was very close!

Increased CRE loan concentration has attracted more boardroom attention along with regulatory scrutiny. Bank regulators, including The Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (“Fed”), and the Federal Deposit Insurance Corporation (“FDIC”) have greater concerns regarding low capitalization rates and fast-appreciating property values. These agencies also noted that CRE loan underwriting standards have eased and certain risk management practices at some institutions that cause concern include a greater number of underwriting policy exceptions and insufficient monitoring of market conditions. The agencies specified supervisory criteria that they intend to focus on to reduce portfolio risk: (1) total construction, land development and other land loans representing 100% or more of total risk-based capital; (2) total CRE loans representing 300% or more of total risk-based capital; and (3) if the outstanding balance of the institution’s CRE and/or construction loan portfolio increased 50% or more during the prior 36 months.

Institutions with outsized CRE loan portfolios may expect regulators to require more detailed plans to identify, measure, and monitor CRE concentrations; raise underwriting standards; slow growth; and/or to raise capital. We believe that some management teams will prefer to sell the institution instead. Anecdotal

evidence suggests some Wisconsin institutions are slowing growth and/or tightening underwriting standards as a result.

Despite more widespread shareholder activism, consolidation activity could be restrained by managements' desire to remain independent for social and other reasons, rather than strictly adhering to the discipline of maximizing shareholder value. Considerations for potential sellers include the flattening yield curve, ongoing technology and cyber-security costs, regulatory demands, succession planning, edgy shareholder activists, and attractive deal premiums.

On a national scale, the stock price performance of acquirers was generally strong over the past 3 years or so. From the time that deals were announced in 2014, 2015 and 2016 through March 15, 2017, the stock prices of the buyers have outperformed the SNL U.S. Bank and Thrift Index by a median of 6.2%. We generally attribute such performance to the overall market and deals that were reasonably valued and made sense strategically. We opine that low premium deals afford higher price potential on a combined basis because management does not need to extract cost savings that hurt, rather than help, long-term profitability.

Examples of recent Wisconsin deals are shown below.

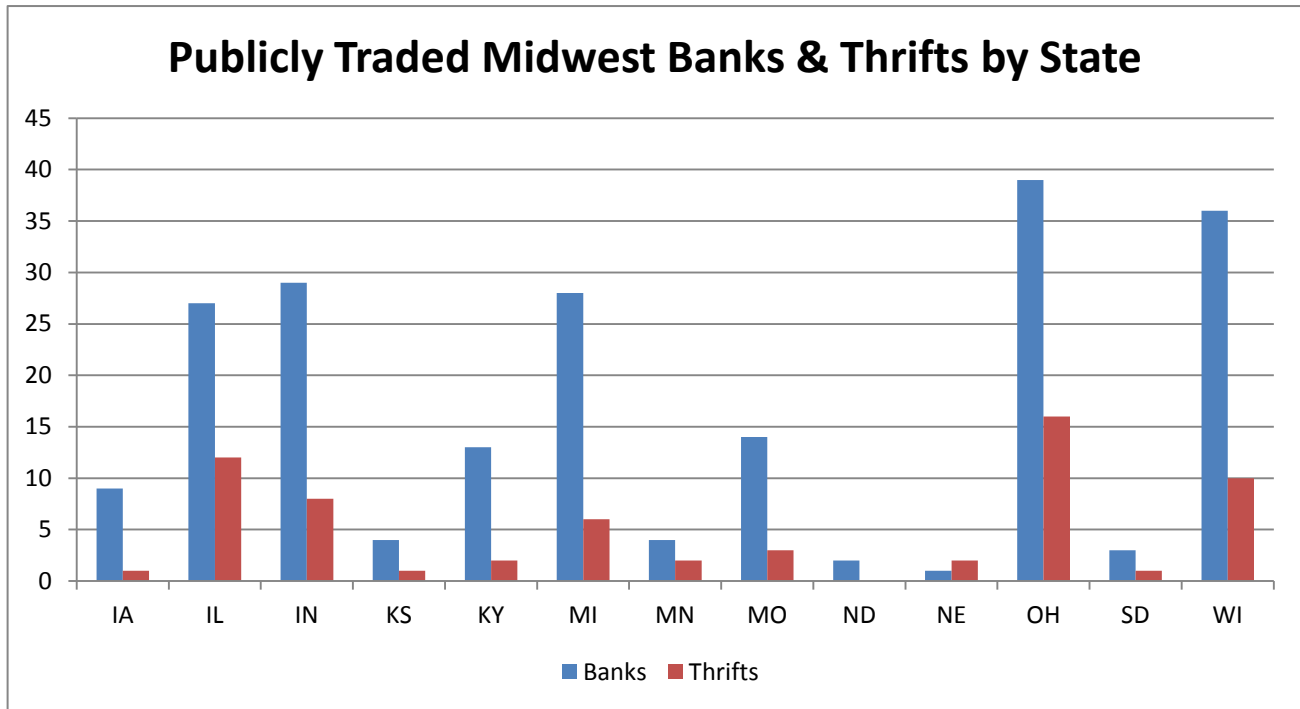
- On January 9, 2017, Elkhorn-based Peoples Bancshares, Inc. agreed to sell to Advia Credit Union, which is based in Parchment, Michigan. Peoples had total assets of approximately \$237 million and four locations in Wisconsin. Advia acquired Wisconsin-based, Mid America Bank in 2016.
- On March 17, 2017, Eau Claire-based Citizens Community Bancorp announced an agreement to purchase Wells, Minnesota-based Wells Financial Corp. The cash and stock deal was valued at \$39.8 million and priced at approximately 125% of Wells' tangible book value and 16.8 times trailing 12-month earnings. As of December 31, 2016, Citizens and Wells had total assets of \$686 million and \$269 million, respectively.
- Byline Bancorp, headquartered in Chicago, expanded into Wisconsin through its acquisition of Brookfield-based Ridgestone Financial Services, Inc. (total assets \$433.2 million). The cash and stock deal was completed on October 10, 2016, and was valued at \$105 million. The transaction was priced at 168% of tangible book value and 6.8 times trailing 12-month earnings at completion. The core deposit premium was 23.6%.
- On May 1, 2016, Indiana-based Old National Bancorp completed its acquisition of Anchor BanCorp Wisconsin Inc. Old National, an experienced and active acquirer, gained entrée in Wisconsin through the purchase of Anchor, which was headquartered in Madison. Anchor was the third largest bank in Wisconsin with total assets and deposits of \$2.2 billion and \$1.8 billion, respectively. The deal was valued at \$441 million and priced at approximately 125% of Anchor's tangible book value and 27.5 times Anchor's estimated earnings. The tangible book value earn-back was projected to be approximately 2.5 years using the crossover method.
- On April 29, 2016, Green Bay-based Nicolet Bankshares Inc. and Baylake Corp., which was headquartered in Sturgeon Bay, completed its merger-of-equals transaction. The merger, valued at \$141 million, created the third largest bank headquartered in Wisconsin with total assets of \$2.2 billion. At completion, the deal was valued at approximately 168% of Baylake's tangible book value, and 20 times trailing 12-month earnings. The deal is expected to be accretive to earnings and the tangible book value earn-back period was projected to be approximately three years. Robert B. Atwell, Nicolet's founding CEO, became Chairman, President and CEO of the combined company.
- Wintrust Financial, which is based in Rosemont, Illinois, and has total assets of \$23.5 billion, completed its acquisitions of Generations Bancorp, Inc. on March 31, 2016, and Delavan Bancshares, Inc. on January 16,

2015. Generations Bancorp, which had total assets of \$125 million, was based near Milwaukee. Delevan, which had total assets of \$206 million, expanded Wintrust's presence in southeastern Wisconsin. The Generations transaction was valued at \$30 million and the Delevan deal was valued at \$38 million. Wintrust also acquired 12 branches and assumed approximately \$360 million of deposits from Talmer Bancorp, Inc. in April, 2014.

Due to Office of the Comptroller ("OCC") regulations that preclude a federally-chartered thrift from being acquired for a three year period following its initial mutual to stock conversion, thrifts that converted to stock form in 2014 become eligible to be taken over in 2017. These conversion regulations are generally followed by the FDIC for state-chartered institutions. According to *SNL Financial*, on a national basis, 42 of the 92 thrifts that completed second-step conversions between 2009 and 2013 have either been acquired or entered into merger agreements. Recently-converted Wisconsin institutions are shown below.

- **Home Bancorp Wisconsin, Inc. (OTC Pink: HWIS)** Headquartered in Madison, Home's standard conversion was completed in April 2014, and generated gross proceeds of approximately \$9 million. Total assets are approximately \$144 million, the tangible common equity capital ratio is about 8.6% and the stock trades at approximately 91% of tangible book value.
- **Waterstone Financial, Inc. (NASDAQ: WSBF)** Waterstone, based in Wauwatosa, completed its second step offering in January 2014. The company generated net proceeds of \$253 million. Waterstone has total assets of approximately \$1.8 billion, a tangible common equity capital ratio of 23% and the stock trades at approximately 132% of tangible book value.
- **Westbury Bancorp Inc. (NASDAQ: WBB)** Located near Milwaukee in West Bend, Westbury's conversion was completed in April 2013. The company raised approximately \$52 million in the offering. Westbury has total assets of \$733 million, a tangible common equity capital ratio of 10.7%, and the stock trades around 107% of tangible book value.

Figure 7



Source: S&P Global Market Intelligence

Wisconsin, home to 5.8 million individuals, is the nation’s 20th most densely populated state and 23rd biggest in size. The median household income (\$56,500) is slightly below that of the country as a whole. Wisconsin features urban and suburban areas, particularly the Milwaukee and Madison markets, but much of the state is considered rural.

Milwaukee Metro Market Area. The Milwaukee metropolitan area is located near Lake Michigan in southeastern Wisconsin. This area is home to approximately 1.6 million people and is the state’s largest in terms of population. The median household income is about \$56,800, which is slightly below that of the nation as a whole. Milwaukee, which is a port city, is one of America’s important industrial cities. The area’s manufacturing leaders are in lithographic commercial printing, medical diagnostic instruments, and high-tech industries. Last, but not least, almost 11% of the country’s beer is produced there. Major employers include AT&T, Aurora Health Care, BMO Harris, Briggs & Stratton, Harley-Davidson, and Columbia St. Mary’s (health system).

Figure 8: (Source: Destination360)



Madison Metro Market Area. Madison is the state’s capital with a population of 652,000. The city is centrally located and is home to the University of Wisconsin, which boasts an undergraduate student body of approximately 31,000. The region is one of the state’s wealthier and more diverse with a median household income of approximately \$64,600. Many top national brands are based in the Madison Region including Epic Systems, American Family Insurance, American Girl, Trek Bicycle, Lands’ End and John Deere.

Fox River/Green Bay Market Area. Located about 115 miles north of Milwaukee, Green Bay has a total population of 320,000. Based on U.S. Census data, Green Bay’s population and household income is projected to grow 2.8% and 6.3% over the next five years. The median household income is approximately \$57,000. Also known as “Titletown” due to its NFL football team, the local economy is driven by the paper production industry, with transportation and health care as significant industries. Major private employers include Associated Banc-Corp, Bellin Health, Georgia-Pacific, Aurora Health Care, and St. Vincent Hospital.

Eau Claire Market Area. Eau Claire is in west-central Wisconsin, and has a population of approximately 167,000 people. The median household income was only \$52,400, however the U.S. Census projects that should increase 7.0% over the next five years. Major private employers include Mayo Clinic Health System, Sacred Heart Hospital, Menard Inc., Philips-Medisize, and United Healthcare.

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Appendix A: Wisconsin Bank & Thrift Highlights

Bank Highlights:

Company Name	Ticker	Market Cap (\$MM)	Total Assets (\$000)	Tang. Common Equity/Tang. Assets (%)	NPAs/Loans & OREO (%)	LTM ROAA (%)	LTM ROAE (%)	Price/LTM EPS (X)	Price/Tang. Book Value (%)
Associated Banc-Corp	ASB	3,559.9	29,139	6.9	1.41	0.76	7.1	18.6	183
Bank First National Corporation	BFNC	220.0	1,316	9.1	0.21	1.07	11.2	14.8	184
Baraboo Bancorporation, Inc.	BAOB	38.2	412	8.4	2.19	1.02	7.5	NA	110
Blackhawk Bancorp, Inc.	BHWB	77.5	665	6.7	1.36	0.83	10.9	9.3	123
BOSP Bancshares, Inc.	BSPB	38.2	339	14.1	0.18	0.83	5.8	11.2	80
Capital Commerce Bancorp, Inc.	CCMB	NA	213	NA	NA	NA	NA	NA	NA
Choice Bancorp, Inc.	CBKW	39.5	334	8.6	NA	1.02	11.6	12.6	138
CIB Marine Bancshares, Inc.	CIBH	18.2	654	2.8	1.86	0.66	6.1	9.1	99
Citizens Community Bancorp, Inc.	CZWI	72.9	686	8.6	1.19	0.54	5.9	26.1	125
County Bancorp, Inc.	ICBK	203.3	1,243	9.4	NA	1.12	10.5	19.2	174
Denmark Bancshares, Inc.	DMKBA	59.3	460	NA	NA	NA	NA	NA	96
First Business Financial Services, Inc.	FBIZ	213.0	NA	8.5	1.83	0.89	9.8	14.3	141
First Menasha Bancshares, Inc.	FMBJ	83.4	464	NA	NA	NA	NA	NA	179
Nicolet Bankshares, Inc.	NCBS	395.1	2,301	8.5	1.42	1.08	8.9	19.4	210
Oconomowoc Bancshares, Inc.	OCNB	83.8	1,098	6.6	1.10	0.45	6.3	12.36	116
PSB Holdings, Inc.	PSBQ	96.1	828	8.3	0.67	1.15	13.2	11.5	139
S.B.C.P. Bancorp, Inc.	SBBI	48.2	878	NA	NA	NA	NA	NA	NA
Tri City Bankshares Corporation	TRCY	169.2	1,381	10.3	1.30	0.73	7.0	16.8	119
	Median	83.4	686	8.5	1.33	0.86	8.2	14.3	131
	Average	318.6	2,495	8.3	1.23	0.87	8.7	15.0	139

Thrift Highlights:

Company Name	Ticker	Market Cap (\$MM)	Total Assets (\$000)	Tang. Common Equity/Tang. Assets (%)	NPAs/Loans & OREO (%)	LTM ROAA (%)	LTM ROAE (%)	Price/LTM EPS (X)	Price/Tang. Book Value (%)
Bank Mutual Corporation	BKMU	417.6	2,649	10.8	0.55	0.62	5.7	24.6	145
Guaranty Financial Corp. (MHC)	GFCJ	6.3	997	NA	NA	-0.13	-5.4	NM	NA
Home Bancorp Wisconsin, Inc.	HWIS	11.3	144	8.6	0.30	0.03	0.4	63.0	92
Waterstone Financial, Inc.	WSBF	516.8	1,791	22.9	1.13	1.43	6.2	18.9	126
Westbury Bancorp, Inc.	WBB	81.8	733	10.7	0.13	0.42	3.9	23.6	104
	Median	81.8	997	10.8	0.42	0.42	3.9	24.1	115
	Average	206.8	1,263	13.3	0.53	0.47	2.2	32.5	117

Financial data as of or for the three months ending December 31, 2016, or if not available, as of or for the three months ending September 30, 2016

Pricing data as of March 22, 2017

Source: S&P Global Market Intelligence

Appendix B: Deposit Market Share by County

County: Milwaukee, WI						
Total Population:		959,203				
Median Household Income:		\$45,335				
Projected HH Income Change 2017-2022:		5.01%				
Rank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	U.S. Bancorp	USB	33	23,682	49.6	718
2	Bank of Montreal	BMO	41	6,171	12.9	151
3	Associated Banc-Corp	ASB	20	4,876	10.2	244
4	JPMorgan Chase & Co.	JPM	12	4,546	9.5	379
5	Wells Fargo & Co.	WFC	9	1,647	3.5	183
6	PNC Financial Services Group Inc.	PNC	18	974	1.6	54
7	Tri City Bankshares Corp.	TRCY	24	767	1.6	32
8	Waterstone Financial Inc.	WSBF	8	662	1.4	83
9	North Shore Bank FSB	-	20	643	1.2	32
10	Bank Mutual Corp.	BKMU	14	552	1.1	39
11	Bankmanagers Corp.	-	4	529	1.1	132
12	TCF Financial Corp.	TCB	11	454	1.0	41
13	Johnson Financial Group Inc.	-	3	383	0.8	128
14	Guaranty Financial Corp.	GFCJ	15	295	0.6	20
15	PyraMax Bank FSB	-	6	276	0.6	46
16	Canadian Imperial Bank of Commerce	-	1	230	0.5	230
17	Equitable Bank S.S.B.	-	4	210	0.5	52
18	Northern Trust Corp.	NSTR	1	147	0.4	147
19	Great Midwest Bank S.S.B.	-	5	138	0.3	28
20	Capital Commerce Bancorp Inc.	CCMB	1	108	0.2	108

Source: S&P Global Market Intelligence

County: Dane, WI

Total Population: 533,807
Median Household Income: \$65,681
Projected HH Income Change 2017-2022: 6.69%

<u>Rank</u>	<u>Institution</u>	<u>Ticker</u>	<u>Branch Count</u>	<u>Total Deposits in Market (\$mm)</u>	<u>Total Market Share (%)</u>	<u>Deposits Per Branch (\$mm)</u>
1	Bank of Montreal	BMO	18	2,537	18.3	141
2	U.S. Bancorp	USB	11	1,636	11.8	149
3	Associated Banc-Corp	ASB	19	1,139	8.2	60
4	First Business Financial Services Inc.	FBIZ	1	1,105	8.0	1,105
5	Old National Bancorp	ONB	17	94	6.8	6
6	JPMorgan Chase & Co.	JPM	5	908	6.6	182
7	S.B.C.P. Bancorp Inc.	SBBI	9	660	4.8	73
8	Park Bancorp. Inc.	-	13	616	4.5	47
9	Monona Bankshares Inc.	-	8	587	4.2	73
10	Wells Fargo & Co.	WFC	4	477	3.5	119
11	Johnson Financial Group Inc.	-	3	427	3.1	142
12	DMB Corp. Inc.	-	2	365	2.6	183
13	Northern Bankshares Inc.	-	4	313	2.3	78
14	BOSP Bancshares Inc.	BSPB	4	253	2.0	63
15	Capitol Bankshares Inc.	-	13	249	1.8	19
16	Oak Financial Inc.	-	1	237	1.5	237
17	Oregon Bancorp Inc.	-	3	177	1.3	59
18	Heartland Financial USA Inc.	HTLF	5	195	1.3	39
19	SB Bancorp Inc.	-	1	149	1.3	149
20	Starion Bancorp.	-	3	141	0.8	47

Source: S&P Global Market Intelligence

County: Waukesha, WI

Total Population: 398,446
Median Household Income: \$79,907
Projected HH Income Change 2017-2022: 6.66%

Bank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	Bank of Montreal	BMO	18	1,695	14.5	94
2	JPMorgan Chase & Co.	JPM	13	1,116	9.5	86
3	Wintrust Financial Corp.	WTFC	6	1,023	8.8	171
4	U.S. Bancorp	USB	15	938	8.0	63
5	Associated Banc-Corp	ASB	16	899	7.7	56
6	Waukesha State Bank	-	20	730	6.2	37
7	Citizens Bank Holding Inc.	-	12	564	6.2	47
8	Oconomowoc Bancshares Inc.	OCNB	8	510	4.8	64
9	Wells Fargo & Co.	WFC	3	420	4.4	140
10	North Shore Bank FSB	-	8	355	3.6	44
11	First Business Financial Services Inc.	FBIZ	1	285	2.4	285
12	PNC Financial Services Group Inc.	PNC	7	267	2.3	38
13	Byline Bancorp Inc.	-	1	248	2.1	248
14	Waterstone Financial Inc.	WSBF	4	234	2.0	59
15	Guaranty Financial Corp.	GFCJ	11	228	2.0	21
16	Great Midwest Bank S.S.B.	-	2	227	1.9	114
17	Bankmanagers Corp	-	1	222	1.9	222
18	Spring Bank	-	1	191	1.6	191
19	TCF Financial Corp.	TCB	1	188	1.6	188
20	Tri City Bankshares Corp.	TRCY	6	157	1.3	26

Source: S&P Global Market Intelligence

County: Brown, WI

Total Population: 261,794
Median Household Income: \$56,918
Projected HH Income Change 2017-2022: 6.05%

Bank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	Associated Banc-Corp	ASB	15	2,003	33.0	134
2	Bank of Montreal	BMO	10	822	13.5	82
3	Nicolet Bankshares Inc.	NCBS	8	802	13.2	100
4	Wells Fargo & Co.	WFC	5	393	6.5	79
5	JPMorgan Chase & Co.	JPM	5	359	5.9	72
6	Denmark Bancshares Inc.	DMKBA	2	294	4.8	147
7	Bank Mutual Corp.	BKMU	7	270	4.4	39
8	U.S. Bancorp	USB	3	214	3.5	71
9	Johnson Financial Group Inc.	-	3	195	3.2	65
10	Huntington Bancshares Inc.	HBAN	4	139	2.3	35
11	Bank First National Corp.	BFNC	2	135	2.2	67
12	North Shore Bank FSB	-	6	133	2.2	22
13	G. W. Bancorp. Inc.	-	3	74	1.2	25
14	Bay BanCorp. Inc.	-	2	67	1.1	34
15	Heartland Financial USA Inc.	HTLF	1	46	0.8	46
16	Luxemburg Bancshares Inc.	-	1	36	0.6	36
17	County Bancorp Inc.	ICBK	1	34	0.6	34
18	First Berlin	-	1	30	0.5	30
19	M.S.B. BanCorp. Inc.	-	1	29	0.5	29

Source: S&P Global Market Intelligence

County: Outagamie, WI

Total Population: 185,318
Median Household Income: \$63,436
Projected HH Income Change 2017-2022: 8.41%

Bank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	Bank of Montreal	BMO	7	788	24.5	113
2	JPMorgan Chase & Co.	JPM	5	448	13.9	90
3	Associated Banc-Corp	ASB	3	339	10.5	113
4	American National Bancorp Inc.	-	3	224	6.9	75
5	Wells Fargo & Co.	WFC	1	214	6.6	214
6	East Wisconsin Savings Bank S.A.	-	6	187	5.8	31
7	Nicolet Bankshares Inc.	NCBS	4	160	5.0	40
8	U.S. Bancorp	USB	3	148	4.6	49
9	Independent Bancorp. Limited	-	1	146	4.5	146
10	County Bancorp Inc.	ICBK	1	116	3.6	116
11	Wolf River Bancorp Inc.	-	3	87	2.7	29
12	Brogan Bankshares Inc.	-	1	76	2.4	76
13	Old National Bancorp	ONB	2	70	2.2	35
14	Waupaca BanCorp. Inc.	-	2	45	1.4	23
15	Huntington Bancshares Inc.	HBAN	1	39	1.2	39
16	North Shore Bank FSB	-	2	38	1.2	19
17	Bank First National Corp.	-	1	24	0.8	24
18	Hometown Bancorp Ltd.	-	1	16	0.5	16
19	Abby Bancorp Inc.	-	1	16	0.5	16
20	First State BancShares Inc.	-	1	12	0.4	12

Source: S&P Global Market Intelligence

County: Racine, WI						
Total Population:		195,224				
Median Household Income:		\$57,631				
Projected HH Income Change 2017-2022:		2.82%				
Bank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	Johnson Financial Group Inc.	-	10	1,080	36.0	108
2	Bank of Montreal	BMO	6	318	10.6	53
3	Union BanCorp. Inc.	-	5	255	8.5	51
4	Tri City Bankshares Corp.	TRCY	6	219	7.3	37
5	JPMorgan Chase & Co.	JPM	4	204	6.8	51
6	Wintrust Financial Corp.	WTFC	2	149	5.0	74
7	North Shore Bank FSB	-	5	139	4.6	28
8	Associated Banc-Corp	ASB	4	129	4.3	32
9	Well Fargo & co.	WFC	2	123	4.1	62
10	U.S. Bancorp	USB	2	121	4.0	60
11	TCF Financial Corp.	TCB	2	103	3.4	51
12	Fox River Financial Corp.	-	1	73	2.4	73
13	Guaranty Financial Corp.	GFCJ	4	40	1.3	10
14	Equitable Bank S.S.B.	-	1	30	1.0	30
16	Bank Mutual Corp.	BKMU	2	21	0.7	11

Source: S&P Global Market Intelligence

County: Kenosha, WI						
Total Population:		168,976				
Median Household Income:		\$57,931				
Projected HH Income Change 2017-2022:		6.46%				
Bank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	JPMorgan Chase & Co.	JPM	5	574	24.8	115
2	Johnson Financial Group Inc.	-	5	508	21.9	102
3	Bank of Montreal	BMO	6	317	13.7	53
4	TCF Financial Corp.	TCB	4	277	12.0	69
5	Southport Financial Corp.	-	3	233	10.1	78
6	U.S. Bancorp	USB	5	145	6.3	29
7	Wintrust Financial Corp.	WTFC	2	70	3.0	35
8	Associated Banc-Corp	ASB	3	69	3.0	23
9	North Shore Bank FSB	-	3	58	2.5	19
10	Union BanCorp. Inc.	-	1	30	1.3	30
11	Tri City Bankshares Corp.	TRCY	1	21	0.9	21
12	Bank Mutual Corp.	BKMU	1	12	0.5	12
13	Guaranty Financial Corp.	GFCJ	1	3	0.1	3

Source: S&P Global Market Intelligence

County: Marathon, WI

Total Population: 136,836
Median Household Income: \$58,205
Projected HH Income Change 2017-2022: 9.23%

Rank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	Bank of Montreal	BMO	7	672	21.5	96
2	PSB Holdings Inc.	PSBQ	5	496	15.9	99
3	River Valley BanCorp. Inc.	-	6	432	13.8	72
4	Associated Banc-Corp	ASB	4	347	11.1	87
5	Abby Bancorp Inc.	-	4	303	9.7	76
6	U.S. Bancorp	USB	5	162	5.2	32
7	Bosshard Banco Ltd.	-	3	129	4.1	43
8	Marathon Savings Bank	-	4	126	4.0	31
9	Stratford Bancshares Inc.	-	2	120	3.8	60
10	Advantage Community Bancshares Inc	-	3	87	2.8	29
11	Time Federal Savings Bank	-	1	70	2.3	70
12	Wells Fargo & Co.	WFC	2	40	1.3	20
13	Citizens Bancshares of Loyal Inc.	-	2	34	1.1	17
14	Nicolet Bankshares Inc.	NCBS	2	33	1.1	17
15	Banner Bancorp Ltd.	-	1	21	0.7	21
16	Forward Mutual Holding Company	-	1	17	0.6	17
17	Rosholt BanCorp. Inc.	-	1	11	0.4	11
18	PB Holdings of Marshfield LLC	-	1	11	0.4	11
19	WoodTrust Financial Corp	-	1	8	0.3	8
20	Community Financial Bank	-	1	4	0.1	4

Source: S&P Global Market Intelligence

County: Washington, WI

Total Population: 134,256
Median Household Income: \$72,566
Projected HH Income Change 2017-2022: 7.17%

Rank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	Westbury Bancorp Inc.	WBB	7	451	16.9	64
2	Bank of Montreal	BMO	5	416	15.6	83
3	Commerce Financial Holdings Inc.	-	1	279	10.5	279
4	JPMorgan Chase & Co.	JPM	3	212	8.0	71
5	Associated Banc-Corp	ASB	4	196	7.4	49
6	Oconomowoc Bancshares Inc.	OCNB	3	186	7.0	62
7	FNB Hartford Bancorp Inc.	-	3	168	6.3	56
8	U.S. Bancorp	USB	3	151	5.7	50
9	SBN Community Bancorp Inc.	-	1	130	4.9	130
10	PNC Financial Services Group Inc.	PNC	4	128	4.8	32
11	Guaranty Financial Corp.	GFCJ	7	107	4.0	15
12	Waterstone Financial Inc.	WSBF	1	93	3.5	93
13	NEB Corp.	-	3	67	2.5	22
14	Sword Financial Corp.	-	1	58	2.2	58
15	Bank Mutual Corp.	BKMU	1	14	0.5	14
16	Capital Commerce Bancorp Inc.	CCMB	1	12	0.4	12

Source: S&P Global Market Intelligence

County: Ozaukee, WI

Total Population: 88,301
Median Household Income: \$78,648
Projected HH Income Change 2017-2022: 7.49%

Rank	Institution	Ticker	Branch Count	Total Deposits in Market (\$mm)	Total Market Share (%)	Deposits Per Branch (\$mm)
1	Bank of Montreal	BMO	8	617	24.8	77
2	Port Bancshares Inc.	-	6	458	18.5	76
3	U.S. Bancorp	USB	4	334	13.5	84
4	Associated Banc-Corp	ASB	3	184	7.4	61
5	Wells Fargo & Co.	WFC	1	170	6.8	170
6	JPMorgan Chase & Co.	JPM	1	106	4.3	106
7	Partnership Community Bancshares	-	2	94	3.8	47
8	Community Bancshares of Wisconsin	-	1	92	3.7	92
9	Bank Mutual Corp.	BKMU	3	90	3.6	30
10	Oconomowoc Bancshares Inc.	OCNB	2	84	3.4	42
11	Commerce Financial Holdings Inc.	-	1	76	3.1	76
12	North Shore Bank FSB	-	2	72	2.9	36
13	PNC Financial Services Group Inc.	PNC	2	62	2.5	31
14	Guaranty Financial Corp.	GFCJ	2	32	1.3	16
15	Johnson Financial Group Inc.	-	1	9	0.4	9

Source: S&P Global Market Intelligence