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The Best Banks In The State Of Michigan: 1Q18 Rankings

- **Ranking Michigan's commercial banks.** In this report, we rank 13 publicly-traded commercial banks in Michigan based on their performance in the first quarter of 2018. We consider the following nine metrics in our ranking: linked quarter core pre-tax, pre-provision (PTPP) EPS growth, linked quarter NIM expansion, core PTPP ROA, core PTPP ROE, efficiency ratio, loan and deposit growth on a linked quarter basis, and the proportion of non-interest DDAs in each bank's deposit mix. Our profitability metrics have been adjusted primarily due to the effects of corporate tax reform and the subsequent revaluation of deferred tax assets/liabilities, which skewed the GAAP profitability metrics in 4Q17 (used in our linked quarter comparisons).
- **Chemical Financial Corporation tied for 4th overall,** performing well in terms of its linked quarter core PTPP ROA and efficiency ratio, where it was ranked 1st. 1Q18 marks the 5th consecutive quarter where CHFC has been the top ranked bank in core PTPP ROA, and the 13th consecutive quarter where CHFC has been the top ranked bank in efficiency ratio. Overall, CHFC held a top 5 ranking in 3 out of 9 metrics in the quarter. Note that while CHFC was ranked 12th out of 13 Michigan banks in terms of its NCO ratio, CHFC's charge-offs comprised just 10bp of average loans in the quarter. As the largest bank headquartered in Michigan, CHFC boasts excellent profitability metrics, posting a 1Q18 ROA and ROTCE (when excluding significant items) of 1.44% and 18.6%, respectively, well above its peers and in line with the top quartile banks in the nation with assets between \$10B and \$25B.
- **Cost reduction efforts completed; savings are partly being plowed back into the business.** With a management team that is highly cognizant of driving operational efficiencies, CHFC has largely completed its restructuring efforts that were first announced in 3Q17. Part of the cost savings from the business restructuring are being reinvested in the company, both in lending and technology. In 1Q18, the company hired seven commercial lenders (for a total of 21 since 3Q17), which should drive growth of commercial finance and ABL. On the technology side, CHFC will have completed the necessary technology investments and core systems upgrades by July 2018; as a result, CHFC will be favorably positioned to grow to become a much larger organization, with assets up to \$100B.
- **CHFC outlook.** We expect high-single-digit loan growth in 2018, driven by C&I and CRE lending. Geographically, we expect lending strength in its Grand Rapids, Detroit, and Cleveland markets. On the deposit side, CHFC has several initiatives underway to grow its deposit base, given its loan-to-deposit ratio of 103% at the end of 1Q18. These initiatives include focusing on growing state and municipal deposits and cross-selling to existing and new corporate customers. Overall for 2018, we expect: 1) positive operating leverage, with core revenue growth of 6.2% outpacing core noninterest expenses growth of 5.7%; 2) a core efficiency ratio in the low-50% in 2018; and 3) best-in-class profitability metrics with a core ROA and ROTCE of ~1.50% and ~16.0%, respectively. CHFC trades at 14.2x our 2018E EPS, a 10.3% discount to its peer group, and is the least expensive name in our Michigan bank universe. We believe Chemical should trade at a premium to its peers, given its top-quartile operating metrics, favorable business outlook.

Exhibit 1. Summary Ranking of 1Q18 Results for Michigan Banks

Overall Ranking	Total Score	Company Name	Ticker	Price	Rating	Ranking								
						Core PTPP EPS Growth	NIM Expansion	Core PTPP ROA	Core PTPP ROE	Efficiency Ratio	NCO Ratio	Loan Growth	Deposit Growth	Noninterest DDAs
1	36	Clarkston Financial Corporation	CKFC	\$8.10	NR	1	5	7	3	7	9	2	1	1
2	38	Mercantile Bank Corporation	MBWM	\$36.49	Neutral	3	1	3	5	2	3	11	8	2
3	40	Independent Bank Corporation	IBCP	\$25.90	Neutral	5	7	2	1	5	7	3	7	3
4	43	Macatawa Bank Corporation	MCBC	\$12.13	NR	4	4	4	2	3	5	6	11	4
4	49	Chemical Financial Corporation	CHFC	\$58.23	Buy	6	6	1	6	1	12	7	4	6
6	52	MBT Financial Corp.	MBTF	\$10.55	NR	8	8	5	4	6	1	1	10	9
7	67	ChoiceOne Financial Services, Inc.	COFS	\$25.85	NR	7	2	6	10	9	2	13	13	5
8	71	County Bank Corp	CBNC	\$42.10	NR	9	11	9	7	10	4	9	2	10
9	71	Eastern Michigan Financial Corporation	EFIN	\$25.00	NR	10	3	8	8	4	13	12	5	8
9	73	Isabella Bank Corporation	ISBA	\$27.00	NR	2	10	10	12	8	6	10	3	12
11	90	CNB Corporation	CNBZ	\$21.90	NR	13	12	13	13	13	8	5	6	7
12	92	Mackinac Financial Corporation	MFNC	\$16.70	NR	11	9	11	9	11	10	8	12	11
13	97	West Shore Bank Corporation	WSSH	\$30.50	NR	12	13	12	11	12	11	4	9	13

Source: S&P Global Market Intelligence

Linked Quarter Core PTPP EPS Growth

In our ranking of 13 publicly-traded commercial banks in Michigan, Clarkston Financial Corporation ranked 1st in terms of 1Q18 linked quarter core pre-tax, pre-provision EPS growth, posting growth of 10.9% Q/Q. In 2nd place was Isabella Bank Corporation, with linked quarter growth of 9.5%. In 3rd place was Mercantile Bank Corporation, with growth of 3.1% linked quarter. The weaker performers in this category in 1Q18 included West Shore Bank Corporation (-35.7%) and CNB Corporation (-68.2%).

Mercantile's growth in Q/Q core PTPP EPS was driven by spread income growth (+5.8%), but partly offset by lower fee income (-2.7%) and higher noninterest expenses (+6.5%).

CNB Corporation's significant decline in Q/Q core PTPP EPS was primarily driven by higher noninterest expenses (+26.4%), with higher compensation & benefits and other expenses being the key drivers.

Exhibit 2: Michigan Commercial Banks Ranked by Linked Quarter Core PTPP EPS Growth

Rank	Company Name	Ticker	Core PTPP EPS 1Q18	Core PTPP EPS 4Q17	Core PTPP EPS 1Q17	Q-o-Q Δ (%)	Y-o-Y Δ (%)
1	Clarkston Financial Corporation	CKFC	0.19	0.17	0.19	10.9%	1.9%
2	Isabella Bank Corporation	ISBA	0.51	0.47	0.46	9.5%	10.6%
3	Mercantile Bank Corporation	MBWM	0.81	0.79	0.62	3.1%	31.4%
4	Macatawa Bank Corporation	MCBC	0.20	0.20	0.17	3.0%	15.9%
5	Independent Bank Corporation	IBCP	0.55	0.55	0.38	0.3%	45.7%
6	Chemical Financial Corporation	CHFC	1.26	1.32	0.95	-4.3%	32.5%
7	ChoiceOne Financial Services, Inc.	COFS	0.51	0.54	0.49	-5.4%	5.6%
8	MBT Financial Corp.	MBTF	0.20	0.23	0.19	-11.2%	6.1%
9	County Bank Corp	CBNC	1.04	1.25	1.06	-17.1%	-1.7%
10	Eastern Michigan Financial Corporation	EFIN	0.84	1.09	0.58	-23.1%	44.7%
11	Mackinac Financial Corporation	MFNC	0.36	0.46	0.44	-23.3%	-19.3%
12	West Shore Bank Corporation	WSSH	0.69	1.08	0.70	-35.7%	-1.0%
13	CNB Corporation	CNBZ	0.21	0.67	0.24	-68.2%	-12.5%
	Mean:					-12.4%	12.3%
	Median:					-5.4%	6.1%

Source: S&P Global Market Intelligence

Linked Quarter NIM Expansion

On median, Michigan banks saw 2bp of Q/Q NIM expansion in 1Q18. The standout in this category was top-ranked Mercantile Bank Corporation (+21bp). The strength in this quarter was partly driven by successful collection efforts regarding certain problem commercial loan relationships. Overall on a Q/Q basis, loan yields rose 38bp, while the cost of deposits rose 5bp.

Rounding out the top three performers in this category included ChoiceOne Financial Services (+19bp), and Eastern Michigan Financial Corporation (+17bp). On the other side of the spectrum, two of the weaker performers were CNB Corporation (-14bp) and West Shore Bank Corporation (-16bp).

Exhibit 3: Michigan Commercial Banks Ranked by Linked Quarter NIM Expansion

Rank	Company Name	Ticker	NIM 1Q18 (%)	NIM 4Q17 (%)	NIM 1Q17 (%)	Q-o-Q Δ (bp)	Y-o-Y Δ (bp)
1	Mercantile Bank Corporation	MBWM	4.00	3.79	3.68	21	32
2	ChoiceOne Financial Services, Inc.	COFS	3.78	3.58	3.60	19	17
3	Eastern Michigan Financial Corporation	EFIN	3.32	3.15	2.90	17	42
4	Macatawa Bank Corporation	MCBC	3.28	3.22	3.19	6	9
5	Clarkston Financial Corporation	CKFC	3.90	3.85	4.07	5	-17
6	Chemical Financial Corporation	CHFC	3.53	3.49	3.46	4	7
7	Independent Bank Corporation	IBCP	3.69	3.67	3.66	2	2
8	MBT Financial Corp.	MBTF	3.48	3.46	3.17	2	30
9	Mackinac Financial Corporation	MFNC	4.15	4.20	4.16	-5	-1
10	Isabella Bank Corporation	ISBA	2.95	3.02	2.99	-7	-4
11	County Bank Corp	CBNC	3.68	3.79	3.56	-11	12
12	CNB Corporation	CNBZ	3.53	3.67	3.22	-14	31
13	West Shore Bank Corporation	WSSH	3.64	3.80	3.58	-16	6
Mean:						2	13
Median:						2	9

Source: S&P Global Market Intelligence

Core PTPP Return on Average Assets

The strongest performer on core pre-tax, pre-provision return on average assets in 1Q18 was Chemical Financial Corporation, at 4.66%. Notably, CHFC has been the top ranked bank in this category for the 5th consecutive quarter. In 2nd place was Independent Bank Corporation, posting a core PTPP ROA of 4.27%; in 3rd place was Mercantile Bank Corporation, at 4.16%. The most challenged performers in the quarter included West Shore Bank Corporation (2.12%) and CNB Corporation (0.89%).

While CHFC demonstrated strong operating performance in 1Q18, core PTPP ROA declined Q/Q: while core earnings growth was supported by spread income (+3.1%), this was more than offset by lower core fee income (-7.8%) and higher core noninterest expenses (+6.1%).

MBWM's performance improved Q/Q in this metric, with higher spread income (+5.8%) leading the way; this was partly offset by lower core fee income (-2.7%) and higher noninterest expenses (+6.5%).

Exhibit 4: Michigan Commercial Banks Ranked by Core PTPP Return on Average Assets

Rank	Company Name	Ticker	Core PTPP	Core PTPP	Core PTPP
			ROA 1Q18 (%)	ROA 4Q17 (%)	ROA 1Q17 (%)
1	Chemical Financial Corporation	CHFC	4.66	4.92	3.89
2	Independent Bank Corporation	IBCP	4.27	4.31	3.18
3	Mercantile Bank Corporation	MBWM	4.16	4.02	3.38
4	Macatawa Bank Corporation	MCBC	3.73	3.70	3.47
5	MBT Financial Corp.	MBTF	3.49	3.93	3.27
6	ChoiceOne Financial Services, Inc.	COFS	3.12	3.11	3.01
7	Clarkston Financial Corporation	CKFC	3.07	2.80	3.29
8	Eastern Michigan Financial Corporation	EFIN	2.98	3.89	2.06
9	County Bank Corp	CBNC	2.98	3.70	3.14
10	Isabella Bank Corporation	ISBA	2.30	2.08	2.13
11	Mackinac Financial Corporation	MFNC	2.29	2.93	2.82
12	West Shore Bank Corporation	WSSH	2.12	3.37	2.16
13	CNB Corporation	CNBZ	0.89	2.82	1.06
	Mean:		3.08	3.51	2.84
	Median:		3.07	3.70	3.14

Source: S&P Global Market Intelligence

Core PTPP Return on Average Equity

The Michigan bank that posted the highest core PTPP return on average equity in 1Q18 was Independent Bank Corporation (44.8%). The reason behind IBCP experienced a Q/Q increase in its core PTPP ROE but a Q/Q decrease in its core PTPP ROA is because of a slight decrease in average equity.

Rounding out the top three performers were Macatawa Bank Corporation (39.6%) and Clarkston Financial Corporation (39.1%). On the other hand, the quarter's most challenged performers in this category included Isabella Bank Corporation (21.1%) and CNB Corporation (9.5%).

Exhibit 5: Michigan Commercial Banks Ranked by Core PTPP Return on Average Equity

Rank	Company Name	Ticker	Core PTPP ROE 1Q18 (%)	Core PTPP ROE 4Q17 (%)	Core PTPP ROE 1Q17 (%)
1	Independent Bank Corporation	IBCP	44.83	43.75	32.32
2	Macatawa Bank Corporation	MCBC	39.56	38.26	36.05
3	Clarkston Financial Corporation	CKFC	39.12	34.44	39.24
4	MBT Financial Corp.	MBTF	37.44	38.02	33.11
5	Mercantile Bank Corporation	MBWM	37.02	35.91	29.70
6	Chemical Financial Corporation	CHFC	33.99	35.31	26.31
7	County Bank Corp	CBNC	31.07	36.52	31.99
8	Eastern Michigan Financial Corporation	EFIN	30.65	39.37	21.78
9	Mackinac Financial Corporation	MFNC	27.45	35.23	34.87
10	ChoiceOne Financial Services, Inc.	COFS	25.82	26.18	25.48
11	West Shore Bank Corporation	WSSH	24.10	37.01	25.94
12	Isabella Bank Corporation	ISBA	21.12	18.76	19.33
13	CNB Corporation	CNBZ	9.50	30.75	11.79
	Mean:		30.90	34.58	28.30
	Median:		31.07	35.91	29.70

Source: S&P Global Market Intelligence

Efficiency Ratio

For the efficiency ratio in 1Q18, the top performer was Chemical Financial, posting an efficiency ratio of 51.6%. Including 1Q18, CHFC has retained the top efficiency ratio out of this list of banks for 13 consecutive quarters. Rounding out the top three performers were Mercantile Bank Corporation (59.6%) and Macatawa Bank Corporation (60.2%). Including 1Q18, this is the 15th consecutive quarter where MBWM was ranked in the top 3 in terms of its efficiency ratio.

On the other hand, the quarter's weakest performers included West Shore Bank Corporation (81.2%) and CNB Corporation (90.8%).

Exhibit 6: Michigan Commercial Banks Ranked by Efficiency Ratio

Rank	Company Name	Ticker	Efficiency Ratio 1Q18 (%)	Efficiency Ratio 4Q17 (%)	Efficiency Ratio 1Q17 (%)
1	Chemical Financial Corporation	CHFC	51.58	47.68	58.04
2	Mercantile Bank Corporation	MBWM	59.55	58.60	63.64
3	Macatawa Bank Corporation	MCBC	60.22	61.96	65.27
4	Eastern Michigan Financial Corporation	EFIN	67.12	70.44	74.03
5	Independent Bank Corporation	IBCP	67.22	67.24	73.44
6	MBT Financial Corp.	MBTF	67.41	63.00	66.43
7	Clarkston Financial Corporation	CKFC	67.79	70.46	67.25
8	Isabella Bank Corporation	ISBA	68.42	69.67	68.21
9	ChoiceOne Financial Services, Inc.	COFS	70.78	71.94	69.60
10	County Bank Corp	CBNC	71.43	66.86	69.75
11	Mackinac Financial Corporation	MFNC	76.13	71.21	71.04
12	West Shore Bank Corporation	WSSH	81.23	75.63	76.16
13	CNB Corporation	CNBZ	90.79	70.93	88.17
	Mean:		69.21	66.59	70.08
	Median:		67.79	69.67	69.60

Source: S&P Global Market Intelligence

Net Charge-Off Ratio

Credit quality across Michigan banks remained excellent, as Michigan banks posted net recoveries on median, after posting relatively negligible net charge-offs for three consecutive quarters prior to 1Q18. Nearly 70% of Michigan banks in the ranking posted either net recoveries or negligible net charge-offs in 1Q18. The strongest performer was MBT Financial Corp, which posted 18bp of net recoveries. In second place was ChoiceOne Financial Services with 10bp of net recoveries in the quarter. In third place was Mercantile Bank Corporation, with 7bp of net recoveries.

The relatively weaker performers in this quarter included Chemical Financial Corporation and Eastern Michigan Financial Corporation, which posted NCO ratios of 0.10% and 0.29%, respectively.

While CHFC's credit quality remains healthy, Q/Q trends were mixed. CHFC's net charge-offs increased to 0.10% from 0.04% in the prior quarter; NPAs-to-assets declined to 0.35% from 0.37%.

Exhibit 7: Michigan Commercial Banks Ranked by Net Charge-Off Ratio

Rank	Company Name	Ticker	NCO Ratio 1Q18	NCO Ratio 4Q17	NCO Ratio 1Q17
1	MBT Financial Corp.	MBTF	-0.18	-0.09	-0.05
2	ChoiceOne Financial Services, Inc.	COFS	-0.10	0.00	-0.05
3	Mercantile Bank Corporation	MBWM	-0.07	0.05	0.05
4	County Bank Corp	CBNC	-0.07	0.30	-0.24
5	Macatawa Bank Corporation	MCBC	-0.05	-0.05	-0.07
6	Isabella Bank Corporation	ISBA	-0.04	0.06	-0.03
7	Independent Bank Corporation	IBCP	-0.03	-0.14	-0.04
8	CNB Corporation	CNBZ	-0.01	-0.06	0.32
9	Clarkston Financial Corporation	CKFC	0.00	-0.01	-0.01
10	Mackinac Financial Corporation	MFNC	0.01	0.15	0.01
11	West Shore Bank Corporation	WSSH	0.07	0.31	-0.11
12	Chemical Financial Corporation	CHFC	0.10	0.04	0.11
13	Eastern Michigan Financial Corporation	EFIN	0.29	0.03	0.09
	Mean:		-0.01	0.05	0.00
	Median:		-0.03	0.03	-0.03

Source: S&P Global Market Intelligence

Linked Quarter Loan Growth

Sequential quarter loan growth for Michigan banks appeared moderate on the whole, with median loan growth of 0.3% Q/Q, versus 1.1% in the prior quarter. All but three Michigan banks in the ranking posted positive Q/Q loan growth. The strongest performing bank in this category was MBT Financial Corp (+3.9%). The second-strongest performer in the quarter was Clarkston Financial Corporation (+2.6%). Ranked third was Independent Bank Corporation (+2.3%). On the other side, the weaker performers in 1Q18 included Eastern Michigan Financial Corporation (-1.0%) and ChoiceOne Financial Services (-3.4%).

Mercantile Bank Corporation's loan growth was slightly down in the quarter, as declines in home equity and other consumer (-7.2%), multifamily & residential rental (-5.4%), and C&I loans (-1.9%) offset growth in owner-occupied CRE loans (+5.2%).

Exhibit 8: Michigan Commercial Banks Ranked by Linked Quarter Loan Growth

Rank	Company Name	Ticker	Gross Loans 1Q18	Gross Loans 4Q17	Gross Loans 1Q17	Q-o-Q Δ (%)	Y-o-Y Δ (%)
1	MBT Financial Corp.	MBTF	722,640	695,325	663,449	3.9%	8.9%
2	Clarkston Financial Corporation	CKFC	177,083	172,586	162,334	2.6%	9.1%
3	Independent Bank Corporation	IBCP	2,105,583	2,058,253	1,708,360	2.3%	23.3%
4	West Shore Bank Corporation	WSSH	300,062	293,326	278,133	2.3%	7.9%
5	CNB Corporation	CNBZ	142,475	141,467	141,276	0.7%	0.8%
6	Macatawa Bank Corporation	MCBC	1,325,545	1,321,517	1,268,895	0.3%	4.5%
7	Chemical Financial Corporation	CHFC	14,250,383	14,207,400	13,312,515	0.3%	7.0%
8	Mackinac Financial Corporation	MFNC	812,441	811,078	786,546	0.2%	3.3%
9	County Bank Corp	CBNC	344,706	344,539	315,476	0.0%	9.3%
10	Isabella Bank Corporation	ISBA	1,093,361	1,093,079	1,014,688	0.0%	7.8%
11	Mercantile Bank Corporation	MBWM	2,551,204	2,558,552	2,441,314	-0.3%	4.5%
12	Eastern Michigan Financial Corporation	EFIN	169,692	171,438	154,239	-1.0%	10.0%
13	ChoiceOne Financial Services, Inc.	COFS	393,317	407,308	379,106	-3.4%	3.7%
Mean:						0.6%	7.7%
Median:						0.3%	7.8%

Source: S&P Global Market Intelligence

Linked Quarter Deposit Growth

Linked quarter deposit growth at Michigan banks improved in 1Q18 to 1.2% growth on median, up from 0.2% growth on median in 4Q17. Clarkston Financial Corporation saw the largest deposit growth Q/Q, at 7.3%. Rounding out the top three performers in 1Q18 were County Bank Corp (+2.7%) and Isabella Bank Corporation (+2.6%).

On the other hand, the weaker performers included Mackinac Financial Corporation and ChoiceOne Financial Services, which both experienced Q/Q declines of 1.4%.

Exhibit 9: Michigan Commercial Banks Ranked by Linked Quarter Deposit Growth

Rank	Company Name	Ticker	Total Deposits 1Q18	Total Deposits 4Q17	Total Deposits 1Q17	Q-o-Q Δ (%)	Y-o-Y Δ (%)
1	Clarkston Financial Corporation	CKFC	180,224	171,580	164,603	5.0%	9.5%
2	County Bank Corp	CBNC	553,941	539,513	534,963	2.7%	3.5%
3	Isabella Bank Corporation	ISBA	1,297,868	1,265,258	1,231,061	2.6%	5.4%
4	Chemical Financial Corporation	CHFC	13,967,817	13,642,803	13,132,347	2.4%	6.4%
5	Eastern Michigan Financial Corporation	EFIN	301,620	295,923	297,189	1.9%	1.5%
6	CNB Corporation	CNBZ	265,828	261,861	250,202	1.5%	6.2%
7	Independent Bank Corporation	IBCP	2,430,401	2,400,534	2,263,059	1.2%	7.4%
8	Mercantile Bank Corporation	MBWM	2,540,053	2,522,365	2,278,016	0.7%	11.5%
9	West Shore Bank Corporation	WSSH	334,018	332,590	337,259	0.4%	-1.0%
10	MBT Financial Corp.	MBTF	1,193,363	1,198,164	1,203,072	-0.4%	-0.8%
11	Macatawa Bank Corporation	MCBC	1,560,872	1,579,010	1,433,146	-1.1%	8.9%
12	Mackinac Financial Corporation	MFNC	806,797	817,998	821,820	-1.4%	-1.8%
13	ChoiceOne Financial Services, Inc.	COFS	532,274	539,853	508,367	-1.4%	4.7%
	Mean:					1.1%	4.7%
	Median:					1.2%	5.4%

Source: S&P Global Market Intelligence

Noninterest DDAs Ratio

It is crucial for banks to maintain low-cost deposits (preferably noninterest-bearing deposits), given the current rising interest rate environment. With respect to this category, Clarkston Financial Corporation continued to lead the group, with noninterest-bearing deposits comprising 45.7% of total deposits, up from 44.9% in the prior quarter. Following behind were Mercantile Bank Corporation (32.7% of total deposits) and Independent Bank Corporation (31.8%). Clarkston and Mercantile were ranked within the top three rankings in this category for the fifth quarter in a row.

Exhibit 10: Michigan Commercial Banks Ranked by Noninterest-Bearing Deposit Ratio

Rank	Company Name	Ticker	Noninterest DDAs 1Q18 (%)	Noninterest DDAs 4Q17 (%)	Noninterest DDAs 1Q17 (%)
1	Clarkston Financial Corporation	CKFC	45.7%	44.9%	50.2%
2	Mercantile Bank Corporation	MBWM	32.7%	34.3%	33.3%
3	Independent Bank Corporation	IBCP	31.8%	32.0%	31.4%
4	Macatawa Bank Corporation	MCBC	29.1%	31.1%	32.5%
5	ChoiceOne Financial Services, Inc.	COFS	27.6%	28.1%	25.2%
6	Chemical Financial Corporation	CHFC	27.2%	27.3%	25.9%
7	CNB Corporation	CNBZ	26.5%	28.6%	26.2%
8	Eastern Michigan Financial Corporation	EFIN	25.1%	27.3%	25.6%
9	MBT Financial Corp.	MBTF	24.6%	25.0%	23.7%
10	County Bank Corp	CBNC	22.3%	23.0%	23.8%
11	Mackinac Financial Corporation	MFNC	17.7%	18.1%	17.9%
12	Isabella Bank Corporation	ISBA	17.2%	18.8%	16.9%
13	West Shore Bank Corporation	WSSH	16.8%	17.2%	13.9%
	Mean:		26.5%	27.4%	26.6%
	Median:		26.5%	27.3%	25.6%

Source: S&P Global Market Intelligence

Note: Our noninterest-bearing deposit ratio is comprised of noninterest-bearing deposits as a percentage of total deposits

Exhibit 11: Summary of Michigan Commercial Banks

Company Name	Ticker	Rating	Price	State	Market Cap (\$M)	Total Assets (\$M)	Core PTPP ROA (%)	Core PTPP ROE (%)	NIM (%)	Fee Income/ Operating Rev	Efficiency Ratio (%)	NPAs/ Assets	NCOs/ Avg Loans	Res./NPLs	P/E 2018e	P/E 2019e	Price/2018e TBV (%)	Div. Yield (%)
Chemical Financial Corporation	CHFC*	Buy	\$58.23	MI	\$4,201	\$19,756	4.66	33.99	3.53	21.08	51.6	0.60	0.10	85.3	14.2x	12.7x	243.2	1.90
ChoiceOne Financial Services, Inc.	COFS	NR	\$25.85	MI	\$96	\$623	3.12	25.82	3.78	23.25	70.8	0.69	-0.10	114.8	NA	NA	154.7	2.72
Clarkston Financial Corporation	CKFC	NR	\$8.10	MI	\$27	\$202	3.07	39.12	3.90	7.27	67.8	NA	0.00	NA	NA	NA	169.4	NA
CNB Corporation	CNBZ	NR	\$21.90	MI	\$27	\$293	0.89	9.50	3.53	19.06	90.8	0.84	-0.01	68.5	NA	NA	122.1	3.65
County Bank Corp	CBNC	NR	\$42.10	MI	\$74	\$615	2.98	31.07	3.68	21.73	71.4	0.20	-0.07	253.1	NA	NA	131.5	3.23
Eastern Michigan Financial Corporation	EFIN	NR	\$25.00	MI	\$30	\$335	2.98	30.65	3.32	15.45	67.1	0.56	0.29	77.9	NA	NA	93.2	2.06
Independent Bank Corporation	IBCP*	Neutral	\$25.90	MI	\$641	\$2,793	4.27	44.83	3.69	33.18	67.2	2.44	-0.03	34.7	15.5x	14.0x	200.9	2.26
Isabella Bank Corporation	ISBA	NR	\$27.00	MI	\$214	\$1,800	2.30	21.12	2.95	17.52	68.4	1.71	-0.04	26.9	NA	NA	149.8	3.83
Macatawa Bank Corporation	MCBC	NR	\$12.13	MI	\$421	\$1,864	3.73	39.56	3.28	22.56	60.2	1.38	-0.05	81.5	17.1x	15.5x	239.9	1.94
Mackinac Financial Corporation	MFNC	NR	\$16.70	MI	\$133	\$984	2.29	27.45	4.15	6.19	76.1	1.22	0.01	53.8	11.6x	10.3x	133.7	3.06
MBT Financial Corp.	MBTF	NR	\$10.55	MI	\$246	\$1,326	3.49	37.44	3.48	26.84	67.4	0.98	-0.18	67.1	13.9x	12.9x	209.2	2.62
Mercantile Bank Corporation	MBWM*	Neutral	\$36.49	MI	\$616	\$3,294	4.16	37.02	4.00	12.92	59.5	0.55	-0.07	127.9	15.0x	13.9x	183.2	2.37
West Shore Bank Corporation	WSSH	NR	\$30.50	MI	\$40	\$435	2.12	24.10	3.64	22.99	81.2	1.11	0.07	71.6	NA	NA	114.7	2.82
Mean:					\$520	\$2,640	3.08	30.90	3.61	19.23	69.2	1.02	-0.01	88.6	14.5x	13.2x	165.1	2.70
Median:					\$133	\$984	3.07	31.07	3.64	21.08	67.8	0.91	-0.03	74.7	14.6x	13.4x	154.7	2.67

Source: S&P Global Market Intelligence

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D.A. Davidson & Co. received compensation from a company that was acquired by Independent Bank Corporation, or a subsidiary of, for investment banking, securities-related, services in the past 12 months.

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We, Kevin K. Reevey and Jeffrey Qiu, attest that (i) all the views expressed in this research report accurately reflect our personal views about the common stock of the subject company, and (ii) no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Rating Information

D.A. Davidson & Co.'s Institutional Research Rating Scale Definitions (maintained since October 10, 2017); information regarding our previous definitions is available upon request:

BUY: Expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months

NEUTRAL: Expected to produce a total return of -15% to +15% on a risk adjusted basis over the next 12-18 months

UNDERPERFORM: Expected to lose value of over 15% on a risk adjusted basis over the next 12-18 months

Rating Distribution (as of 3/31/18)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	53 %	84 %	55 %	12 %	3 %	11 %
NEUTRAL (Hold)	46 %	16 %	44 %	7 %	0 %	6 %
UNDERPERFORM (Sell)	1 %	0 %	1 %	0 %	0 %	0 %

IR denotes Institutional Research; WMR denotes Wealth Management Research whose rating scale is Buy/Add, Neutral, Sell/Reduce. Investment Banking Distribution denotes companies from whom D.A. Davidson & Co. has received compensation in the last 12 months.

Chemical Financial Corporation Rating History as of 06/13/2018

powered by: BlueMatrix



Independent Bank Corporation Rating History as of 06/13/2018

powered by: BlueMatrix



Mercantile Bank Corporation Rating History as of 06/13/2018

powered by: BlueMatrix



Target prices are our Institutional Research Department's evaluation of price potential over the next 12-18 months and 5 years, based upon our assessment of future earnings and cash flow, comparable company valuations, growth prospects and other financial criteria. Certain risks may impede achievement of these price targets including, but not limited to, broader market and macroeconomic fluctuations and unforeseen changes in the subject company's fundamentals or business trends.

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Other Companies Mentioned in this Report

Company Name	Ticker	Rating	Price
Chemical Financial Corporation	CHFC	BUY	\$58.64
Independent Bank Corporation	IBCP	NEUTRAL	\$25.95
Mercantile Bank Corporation	MBWM	NEUTRAL	\$36.66

Non-Covered Companies Mentioned in this Report

Company Name	Ticker	Rating	Price
Clarkston Financial Corporation	CKFC	NR	\$8.10
CNB Corporation	CNBZ	NR	\$21.90
ChoiceOne Financial Services, Inc.	COFS	NR	\$26.50
Eastern Michigan Financial Corporation	EFIN	NR	\$25.25
Isabella Bank Corporation	ISBA	NR	\$27.10
MBT Financial Corp.	MBTF	NR	\$10.63
Macatawa Bank Corporation	MCBC	NR	\$12.00
Mackinac Financial Corporation	MFNC	NR	\$16.16
West Shore Bank Corp.	WSSH	NR	\$30.50