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Moderator: **David Provost**

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Operator: Good morning ladies and gentlemen and thank you for standing by. Welcome to the Chemical Financial Corporation Third Quarter Earnings conference call. At this time, all participants are in a listen only mode. Later we will conduct a question and answer session and instructions will be given at that time. As a reminder, today's conference is being recorded. Chemical would like to remind you that a copy of today's Earnings Release can be accessed by logging onto Chemicalbank.com and selecting the Investor Info tab at the top of the web site.

Also included is a slide presentation on our Investor Info page with supplemental information that will be referenced in today's call. With us today are David Provost, CEO and President of Chemical Financial Corporation, Thomas Shafer, Vice Chairman of Chemical Financial Corporation and CEO of Chemical Bank, Dennis Klaeser, Chief Financial Officer. After brief comments from management, the call will be opened for your questions.

Before we begin, the corporation would like to caution listeners that this conference call may contain forward-looking statements about Chemical, its business, strategies and prospects. Please refer to the forward-looking statements, disclaimer and other information on Pages 2 through 3 of the slide presentation for a description of risks and uncertainties that could cause actual results to differ materially from those reflected in forward-looking statements.

And now it's my pleasure to turn the conference over to David Provost. Please go ahead sir.

David Provost: Thanks and good morning everyone. I want to start off by saying how encouraged we are by the results of our recently announced restructuring efforts, which have already produced an improvement in our operating efficiency ratio. We believe our restructuring efforts will position us for further growth in our markets and focus us on those services and product lines that provide the greatest opportunity to create value.

We are – as we look forward, we will continue to balance our disciplined expense management philosophy with a strong focus on driving revenue growth as we continue to make progress towards our goal of being the Midwest premier community bank.

Looking at the third quarter financial highlights, earnings per diluted share after excluding significant items of 79 cents was up from both the Second Quarter and the Third Quarter of 2016. Organic loan growth was seasonally slower at $166 million or a 4.9% annualized growth rate in the third quarter compared to an annualized growth rate of 12% in the second quarter.

Customer deposits growth was an exceptionally strong $592 million during the third quarter or an annual growth rate of 18.1%.

Critically important our credit quality remains high with a ratio of nonperforming loans to total loans at a favourable 39 basis points at quarter end and a ratio of net loan charge-offs to average loans at only 10 basis points for the quarter.

While we are encouraged with our overall fundamental trends, we will continue to have a keen focus on ways to improve our operating results and lay an even stronger foundation for continued growth in future quarters.

Let me turn it over to Tom Shafer who will give you an overview of some of the steps we have and will be taking to achieve that goal. Tom.

Tom Shafer: Thank you David. Good morning everyone. On our earnings call last quarter, we announced the launch of a project to identify strategies that could be deployed to drive revenue growth and steps to further improve our operating efficiency. The launch of this project was part of an effort to refine and clarify our overall strategic plan of how we allocate our capital across the organization and to better position the company for growth.

During the quarter, we worked quickly yet carefully and on September 7th, we announced the initiation of our restructuring efforts. The restructuring efforts included a reduction of approximately 7% of total employees in addition to the consolidation of 25 branches beyond the 13 branches we consolidated during the month of August. Most of the staff reduction occurred in early September and remaining 25 branch consolidations are scheduled to occur in December before yearend.

We additionally decided to discontinue our title insurance services and reduce resources devoted to indirect auto lending. In total, our restructuring efforts are expected to produce more than $20 million of annualized savings. A portion of these savings will lead us to improve bottom line results but upwards to half of these savings are expected to be spent on hiring of additional commercial lenders and other bankers in growth markets as well as additional key operation staff to support customer service enhancements.

We feel that the steps we have taken will enhance long-term growth prospects and will allow us to deliver on the goals that were established as part of a Chemical-Talmer merger. We've already begun to take steps to strengthen our operations by adding three senior leaders with large organizational experience. These hires have already helped to drive operational efficiency, identify capacity to support our organic growth and drive consistent performance and improved client experiences.

Two weeks ago, we also added a Senior Commercial Lender to our Southeast Michigan Commercial Banking Team. We hired this individual away from a large regional bank. I expect additional key strategic hires to continue through the fourth quarter and into 2018 helping us to maintain our strong market share and brand recognition in our historical markets and drive growth in West Michigan, Southeast Michigan and the Cleveland market.

With that, let me turn it over to Dennis to go through the financial results in further detail. Dennis.

Dennis Klaeser: Thank you Tom. On Slide 7, net income excluding significant items was $56.9 million in the third quarter, an increase of $3 million from the previous quarter and $19.5 million from the same quarter a year ago. Diluted earnings per share excluding significant items was 79 cents per diluted share in the third quarter, up from 75 cents in both the Second Quarter of 2017 and the Third Quarter of 2016.

As shown on the top of Slide 9 year-over-year our total loan portfolio has grown $1.1 billion to $13.8 billion as of September 30, 2017. The overall composition of our loan portfolio has remained relatively similar year-over-year with about 59% of our loans to commercial borrowers and 41% to consumer borrowers at the end of the third quarter.

Turning to Slide 10, we had $166 million f loan growth in the third quarter representing an annualized loan growth of 4.9% compared to 12% annualized growth in the second quarter. While this pace is modestly lower than expected we have a strong pipeline of loans and expect to have seasonally stronger loan growth in the fourth quarter.

From Slide 11 you can see that our $166 million of net loan growth for the quarter is a result of $496 million of growth in our originate portfolio offset by $330 million of runoff in our acquired loan portfolio.

Moving onto deposits, as you can see on Slide 12 overall organic loan – overall deposit growth was strong in the third quarter comprised primarily of savings and noninterest bearing demand deposit growth. Deposit growth in the third quarter of each year benefits from tax collection from our municipal customers. To offset anticipated decline in muni deposits in the fourth quarter and to future build our deposit base we are running focused deposit gathering promotions and are focused on cross-selling deposit services to our loan customers. Our average cost of deposits was 38 basis points in the third quarter compared to 33 basis points in the Second Quarter of 2017 and 24 basis points in the Third Quarter of 2016.

Looking at overall funding on Slide 13, our average cost of funds increased to 53 basis points during the Third Quarter of 2017 compared to 44 basis points in the prior quarter and 25 basis points 1 year earlier. The increase in cost of funds compared to the second quarter was mostly due to the increase in rate associated with FHLB borrowings, which have been utilized to fund growth in our Investment Securities portfolio and to an increase in rates on CDs due to the rising rate environment.

Turning to Slide 14 as David mentioned asset quality remains high. The provision for loan loss has declined to $5.5 million in the third quarter compared to $6.2 million in the prior quarter primarily as a result of lower loan growth. The loan loss provision includes $579,000 of impairment identified in one of our acquired loan pools during the Third Quarter of 2017 as a result of the quarterly re-estimation of cash flows we do for all of our acquired loans.

Net loan charge-offs continue to be low at 10 basis points of average loans in the third quarter with a slight uptick from the prior quarter being related to one commercial loan relationship.

Our ratio of nonperforming loans to total loans while increasing slightly remain low at 39 basis points as of September 30, 2017 compared to 34 basis points from yearend 2016.

As shown on Slide 15 net interest income was $143.6 million in the third quarter compared to $137.9 million in the prior quarter. Third quarter was driven by positive impact of organic loan growth, an increase in the Investment Securities portfolio, and an increase in loan yields due to a combination of new loans with higher coupons and the impact of the Fed rate increase that occurred late in the second quarter.

The interest margin on a tax equivalent basis was 3.48% in both the Third Quarter and the Second Quarter of 2017 and down from 3.58% in the Third Quarter of 2016. Our net interest margin benefited from the 9 basis point yield increase on total loans. But this benefit was offset by the increase in the Investment Securities portfolio. Had we not increased our Investment Securities portfolio, which was funded primarily with the addition of FHLB borrowings, we project that our net interest margin would've improved to 3.50%.

Moving onto noninterest income on Slide 16, the decrease in noninterest income was largely due to a reduction in net gain and sale of loans and other mortgage banking revenue and a decline in interchange fee revenue as a result of limitations set by the German Amendment, which went into effect for Chemical Bank on July 1st.

The mortgage banking revenue also included a $4 million detriment from a change in the fair value of our mortgage loan servicing rights compared to a $1.8 million detriment to earnings in the Second Quarter of 2017.

As seen on Slide 17, operating expenses excluding merger and restructuring expenses and including an impairment associated with income tax credits realized during the quarter were $95.2 million in the third quarter compared to $96.2 million in the Second Quarter of 2017. Quarter-over-quarter the decline reflects the partial benefit of our restructuring efforts announced on September 7th.

Our adjusted efficiency ratio has improved to 51.2% in the Third Quarter of 2017 compared to 52.2% in the second quarter and 52.7% 1 year ago. As we look forward to the final quarter of 2017 and into 2018 our goal is to drive our efficiency ratio closer to 50% to a growth in our revenue and an incremental reduction in our operating expense run rate as a result of our restructuring efforts.

Our effective tax rate was only 20.2% in the Third Quarter of 2017 primarily due to the benefit we received from a federal historic tax credit that was placed into service during the quarter. It's important to note that the income tax benefit from this tax credit was partially offset by about $3.1 million of impairment charge that's directly related to this tax credit and that $3.1 million of impairment charge shows up in our other operating expenses.

Turning to Slide 18, we ended the quarter with tangible book value of $21.36, which represents 6.9% growth in our tangible book value compared to 1 year ago. Our TCE to total assets remain strong at 8.3% at the end of the quarter and our regulatory capital ratios are strong at an estimate of 10.5% for Tier 1 capital ratio and 11.2% for our total risk-based capital ratios at the end of the third quarter.

Let me now turn it back to David for some closing remarks.

David Provost: Thank you Dennis. While the economies in our markets that we serve remain favourable we will retain our focus on what we can control. Two key factors that will drive future earnings are revenue growth and discipline expense management. We believe the recent efforts we have taken have positioned us for future success. We are pleased with the level of quality loans we have in our pipeline and anticipate a high loan growth quarter ahead.

We also remain focused on consistently identifying, measuring and mitigating or controlling our key business risks. We continue to execute our strategy as we take steps toward reaching our goal of being the Midwest premier community bank. We believe that our combination of market focus, balance sheet strength, talent and convenience provides a compelling choice to consumers and businesses alike. As always, we appreciate your time and interest in Chemical Financial Corporation. On that note, moderator, let's open the call up for questions.

Operator: Thank you sir. And to our audience today, if you'd like to ask a question at this time, please press Star 1 on your touch-tone telephone. Just a reminder, if you're joining us by a speakerphone today, make sure your mute function is turned off to allow the signal to reach our equipment. Once again, Star 1 for any questions and a voice prompt on your phone will indicate when your line is open. If you would please state your name and your company name before posing your question. And caller, please go ahead.

Scott Siefers: Hi, this is Scott Siefers at Sandler O'Neill.

David Provost: Hi Scott.

Scott Siefers: Morning guys. Quick question just on the loan growth. It sounds like the fourth quarter should evidence some seasonally stronger trends and then it sounds like you're pretty excited about the outlook overall as well. Just curious if you guys can talk to your ability as you go forward to generate the kind of double-digit annualized growth that's been pretty typical of you guys even in the face of deemphasizing areas like auto, in other words, from the outside is there going to be any noticeable impact on the aggregate growth rates even though the complexion of the portfolio will be changing?

Dennis Klaeser: Yes, you know our goal is to get to that double-digit. I think we're a bit, you know, if we get to 9%, 10% I think we would be pretty happy. I think a key focus of ours really is more the composition of the growth rather than really the absolute quantity. You know, we did note that for example that we deemphasize auto in prior quarters that was a key driver of growth in this third quarter it's contribution to growth has come down very significantly and particularly latter in the quarter and so going forward we expect to get a little impact in our growth from auto. So, you know, so 9%, 10% growth or so is kind of what we expect with a keen focus on really the quality of that growth rather than the quantity.

Scott Siefers: Okay, perfect. And then maybe Dennis if you could spend a moment just touching on the margin, a couple of puts and takes, I guess, on - and specifically I'm asking about the core margin, the purchase accounting benefits. So presumably you create a richer mix in the loan portfolio with the complexion change and then conversely you've got a couple of other things going on; one, the continued securities portfolio built over time and then, two, I'm just curious if as you emphasized deposits more that's going to have any more discernable impact on your funding costs?

Dennis Klaeser: Yes, I was actually quite pleased with the margin behavior here in the third quarter. I had guided to a little bit more compression and to see our margin basically really flat on a core basis I think was a very positive outcome and so I think we've got a little bit more benefit from the fed rate increase late in the second quarter than I was expecting. Additionally, when I look at the production of the, the new loan production, average rate on the new loan production is basically the same as the average rate on the existing portfolio and so that has changed much more quickly than I thought. I think last quarter I mentioned that new loan production had a - was about 15 basis points or so below existing loan yields so that improvement on yield on new loan production has benefited much more quickly than I thought.

And you're right, we do continue to expect to build our securities portfolio. We grew the portfolio by a bit more than $250 million in the third quarter. We had grown it $550 million in the second quarter. You know, right now I expect it to grow at least $100 million in the fourth quarter depending on how the yield curve environment shapes up here as we go to the end of the year. And I got a little bit more benefit than I expected as well because of the incremental increase in that yield portfolio so we're averaging up the yield on the portfolio but as we expand the size of the portfolio plus the - within the portfolio we do have some adjustable rate securities as well that incremented up nicely with the rising rate environment that we saw late in the second quarter going through the third quarter.

So there's a number of factors that are obviously pushing the margin but, you know, in general I see a relatively stable margin and I think that's a cautious outlook right now and as we get into 2018, you know, depending on whether we see additional rate moves or not, you know, that will continue to have a key impact on the direction of the margin going forward.

Scott Siefers: Okay, perfect. Thank you. And then just to clarify, when you say stable margin you're talking - you're not talking about the core margin right, like the four purchase (counting) benefits, is that correct?

Dennis Klaeser: Yes, yes.

Scott Siefers: Okay, perfect. All right, thanks a lot guys.

Dennis Klaeser: Thanks.

Operator: Caller, please go ahead.

Chris Mcgratti: Hi, good morning, it's Chris Mcgratti from KBW. Dennis maybe just start with the securities, I want to follow-up on Scott's question on the securities book of a hundred kind of in growth for the next quarter. What's the ultimate goal? Like how long is this strategy going to play out? I mean, is this a portfolio, just remind me the absolute level in dollars or percentage of earning assets that you want to take this to ultimately?

Dennis Klaeser: Yes, a couple of quarters ago I mentioned that our - the size of our securities portfolio was relatively low compared to peers. Additionally, from a regulatory standpoint, increasing the size of the portfolio also benefited some of my liquidity ratios and this is something that we're focused on particularly in a (de-fast) environment. And said our long-term goal was get the securities portfolio up to about 20% of total assets and at ballpark range. Year-over-year the securities portfolio has grown from about 10% of total assets to the end of the third quarter at about 14% of total assets. Frankly, it's going to grow very slowly from that level. It's going to take a very long time, probably a number of years to get to 20% of total assets but I would expect it to get there in two or three years and so - and gradually creep up each quarter.

And depending on the interest rate environment we could have a jump more quickly than that but, you know, given the current environment and the expected environment we see going forward, it's going to grow very gradually from its current level.

Chris Mcgratti: Okay, that's very helpful. And if I could ask a question on the expenses, obviously I think we're all pleased about the progress you're making really. I think there was a comment in the release about lower fourth quarter. I'm just trying to get a sense of - is that off the reported or adjusted for the merger charges only or is that adjusting for the $3 million of the tax, the write off. So is that - is that a 90 - what's the starting point, I guess, for Q3?

Dennis Klaeser: It's the number less the - it's the number less the impairment charge related to the tax credits is really the starting point and so we only got a partial quarter benefit from the restructuring and we would expect to have likely $3 million of additional benefit in the run rate from the restructuring in the fourth quarter.

Chris Mcgratti: So that would be like a 94-ish number, is that 95 or am I doing the math wrong?

Dennis Klaeser: Yes, so the 95.2, is what I see as the base number in the third quarter and I would expect it to be down another $2 million or $3 million so that would put it in the $93 million or even a little less than that range for the fourth quarter.

Chris Mcgratti: That's helpful, thank you for that. Just a question on capital. You know, your tangible ratios look good. It looks like your binding ratio is (the risk based). I'm interested in kind of the outlook given the balance sheet expectations for this ratio. Do you - (does this Q2) capital at some point make sense for the bank given the growth opportunities that are in front of you?

Dennis Klaeser: Yes, we do think so and I've commented on that before, fortunately in the third quarter we did - even though we had a restructuring charge, we did see - we - the total risk (based) capital creep up maybe a basis point and we do expect it to creep up another basis point or so in the fourth quarter. So there's no real pressure to go to the market and issue Tier 2 capital but we do see that a bit longer-term, you know, over the next two or three quarters. I think there's a growing probability that we're going to be issuing subordinated debt. Part of that is the optimistic outlook of continued strong organic growth.

Part of it is we - we always want to be prepared for acquisitions and also an important part of it is that when we look at the (de-fast) stressed test, that tells us that the capital ratio that gets at the lowest band of our target operating zone is that total risk based capital and so the (de-fast) would suggest that we could - we'd benefit by a little bit more cushion within the total risk-based capital ratio.

Chris Mcgratti: That's helpful, thank you so much. Maybe the last one on the tax rate, how should we be thinking about Q4 and kind of into 2018?

Dennis Klaeser: Sure. So, and also this is then related to the comment on the operating expenses. So we talked about what I see as really core operating expense item. In the fourth quarter we do expect another - there's a couple of historic tax credits that are going to go into effect and so in the fourth quarter we're going to again see this impact of we're going to have this charge related to the historic tax credit going into use but then it's going to be more than offset by a substantial tax benefit, benefiting us in the fourth quarter.

So that charge in the fourth quarter is going to add $5 million or $6 million in other operating expenses but then it's going to be more than offset by a tax benefit. The effective tax rate with that benefit is expected to be around 23%, 24% in the fourth quarter. When we look at 2018, I noticed that analysts in general, the consensus estimate of the effective tax rate for the full-year of 2018 is approximately 29% and that's right on. That's very appropriate. In 2018, we do have some of these historic tax credits benefitting us again, particularly in the second and third quarters, what we currently expect.

So the tax rate probably is going to be a little bit higher than 30%, maybe 31% or so in the first quarter but then it's going to dip down below 29% in the second and third quarter. But when you look at the full year, assuming a 29% effective tax rate probably is a reasonable way to model it knowing that there's going to be some volatility quarter-to-quarter depending on the timing of these tax credits.

Chris Mcgratti: That's very helpful, thanks. And just to be clear, the guidance you said of 93 for the expenses, that doesn’t include the $5 to $6 so that charge would be on top of that, correct?

Dennis Klaeser: Exactly. I also should note that in the fourth quarter we're going to have a little bit more restructuring expenses but our anticipation is that the fourth quarter will be the end of the noise caused by merger and restructuring expenses. And the restructuring expenses that we expect in the fourth quarter are going to be in the neighborhood of a million or a million and a half or so is primarily related to the final - the closure of those 25, the consolidation of those 25 branches that we talked about before.

So we've got the $5 million, $6 million of impairment charge related tax credits and a million and a half of merger and restructuring expenses.

Chris Mcgratti: Thanks for all of the color Dennis, appreciate it.

Dennis Klaeser: And we'll take the next question, please go ahead sir.

Dave Long: Hi, it's Dave Long from Raymond James.

Dennis Klaeser: Hi David.

Male: Hi David.

Dave Long: Wanted to talk maybe about M&A just for a minute here and maybe kind of gauge what your appetite is at this point going forward and how active you think the market will be within your markets in 2018?

Dave Provost: Well, we -- this is Dave Provost. We've seen a little pickup in activity. We're just a little concerned about the pricing and we haven't really gotten to second base on anything. We're just really concerned about the pricing and we have always been very value oriented in everything that we've done looking for what's going to create shareholder value. We're at a good asset size so we don't have to do a deal to do a deal. So if there's a right opportunity in the market, we will take a serious look at it.

Dave Long: Excellent. Appreciate that commentary. And then shifting gears, looking at the deposit betas here, maybe if you can talk a little bit about what you're seeing on deposit pricing and any differences in betas between your consumer versus your commercial customers at this point?

Dennis Klaeser: think our beta, we follow your research and other analysts do a lot of research on the betas across the industry and our betas have been a little bit higher than the peer group but not dramatically so. Clearly, as we drive strong loan growth we are needing to reach for a little bit higher costing deposits and some of our recent deposit promotions have been, as you'd expect, CD oriented. But then we try to round out that relationship with a new CD depositor with capturing their other retail deposit accounts.

So the deposit betas across the retail versus business, the business customers obviously are a bit more focused on their -- on the yields on their deposits. So the bets are going to be a little higher for the business customers versus the retail customers. I think one of the key attributes of Chemical Bank is that we have a very strong core deposit base driven by our fairly large retail branch network and then within the non-CD deposit base, about half of the deposits of our non-CDs are commercial and municipal depositors. And of those commercial and municipal depositors, nearly three-quarters of those deposits are non-interest bearing. So we've got a very solid foundation of non-interest bearing commercial and municipal deposit relationships. Those municipal deposits have a lot of cyclicality to them but we think that strong foundation of non-interest bearing deposits overall keeps our deposit betas at a reasonable level.

Dave Long: Excellent. Thanks for the color, Dennis. Thanks, guys.

Operator: And we'll move to the next question. Caller, please go ahead.

Nathan Race: Hey, guys. It's (Nate) Race with Piper Jaffray. How are you guys doing? Dennis just on the puts and takes with income this quarter, obviously, there have been ((inaudible)) there maybe a little more than folks were looking for. So just kind of walk us through the puts and takes there and if there was some seasonal items that could have impacted that line as well, or if some of the recent brands consolidations also impacted things there. And then wealth fees were also down noticeably linked quarter, so just any help on just the run rate from fees going forward would be helpful?

Dennis Klaeser: Just quickly on wealth, we always have some seasonal decline there. Just the tax season creates a spurt of fee income in the second quarter for us. So third and fourth quarter for wealth, we would expect to be relatively consistent. You're right, the Durban amendment impact was a bit higher than we expected. Back when we announced the merger, we had estimated more in the range of $2.5 million a quarter and so based on Durban going into effect July 1, the impact per quarter is going to be a bit more than $3 million per quarter.

In terms of mortgage banking, we had a very seasonally strong mortgage banking activity in the second quarter. That came down just seasonally in the third quarter. The fourth quarter is probably again going to come down a little bit in terms of the volume of gain on sale. Now, the noise created with MSR at least given how rates have gone up this quarter we should expect a positive benefit from the valuation impact on MSR. But obviously, it's hard to predict where rates will go between now and year-end. But right now, we would expect a positive impact from MSR valuation.

The various other fee items we would expect to be relatively consistent in fourth quarter relative to third quarter.

Nathan Race: Okay, got it. That's helpful. And in terms of accretion expectations for 2018, and I appreciate your commentary earlier around some higher payoff activity that drove the higher accretion number this quarter, but can you just help us understand what accretion expectations are for 2018 and into 4Q as well?

Dennis Klaeser: In the chart on Page 15, we showed that the accretion benefit incremented up to 23 basis points of our margin in the third quarter, up from 21 in the second quarter. That may increment up a little bit more in the fourth quarter but then as we get into 2018, I would expect that to gradually bleed down. It's something that's a little bit difficult to predict but I would expect that they very gradually move down a basis point, or two or so per quarter over a number of quarters.

Nathan Race: Got it. I appreciate all the color.

Operator: Just a reminder to the audience if you do have a question to please press star one. And caller, please go ahead.

Terry McEvoy: Hi, it's Terry McEvoy from Stephens. Tom, thanks for the update on the commercial build-out. I was wondering if you could maybe share your thoughts just on the number of teams or individuals you're looking to add or just the growth overall in that platform to capture the market share gains and ultimately grow revenue.

Tom: Sure. So the markets that we have lower market share in and I would say a skillset and capacity to grow and would be, again, Southeast, West, and West Michigan, and the Cleveland marketplace. Over the next four quarters, I think we can expect to add a couple of teams throughout those groups, ten bankers plus a little bit depending on type of people that we're able to attract. The conversations that we have going on today are with some very talented professionals that I think culturally would fit very nicely with our organization and add value to the customer base. In the plan that we have for the commercial side of the bank, it anticipates that not only the additional capacity through these hires will help with increasing the productivity of the existing team with some of the other activities that we have going on in the company.

So not only I think productivity will go up but additional capacity with senior bankers from the Midwest in market relationship officers.

Terry McEvoy: And then just a follow-up for Dennis. The $20 million of annualized costs savings, can you just remind me again what are your thoughts on what actually falls to the bottom line and then what actually drives what Tom was just discussing?

Dennis Klaeser: So the majority of that benefit on a quarterly run rate benefits us in the fourth quarter because we aren't offsetting much of it with additional hires. There's two or three additional hires that are going to partially offset that benefit in the fourth quarter and then as we get into the 2018 as we sort of build out the commercial lending team with the hires Tom talked about, additionally targeting some expansion with our residential mortgage lending, I had commented we announced that restructuring that upwards of half of the $20 million would be offset with these incremental hires. And so as we move towards the end of the year that quarterly benefit goes down from, say, $5 million benefit down to roughly $2.5 million benefit all else being equal.

Terry McEvoy: Great. Thank you.

Operator: Caller, please go ahead.

Andy Stapp: Good morning, Andy Stapp ((inaudible)). How much expense would be associated with the 2018 tax credits should we anticipate?

Dennis Klaeser: Good question. I don't have the exact answer. I think it's going to be at least $10 million, $15 million. But again, it should be more than offset by the tax benefit, reducing the tax rate in those quarters where we have that charge related to the historic tax credit.

Andy Stapp: Got it. And is there any more color you can provide on the impact of a possible December rate hike on the net interest margin?

Dennis Klaeser: Yes, good question and again the June rate hike had a little bit more benefit than I expected and so I do see some incremental benefit from the rate hike. I would not expect a substantial benefit. We've said before we're relatively neutral with our overall balance sheet so compared to other banks, the benefit is probably quite a bit more moderate than you see with other banking institutions.

Andy Stapp: Okay, fair enough. That's it for me.

Operator: And we'll take the next question. Caller, please go ahead.

Kevin Reebey: Kevin Reedy with D.A. Davidson. Dave or Tom can you talk about the competition for new lenders? I know some of your competitors in your market who will remain nameless are also trying to add lenders to grow their loan portfolios.

Dave Provost: So I think that at this far into an expansion, I think competition for customers, lenders is high. We've had an opportunity to talk to a tremendous amount of talent. As I think about the transition our organization has gone through, there is I think a significantly greater number of -- especially on the commercial side of the bank -- bankers from other institutions that have much more interest in our organization today and going forward. So the number of conversations that we're able to have has gone up.

When I think about the -- again the type of people that we're talking to and the markets that we're addressing for growth markets right now, I think we'll do well but the competition is real and the people that have very strong sales skills and relationship skills are highly sought after.

Kevin Reebey: And then Dennis can you talk about what line utilization was on your commercial portfolio was this quarter and what it was at the end of the prior quarter?

Dennis Klaeser: Frankly, it's a ratio that I have not been tracking, but why don't I -- so I'd only be guessing. So why don't I follow-up on that one?

Kevin Reebey: Okay, that's great. Thanks for the answers and the color.

Operator: Gentlemen, I have no additional questions at this time. Mr. Provost, I'll turn things back over to you, sir.

Dave Provost: Okay, great. Again, we appreciate your time and interest in Chemical Financial Corporation. We remain confident in our future success, working to the benefit of our shareholders and our constituents. So with that, let me close by saying just everybody have a great day. Thank you.

Operator: And ladies and gentlemen, once again that does conclude today's conference. Again, I'd like to thank everyone for joining us.