

The Banc Funds Company, L.L.C. (TBFC)
20 North Wacker Drive
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Mr. Charles J. Moore
President
312-855-6202

This brochure provides information about the qualifications and business practices of The Banc Funds Company, L.L.C. (TBFC) (the "Registrant" or the "firm"). If you have any questions about the contents of this brochure, please contact us at 312.855.6202. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The Banc Funds Company, L.L.C. is a Registered Investment Adviser. This registration does not imply a certain level of skill or training.

Additional information about TBFC also is available on the SEC's website at www.adviserinfo.sec.gov.

MATERIAL CHANGES (Item 2)

TBFC is providing this information as part of our annual updating amendment to our Form ADV Part 2A (the "Brochure"), which contain material changes to Items 9 and 12 from our 2015 annual update.

The Brochure for TBFC is available by contacting:

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ADVISORY BUSINESS (Item 4)

TBFC was founded by Charles J. Moore, its President, in 1986. Mr. Moore is the principal owner of the Registrant. The Registrant provides investment advisory services on a discretionary basis to Banc Fund VII L.P. ("Fund VII"). The general partner of Fund VII is an affiliate of the Registrant. The Registrant advises Fund VII through the Registrant's role and position as the general partner of its affiliate associated with Fund VII. The Registrant provides investment advisory services on a discretionary basis to Banc Fund VIII L.P. ("Fund VIII"). The general partner of Fund VIII is an affiliate of the Registrant. The Registrant advises Fund VIII through the Registrant's role and position as the general partner of its affiliate associated with Fund VIII. Additionally, the Registrant provides investment advisory services on a discretionary basis to Banc Fund IX L.P. ("Fund IX"). The general partner of Fund IX is an affiliate of the Registrant. The Registrant advises Fund IX through the Registrant's role and position as the general partner of its affiliate associated with Fund IX. Collectively, Fund VII, Fund VIII, and Fund IX will be referred to as "the Funds" and each a "Fund".

The primary investment objective of each Fund is to invest in the financial services industry through investments in subregional banks, thrifts, and other companies offering financial services. This may include insurance companies, securities brokerage companies, leasing, and finance companies. The Partnership may invest in insurance contracts, and also in companies that provide business services to banks and other financial companies. The Funds must limit their investments outside the United States to not more than 10% of its portfolio. Investments in any instruments used for hedging purposes are similarly limited to 10% of the portfolio. As of December 31, 2016, TBFC had \$2,417,000,000 of discretionary assets under management.

Information regarding each Fund's operations and investment strategies is delivered in conjunction with each Fund's Private Placement Memorandum, Limited Partnership Agreement, and Subscription Agreement (the "Governing Documents"). The information contained herein is only intended to be a summary of the information applicable to the Funds, and does not contain all of the terms and conditions in such documents.

FEES AND COMPENSATION (Item 5)

Management fees for Fund VII, Fund VIII, and Fund IX are based upon the paid-in capital in each of the Funds. These fees are billed and payable in arrears on a monthly basis, subject to reconciliation at the end of each fiscal year. These fees are set forth in the Partnership Agreement for each Fund; do not change during the life of the Fund unless a Fund's wind-up is extended, and are not negotiated with individual investors. The General Partner reserves the right under certain circumstances to modify those fees.

In addition, each Fund is charged a performance fee which is based upon the performance of the assets under management. Management and performance fees are computed and charged according to the following:

Fund VII:

Management Fee: 5% of the first \$20 million of actual paid-in capital, 1.79% of the next \$280 million of actual paid-in capital, and 2.00% of actual paid-in capital in excess of \$300 million. After the later of December 31, 2012, or the fiscal date at which the aggregate amount of unreturned paid-in capital contributions of the Fund's partners, plus any undistributed balances allocable to the general partner, total an amount which is less than 40% of the total paid-in capital, the Management Fee shall be reduced to 70% of the amount payable pursuant to the formula above. Such reduction will be effective for fiscal years subsequent to the year in which such threshold was achieved. Thereafter, upon the fiscal date at which the aggregate amount of unreturned paid-in capital contributions of the Fund's partners, plus any undistributed balances allocable to the general partner, total an amount which is less than 20% of the paid-in capital contributions, the Management Fee shall be reduced to 50% of the amount payable pursuant to the formula above. Such reduction will be effective for fiscal years subsequent to the year in which such threshold was achieved.

Following the final calculation of the management fee at the end of each fiscal year, Registrant is paid any management fee to which it is entitled in excess of the monthly payments received, or Registrant refunds any excess payment it received in monthly management fees which exceed the final management fee.

Performance Fee: The performance fee accrued to Registrant in each fiscal year of Fund VII is equal to 20% of (1) the excess (if any) of the cumulative total of realized capital gains since the inception of Fund VII through the end of the fiscal year in question over the cumulative total of realized capital losses since the inception of Fund VII, minus (2) the excess (if any) of any realized depreciation of Fund VII at the end of the fiscal year in question over any unrealized appreciation of Fund VII at the end of the fiscal year in question.

The performance fee may not be paid until after December 31, 2012, and only after the limited partners of Fund VII have received distributions from Fund VII equal to 100% of their total contributions to Fund VII. The amount of the performance fee paid, if this contingency is satisfied prior to the termination of Fund VII, is limited to 75% of the total calculated performance fee until immediately prior to, or at, the termination of Fund VII. At that time, the 25% balance of the performance fee, if applicable, is payable.

Fund VIII:

Management Fee: 5% of the first \$20 million of actual paid-in capital, 1.79% of the next \$280 million of actual paid-in capital, and 2.00% of actual paid-in capital in excess of \$300 million. After the later of December 31, 2015, or the fiscal date at which the aggregate amount of unreturned paid-in capital contributions of the Fund's partners, plus any undistributed balances allocable to the general partner, total an amount which is less than 40% of the total paid-in capital, the Management Fee shall be reduced to 70% of the amount payable pursuant to the formula above. Such reduction will be effective for fiscal years subsequent to the year in which such threshold was achieved. Thereafter, upon the fiscal date at which the aggregate amount of unreturned paid-in capital contributions of the Fund's partners, plus any undistributed balances allocable to the general partner, total an amount which is less than 20% of the paid-in capital contributions, the Management Fee shall be reduced to 50% of the amount payable pursuant to the formula above. Such reduction will be effective for fiscal years subsequent to the year in which such threshold was achieved.

Following the final calculation of the management fee at the end of each fiscal year, Registrant is paid any management

fee to which it is entitled in excess of the monthly payments received, or Registrant refunds any excess payment it received in monthly management fees which exceed the final management fee.

Performance Fee: The performance fee accrued to Registrant in each fiscal year of Fund VIII is equal to 20% of (1) the excess (if any) of the cumulative total of realized capital gains since the inception of Fund VIII through the end of the fiscal year in question over the cumulative total of realized capital losses since the inception of Fund VIII, minus (2) the excess (if any) of any realized depreciation of Fund VIII at the end of the fiscal year in question over any unrealized appreciation of Fund VIII at the end of the fiscal year in question.

The performance fee may not be paid until after December 31, 2015, and only after the limited partners of Fund VIII have received distributions from Fund VIII equal to 100% of their total contributions to Fund VIII. The amount of the performance fee paid, if this contingency is satisfied prior to the termination of Fund VIII, is limited to 75% of the total calculated performance fee until immediately prior to, or at, the termination of Fund VIII. At that time, the 25% balance of the performance fee, if applicable, is payable.

Fund IX:

Management Fee: 2% of actual paid-in capital. After the later of December 31, 2021, or the fiscal date at which the aggregate amount of unreturned paid-in capital contributions of the Fund's partners, plus any undistributed balances allocable to the general partner, total an amount which is less than 40% of the total paid-in capital, the Management Fee shall be reduced to 70% of the amount payable pursuant to the formula above. Such reduction will be effective for fiscal years subsequent to the year in which such threshold was achieved. Thereafter, upon the fiscal date at which the aggregate amount of unreturned paid-in capital contributions of the Fund's partners, plus any undistributed balances allocable to the general partner, total an amount which is less than 20% of the paid-in capital contributions, the Management Fee shall be reduced to 50% of the amount payable pursuant to the formula above. Such reduction will be effective for fiscal years subsequent to the year in which such threshold was achieved.

Following the final calculation of the management fee at the end of each fiscal year, Registrant is paid any management

fee to which it is entitled in excess of the monthly payments received, or Registrant refunds any excess payment it received in monthly management fees which exceed the final management fee.

Performance Fee: The performance fee accrued to Registrant in each fiscal year of Fund IX is equal to 20% of (1) the excess (if any) of the cumulative total of realized capital gains since the inception of Fund IX through the end of the fiscal year in question over the cumulative total of realized capital losses since the inception of Fund IX, minus (2) the excess (if any) of any realized depreciation of Fund IX at the end of the fiscal year in question over any unrealized appreciation of Fund IX at the end of the fiscal year in question.

The performance fee may not be paid until after December 31, 2021, and only after the limited partners of Fund IX have received distributions from Fund IX equal to 100% of their total contributions to Fund IX. The Registrant may receive an earlier partial distribution with respect to such performance fees to the extent necessary to pay any income tax liabilities.

Fee Billing

Fees are deducted from Fund assets monthly in arrears, subject to end-of-year reconciliation, as discussed above.

Other Fees

The Funds also pay fees for organizational costs, accounting fees, custodial and professional services including annual audit expenses, tax return preparation, and legal fees associated with its investment activities. Fees are not paid in advance.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT (Item 6)

As stated in TBFC's response to Item 5, TBFC, receives the same type of performance-based fee from all of the Funds. Since all of the Funds provide the opportunity for the Registrant to receive performance-based fees, the Registrant does not have an incentive to favor one Fund over another Fund as a result of differing fee structures.

TYPES OF CLIENTS (Item 7)

The Funds are the Registrant's only direct clients. Each Fund is a privately-offered fund organized as an Illinois limited partnership.

Description

Each Fund has a minimum dollar value for admission as a limited partner, which minimums are specified in each Fund's Governing Documents. Individual investors in the Funds must be "accredited investors" as defined under Regulation D of the Securities Act of 1933, "qualified clients" under the rules under the Investment Advisers Act of 1940, and "qualified purchasers" under the Investment Company Act of 1940. Current investors include high net worth individuals, single family offices, pension and profit sharing plans, charitable organizations, state or municipal government entities, pooled investment vehicles, as well as other corporations or businesses.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS (Item 8)

The Funds primarily invest in U.S.-based, subregional financial service companies. The Registrant defines "subregional" as operating locally, and generally not across a state or an entire region; and "financial service company" as a commercial bank, savings & loan, securities broker, insurance company, asset manager, or any company that has finance as its principle business. While the Funds have invested broadly in financial services companies, over 90% of the Funds' invested capital has gone to depository companies.

The Registrant endeavors to control risk, analyze companies, and select investments through investigation of a

prospective investment's balance sheet, business strategy, performance history, and by monitoring other factors such as competition, the level of interest rates, the shape of the yield curve, and the strength of the local and regional economy.

The Registrant's due diligence focuses on the loan portfolio, the lending function, asset-liability management, corporate management, franchise value, and market position of potential investments. One or more of the Registrant's analysts, assisted and supported by one or more of the Registrant's managers, conducts due diligence on each potential Fund investment. The core of our due diligence has remained constant, in part because we are investing in the same industry, and have had limited turnover in management personnel.

As equity investors in smaller companies, there are risks from changes in local economies which may or may not be influenced by (and/or move with or against) broader macro-economic trends. The securities which the Funds purchase have limited liquidity.

An investment in the Funds is subject to many of the risks that one encounters in any private equity fund, including the investor's limited ability to sell, transfer, or liquidate the investment; the limited rights of investors with respect to management control or investment strategy; the reliance upon Fund management (including the Registrant, its affiliates, and their personnel) for virtually all investment and management decisions; the risks inherent in the types of permissible investments, including restricted or thinly traded securities, derivative securities and non-traditional investments; and the lack of registration under the Securities Act of 1933, the Investment Company Act of 1940, and any applicable state securities laws. Investing in securities involves the risk of loss that investors should be prepared to bear.

In addition, the Funds investment returns will depend upon a number of factors, including without limitation: the profitability of various financial service industries; the performance of local economies, the ability of Fund management to perform successful due diligence, to identify value for Fund investments, and to exit those investments; risks inherent to smaller capitalized issues, including typically more limited business operations and financial resources; the ability of portfolio company managers to

execute their business plans; the robustness of the industry consolidation; competition in the financial services industry; corporate governance and internal control issues, and fraud relating to portfolio companies which may affect financial service companies.

As the Funds will invest primarily in U.S.-based financial service companies, the Funds and their investors will encounter risks specific to that industry, including, without limitation: regulators who may impose new or different rules; the application of FASB Fair Value; shifts or volatility in interest rates; interest rates that are extremely high or low; a flat or inverted yield curve that hurts operating earnings, or volatile housing and mortgage markets. The concentration of the Funds investing in this sector may magnify the above-mentioned risks.

Companies in each segment of the financial services industry are subject to different pressures and different opportunities. Some of the types of businesses in which current Funds may invest, are commercial banking, savings & loan associations, savings banks, insurance, security brokerage, commercial finance, consumer finance, investment banking, and asset management.

While The Banc Funds generally invest in small subregional companies, portfolio valuations can suffer when larger financial service companies experience pronounced valuation volatility; when other financial service businesses experience operating difficulties, or when there is a global credit crunch. The summer of 2007 is a good example of these risks. While the Funds did not have investments in large or medium-sized banks, nor did they invest in subprime mortgages or in mortgage banking companies, the valuation of Fund portfolio companies declined along with these other financial service companies.

DISCIPLINARY INFORMATION (Item 9)

Registrant has not been involved in any legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of its advisory business or the integrity of its managements.

Subsequent Event: In January, 2017, Registrant made an offer to cease and desist from making a political contribution in violation of Section 206(4) of the Advisers

Act and Rule 206(4)-5. The SEC censored the Registrant and imposed a \$75,000 fine. The Registrant did not admit to any guilt; retrieved its \$1,000 political contribution, and paid the fine.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (Item 10)

Neither TBFC, nor any employee of TBFC, L.L.C is actively engaged in business as a broker-dealer, a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Registrant does not have any relationship or arrangement with any of the following entities: broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or, except for the Funds, any other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), other investment adviser or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships.

TBFC, does not recommend or select other investment advisers for its clients. No person associated with TBFC, has been involved in any disciplinary event relating to the advisory business.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING (Item 11)

TBFC has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 which is predicated on the principle that TBFC owes a fiduciary duty to its clients. Accordingly, employees of TBFC must avoid activities, conflicts of interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. Employees are required to comply with the Federal Securities Laws and the rules governing the capital markets. Employees must obtain preclearance from TBFC's Chief Compliance Officer ("CCO") before placing trades in IPOs, private placements or securities that fall

within TBFC's investable universe. The Code also requires employees to report transactions and holdings in reportable securities to the CCO. TBFC will provide a copy of its Code to any investor, or prospective investor upon request.

Additionally, the Code of Ethics contains policies regarding insider trading, proxy voting, contingency and disaster recovery, records retention, receipt of gifts, and political and charitable contributions.

In 2016, TBFC was one of many parties who sponsored an event for the Northwestern Memorial Foundation. Northwestern HealthCare is a limited partner in Banc Fund IX.

BROKERAGE PRACTICES (Item 12)

TBFC does not select or recommend broker-dealers solely in exchange for research and other soft dollar benefits nor does the Registrant consider client referrals from a broker-dealer. However, TBFC selects brokers based on several factors, including, but not limited to: price; liquidity or access to buyers and sellers; research; investment ideas (including the recommendation of purchases or sales of portfolio securities); commission rates; and market information. TBFC may pay to a broker commissions and mark-ups that exceed those that another broker might charge for effecting the same transaction because of the value of the brokerage, research, and other services that such broker provides. TBFC determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, and other services, in terms of either the specific transaction or TBFC's overall fiduciary duty. A client may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. TBFC may have an incentive to select or recommend a broker based on TBFC's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. To mitigate this potential conflict of interest, TBFC has established a Best Execution Committee to periodically evaluate various factors related to broker execution.

Registrant does not recommend, request, require, or permit a client to direct brokerage transactions for its account to any specific broker.

However, because there are a limited number of brokerage firms making markets in securities in which the Funds invest, Registrant has a limited number of brokerage firms with whom it can do business. The Registrant uses its best efforts to seek best execution for its clients within the limited field of brokerage firms making markets in securities in which the Funds invest.

Registrant aggregates the purchase or sale of securities for client accounts when market conditions are liquid enough to permit such aggregation.

On those occasions when liquidity is severely limited, Registrant will utilize TBFC's most common allocation methods when allocating a transaction between Funds.

REVIEW OF ACCOUNTS (Item 13)

All of Registrant's accounts are reviewed regularly, but in no case less than monthly, by Charles J. Moore, the primary portfolio manager.

Each Fund provides a statement of portfolio account status, and the Funds together provide a management letter to their investors. Registrant delivers these written reports to the respective Fund's investors on a quarterly basis, and meets with each Fund's investors annually.

CLIENT REFERRALS AND OTHER COMPENSATION (Item 14)

TBFC does not receive economic benefits from non-clients, and therefore, does not have any related conflicts of interest.

Registrant does not compensate any person for client referrals.

CUSTODY (Item 15)

TBFC is deemed to have custody of the Funds' assets as the general partners of the Funds are affiliated with TBFC. Each Fund is audited annually in compliance with generally accepted accounting principles (GAAP) and the audited financial statements are delivered to the investors in each Fund within 120 days of each Fund's fiscal year end.

INVESTMENT DISCRETION (Item 16)

TBFC, has discretionary authority to manage securities accounts on behalf of its clients, subject to the following restrictions. Each Fund's Partnership Agreement restricts investments to companies in certain industries as well as the amount of investing in foreign companies, and each Fund's offering letter may discuss certain other investment limitations as well. Further, various securities, tax and other laws, including, but not limited to, the Bank Holding Companies Act of 1956 (as amended) and the rules and regulations thereunder, may place additional restrictions on the types of investments that the Registrant may make on behalf of its clients.

Each Fund investor signs a Subscription Agreement and a Partnership Agreement acknowledging Registrant's discretionary authority with respect to the Fund. Additionally, if a Fund investor is an entity, it also furnishes a corporate resolution or other appropriate documents demonstrating authority to enter into this investment in the Fund.

INVESTMENT ALLOCATION BY FUND

Since the advent of Banc Fund III in 1993, TBFC has been making investments for 2-3 Banc Funds simultaneously. From time to time, more than one Fund may have capital available to invest which, in turn, necessitates a decision on how to allocate a new investment across those Funds. Because each Fund is in a different stage of its life, the need to allocate is often greatly reduced. For example, the oldest Fund is usually in wind-up or on the cusp of wind-up. The middle Fund is usually fully invested, so frequently, it is only the youngest or newest Fund that has capital. What causes an allocation decision is when the middle Fund has had recent investment exits and is reinvesting capital.

The general allocation rule is to allocate an investment according to the dollar amount of uninvested capital in the newest Fund relative to the uninvested capital in the middle Fund. So for example, if the newest Fund has \$500 million of uninvested (including uncalled capital) and the middle Fund has \$4 million to reinvest, then the new Fund will receive almost all of a new investment. The middle Fund will receive a small allocation, primarily to work down its cash balance. As a general matter, the newest Fund receives

the predominant share of all investments until it is more than 50% invested.

As the youngest Fund gets more invested, more variables may affect allocation decisions. For example, if TBFC makes a new \$10 million investment, and the newest Fund has \$100 million to invest while the middle Fund has \$20 million to invest, TBFC will consider a series of factors in making the allocation decision. An important factor is the expected realization time on the new investment. If that timeframe is four year, and the middle Fund is to wind-up in two years, then 100% of the new investment will go to the newest Fund as the realization date is past the wind-up date for the middle Fund.

VOTING CLIENT SECURITIES (Item 17)

TBFC, as a matter of policy and as a fiduciary to its clients, has responsibility for voting proxies for portfolio securities consistent with the economic interests of its clients.

As required by SEC Rule 206(4)-6, the Registrant has adopted procedures to implement the firm's proxy voting responsibility. The Registrant periodically reviews its actual proxy voting to ensure the firm's policy is observed and implemented.

Upon a client's request the Registrant will furnish to the requesting client, without charge, (a) a copy of the Proxy Voting Policy and/or (b) information about how the Registrant voted with respect to such client's securities. The Registrant also maintains a summary of the current year's proxy votes.

FINANCIAL INFORMATION (Item 18)

TBFC, does not require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance.

TBFC, has discretionary authority over client securities; however, no financial condition currently exists that the Registrant believes is reasonably likely to impair its ability to meet its contractual commitments to clients.

TBFC has never been the subject of a bankruptcy petition.