



MIDWEST BANK QUARTERLY 4Q16 REVIEW

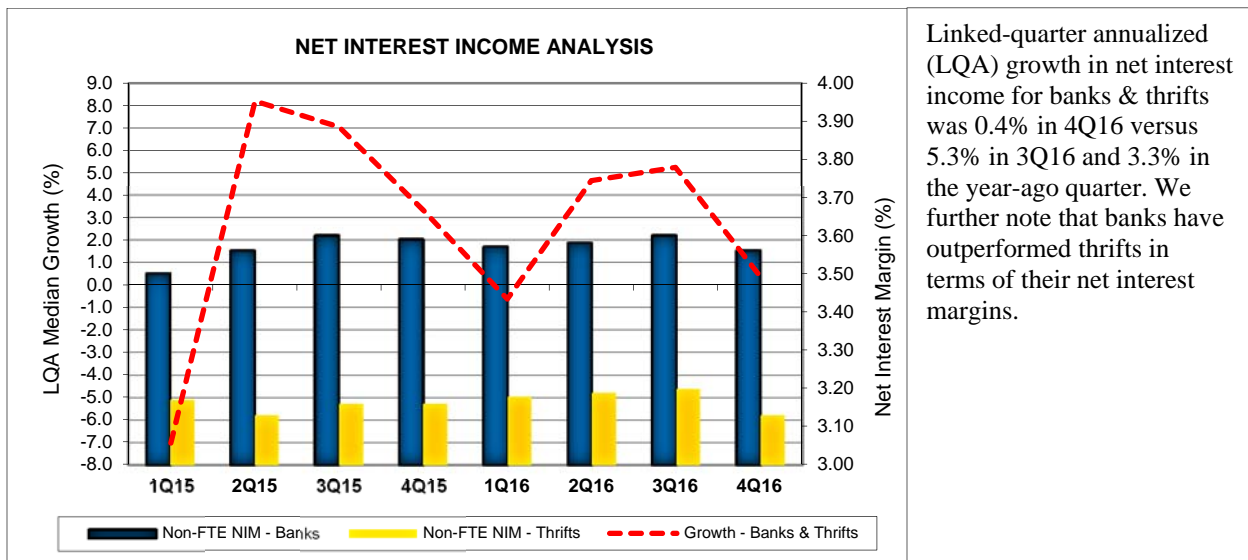
Banks

Analyst: Andrew W. Stapp
502-588-4190 / astapp@hilliard.com
Associate Analyst: Tyler Agee
502-588-8686 / ragee@hilliard.com
Institutional Sales Desk: George Moorin
502-588-9141 / gmoorin@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
February 8, 2017

FINANCIAL REVIEW

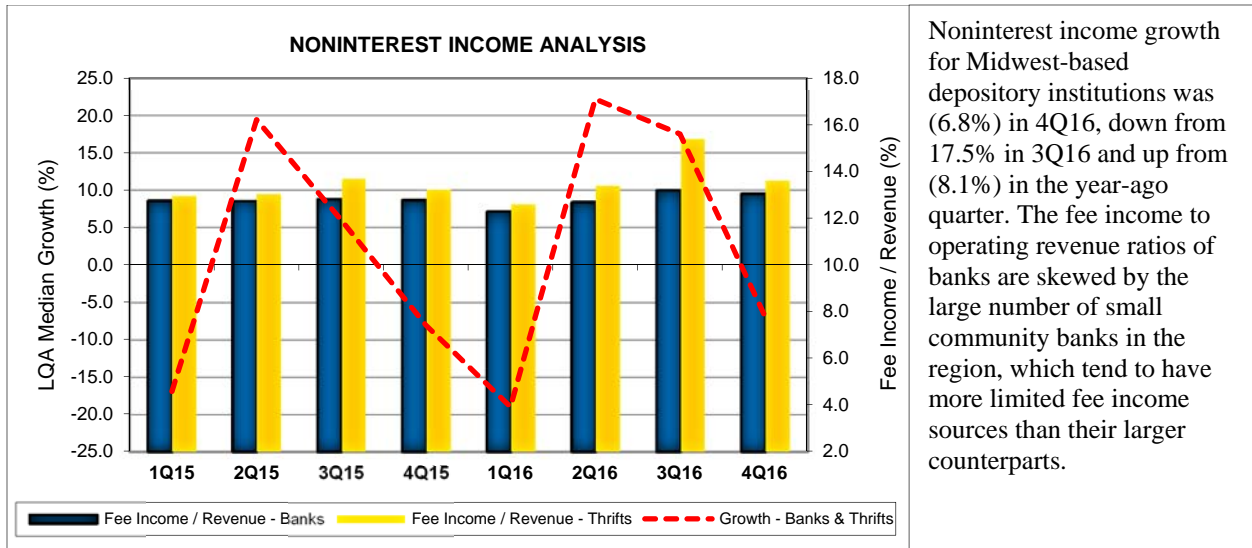
This section presents financial trends realized by the 2,743 financial institutions (2,340 banks and 403 thrifts) headquartered in the Midwest based on regulatory data provided by SNL Financial. The section contains the following subcategories: Income Statement Trends, Asset Quality Trends and Balance Sheet Trends. Unless otherwise noted, data is presented on a median annualized basis. Please note that growth and other statistics can be influenced by acquisition activity.

Income Statement Trends

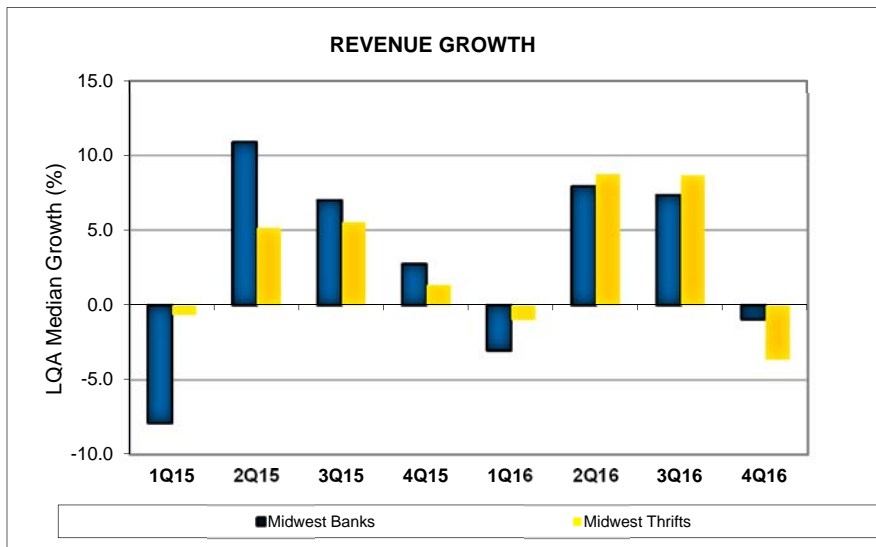


To obtain important disclosure information regarding Hilliard Lyons' rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to RsLib@hilliard.com, or go online to <http://hilliard.com/site/market-info/research-disclosures.html>. Requests should include the name and date of this report and a list of companies for which the disclosure information is requested.

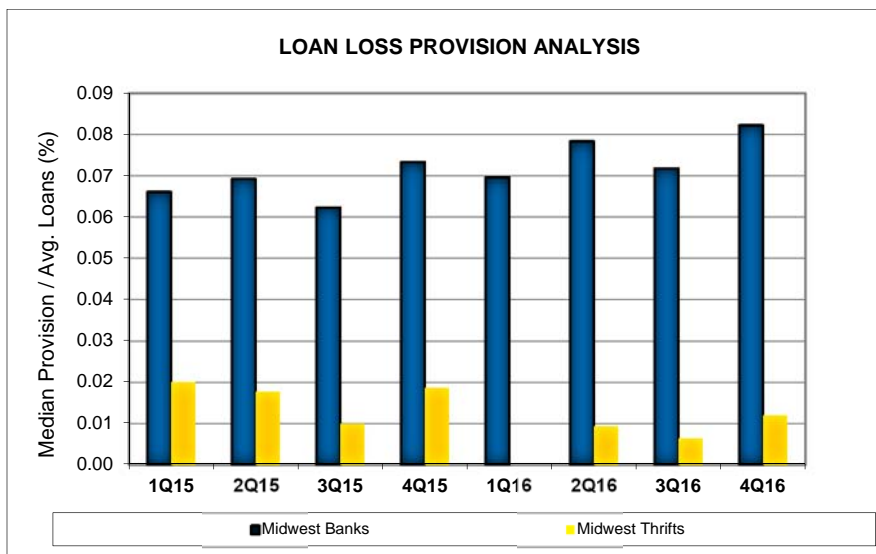
Note Important Disclosures on page 10
Note Analyst Certification on page 10



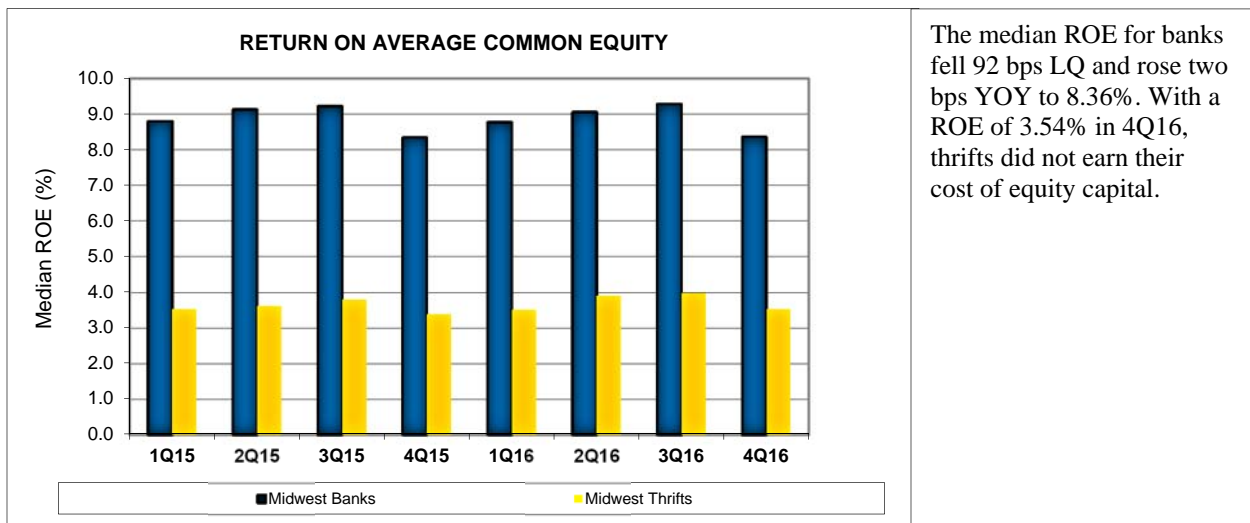
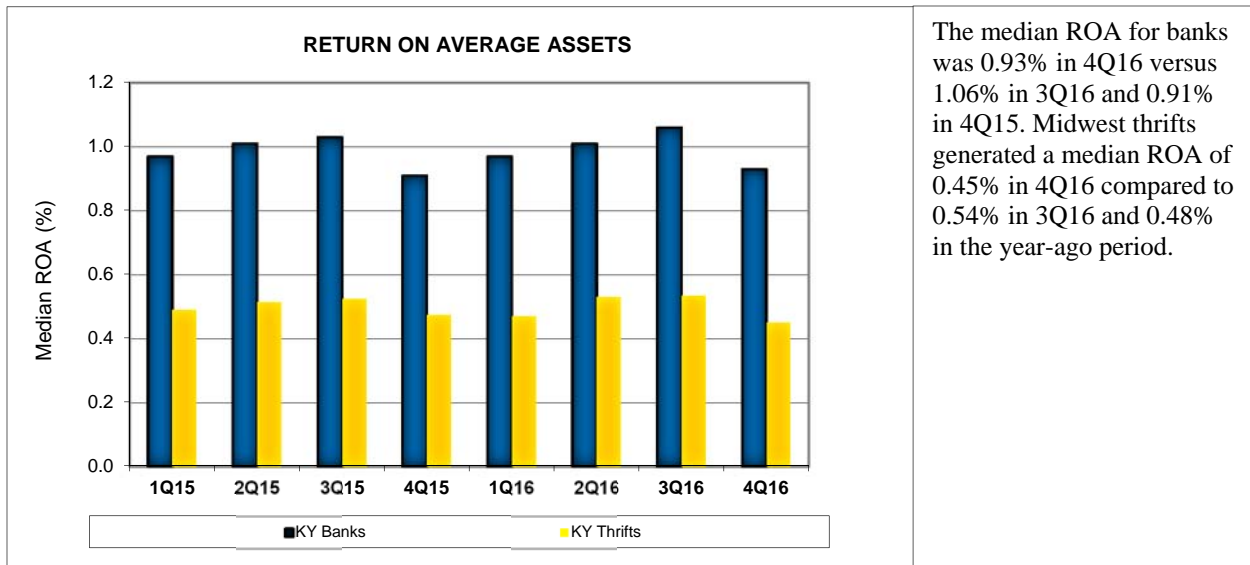
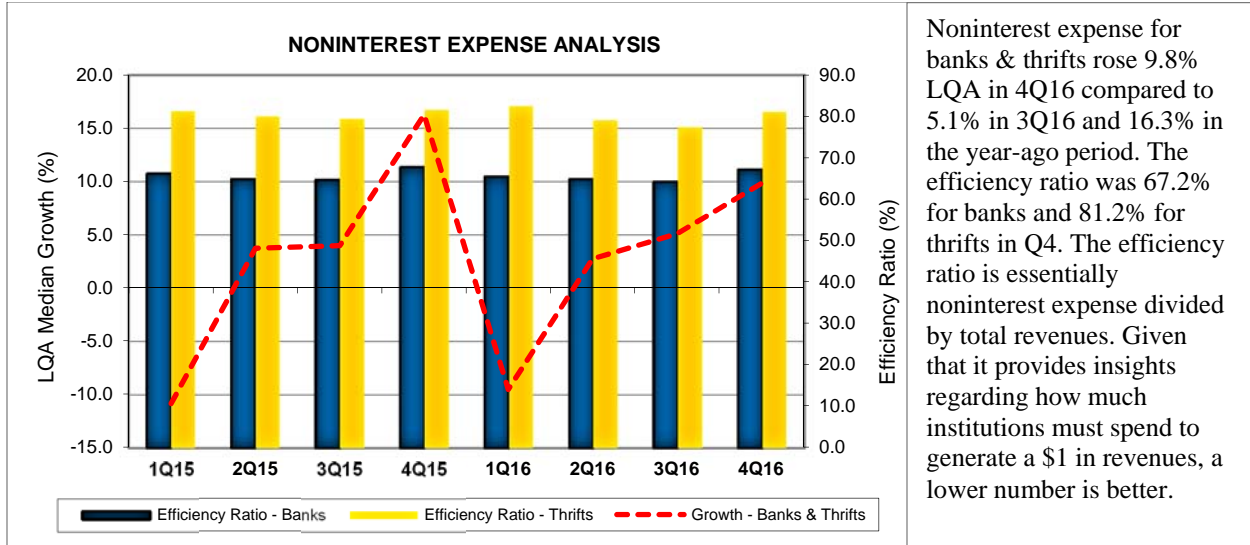
Noninterest income growth for Midwest-based depository institutions was (6.8%) in 4Q16, down from 17.5% in 3Q16 and up from (8.1%) in the year-ago quarter. The fee income to operating revenue ratios of banks are skewed by the large number of small community banks in the region, which tend to have more limited fee income sources than their larger counterparts.



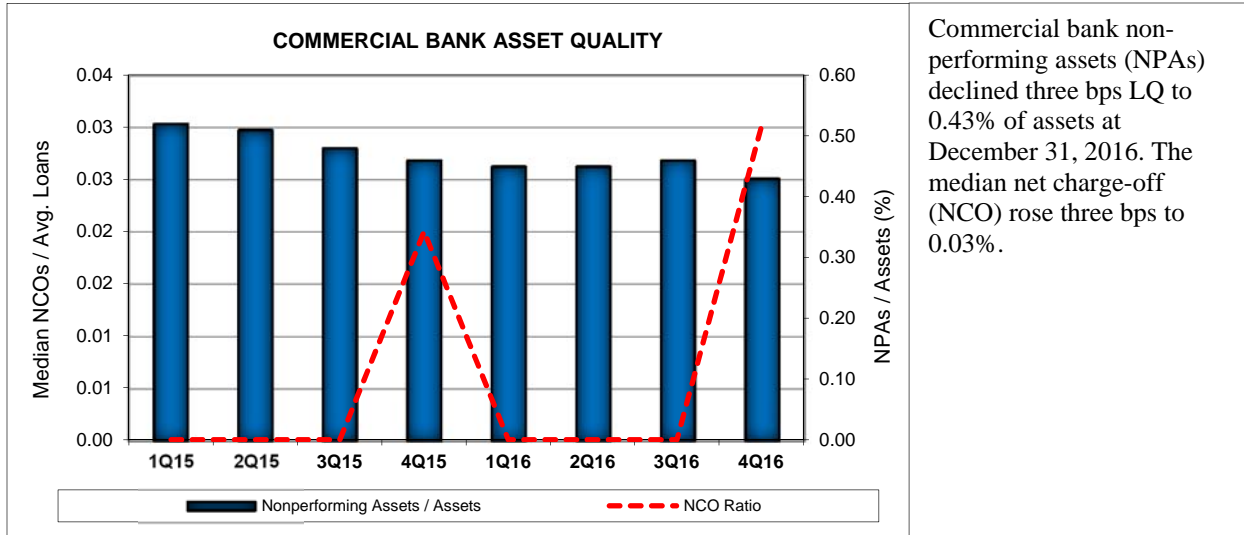
Total revenues (net interest and noninterest income) for Midwest banks fell (0.9%) on a LQA basis in 4Q16 versus increases of 7.3% in 3Q16 and 2.7% in 4Q15. Thrifts realized growth of (3.6%), 8.7%, and 1.3% in 4Q16, 3Q16 and the year-ago period, respectively. Revenue growth in the first quarter of each year is typically the weakest for both banks and thrifts.



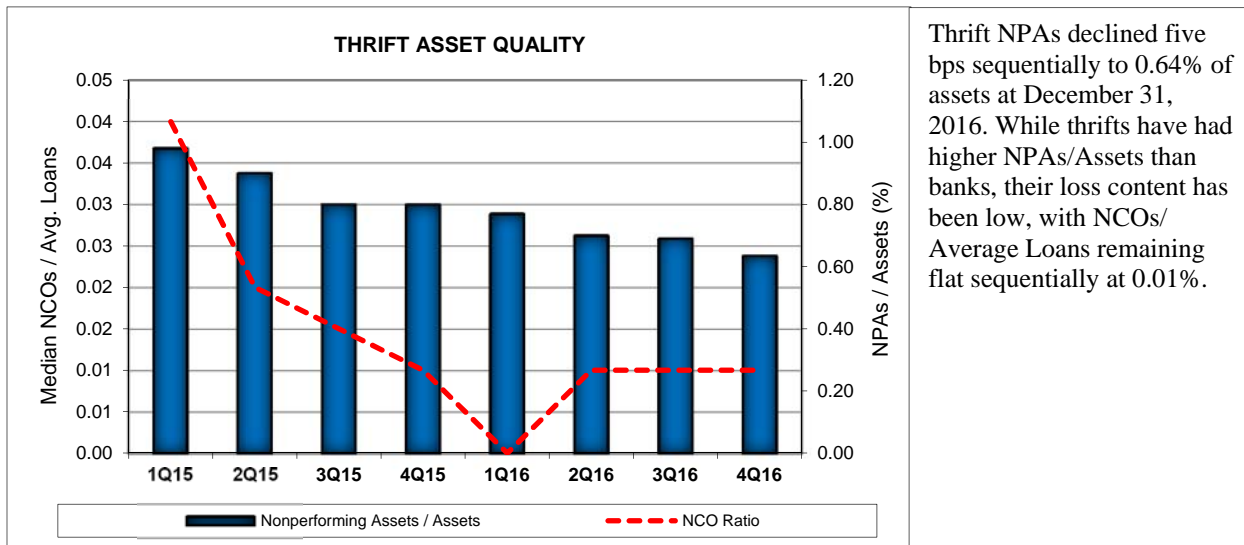
Loan loss provisions as a percentage of average loans rose one bp sequentially for banks to 0.08% and remained flat at 0.01% for thrifts in Q4.



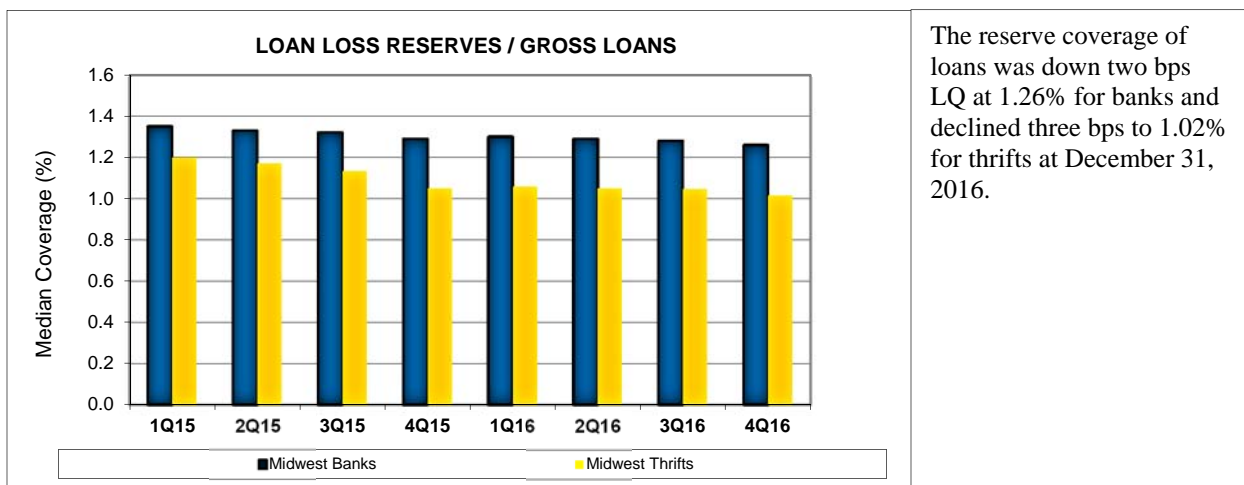
Asset Quality Trends



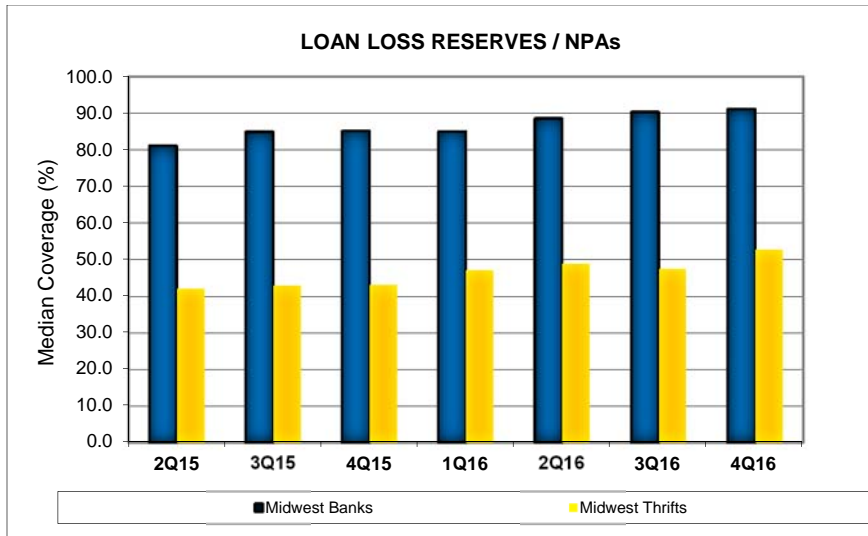
Commercial bank non-performing assets (NPAs) declined three bps LQ to 0.43% of assets at December 31, 2016. The median net charge-off (NCO) rose three bps to 0.03%.



Thrift NPAs declined five bps sequentially to 0.64% of assets at December 31, 2016. While thrifts have had higher NPAs/Assets than banks, their loss content has been low, with NCOs/Average Loans remaining flat sequentially at 0.01%.

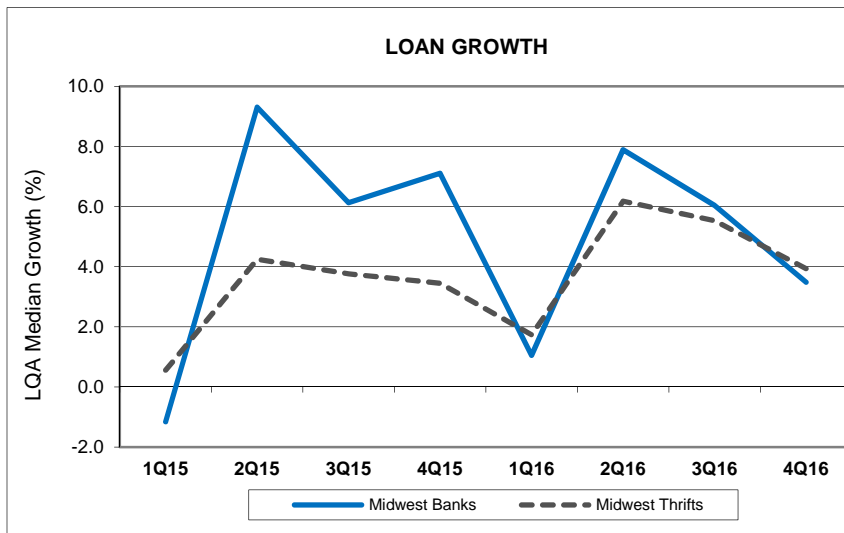


The reserve coverage of loans was down two bps LQ at 1.26% for banks and declined three bps to 1.02% for thrifts at December 31, 2016.

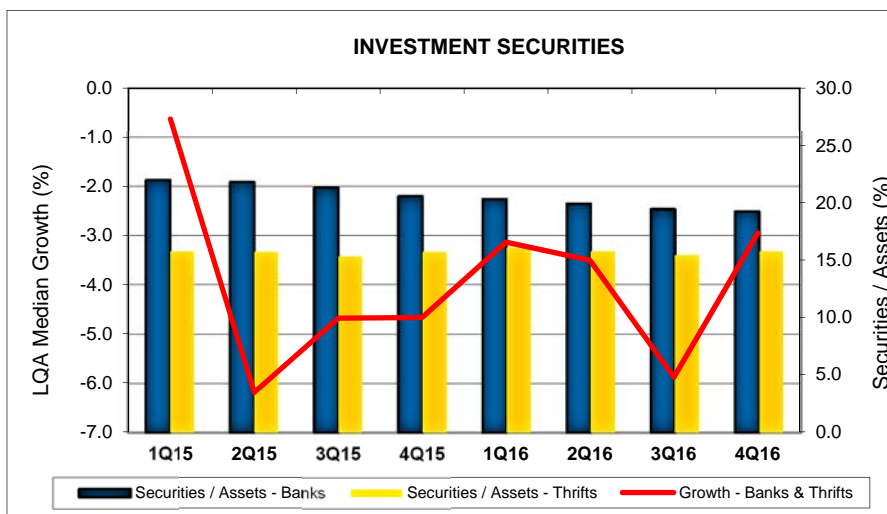


The reserve coverage of NPAs for Midwest banks rose to 91.1% at the end of 4Q16 from 90.3% at September 30, 2016. The NPA coverage for thrifts rose to 52.7% at December 31, 2016 from 47.5% at the end of 3Q16.

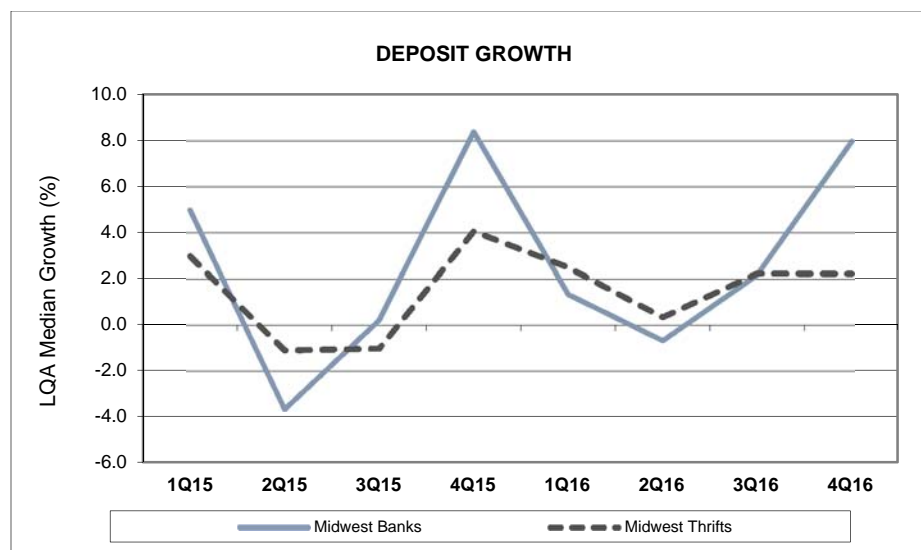
Balance Sheet Trends



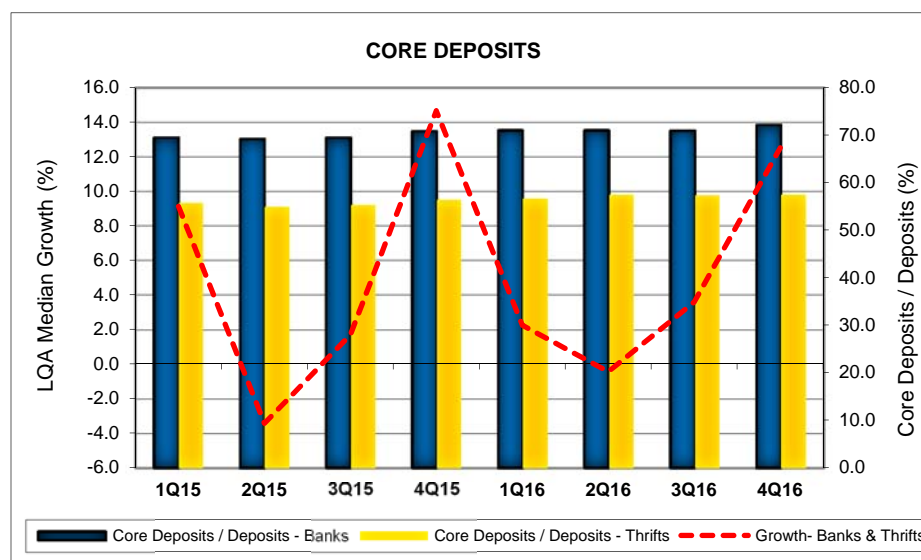
Midwest banks realized a LQA increase in loans of 3.5% in 4Q16 versus growth of 6.0% in 3Q16 and 7.1% in 4Q15. Loan growth for thrifts was 3.9%, 5.5% and 3.5%, respectively, during these periods. Loan growth tends to be seasonally weak for depository institutions in the first quarter of each year.



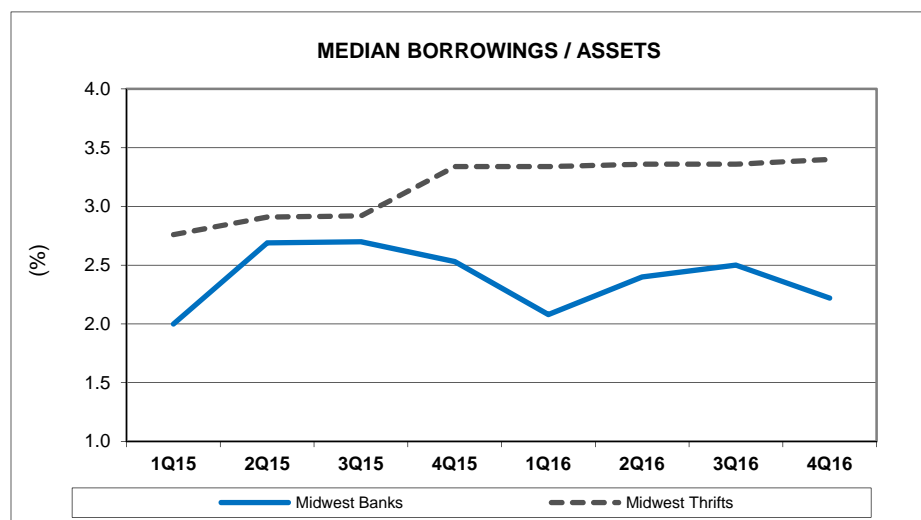
Total securities of Midwest banks & thrifts fell (2.9%) in 4Q16 versus declines of (5.9%) in 3Q16 and (4.7%) in the year-ago period. Securities comprised 19.2% of bank assets and 15.7% of thrift assets at December 31, 2016.



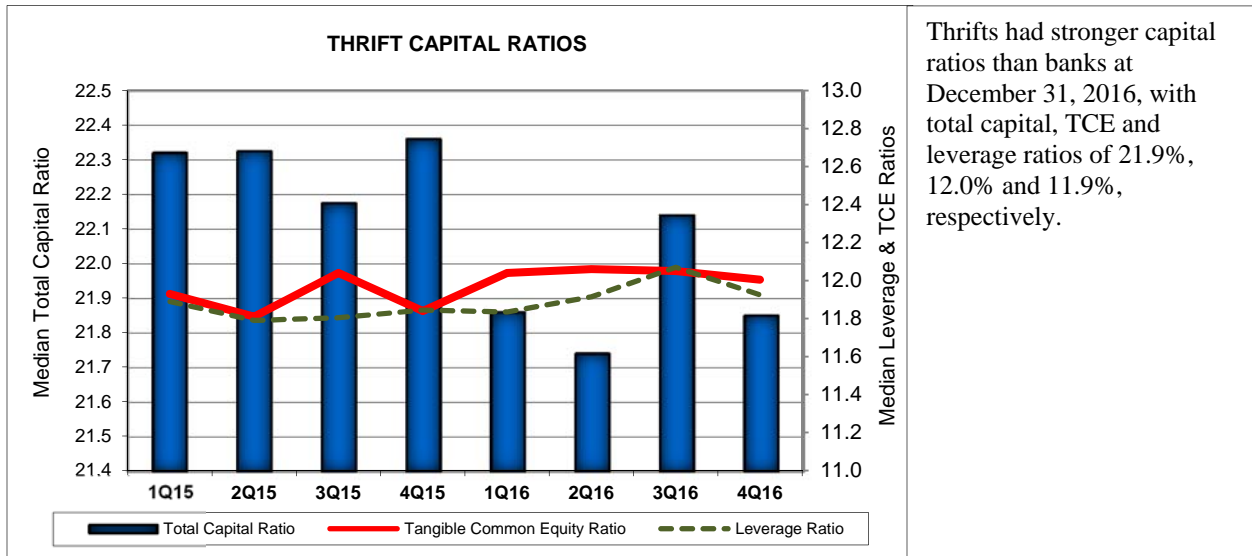
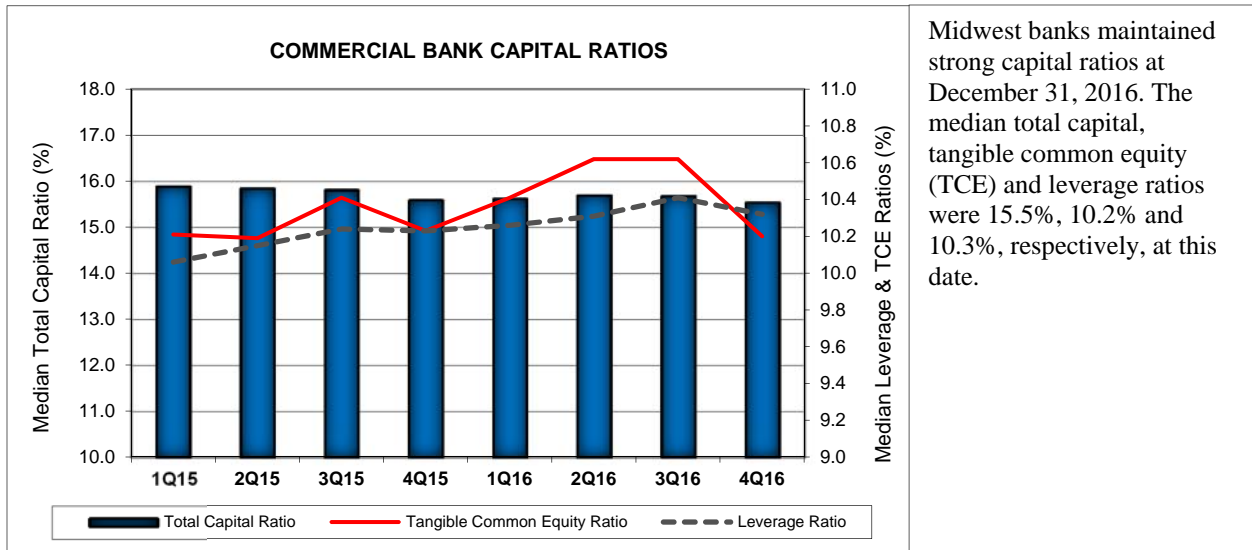
Total deposits of banks increased 8.0% on a LQA basis in 4Q16, versus 2.2% in 3Q16 and 8.4% in the year-ago quarter. Thrifts realized growth of 2.2%, 2.2% and 4.1% respectively, in these periods.



Core deposits (total deposits less time deposits) rose 12.5% for banks and thrifts on a LQA basis in 4Q16. They accounted for 72.2% of bank deposits and 57.4% of thrift deposits at December 31, 2016.



Total outside borrowings as a percentage of assets were 2.2% for banks and 3.4% for thrifts at December 31, 2016 versus 2.5% and 3.4%, respectively, at September 30, 2016.



MERGER & ACQUISITION ACTIVITY

There were 32 whole bank acquisitions announced since 3Q16 involving Midwest-based financial institutions excluding deals involving private investors. Pricing multiples for these deals are provided in the following table.

**ANALYSIS OF BANK & THRIFT M&A ACTIVITY
INVOLVING MIDWEST-BASED INSTITUTIONS
ANNOUNCED AFTER SEPTEMBER 30, 2016**

Buyer/ Target Name	Announce Date	Buyer State	Seller State	Pricing @ Announcement		
				Deal Value (\$M)	Deal Value/ Earnings (x)	Deal Value/ Tangible Common Equity (%)
SJN Banc Co/ Greensburg State Bank	10/3/2016	KS	KS	NA	NA	NA
First Commonwealth Financial Corporation/ DCB Financial Corp	10/3/2016	PA	OH	106.4	8.9	176.8
Stratford Bancshares, Inc./ Spencer Bancorporation, Inc.	10/5/2016	WI	WI	NA	NA	NA
TS Contrarian Bancshares, Inc./ First National Bank and Trust Company	10/7/2016	IA	IL	NA	NA	NA
Enterprise Financial Services Corp/ Jefferson County Bancshares, Inc.	10/11/2016	MO	MO	130.8	19.7	145.9
Equity Bancshares, Inc./ Prairie State Bancshares, Inc.	10/20/2016	KS	KS	24.8	11.7	141.5
Toronto-Dominion Bank/ Scottrade Bank	10/24/2016		MO	1,300.0	11.2	100.3
Central Kansas Bancshares, Inc./ Roxbury Bank	10/28/2016	KS	KS	2.0	25.3	115.4
Central Kansas Bancshares, Inc./ Citizens State Bank & Trust Co.	10/28/2016	KS	KS	NA	NA	NA
Heartland Financial USA, Inc./ Founders Bancorp	10/31/2016	IA	CA	29.1	26.6	154.7
Lyons Federal Bank/First Federal Savings & Loan Association of Wakeeney	11/2/2016	KS	KS	NA	NA	NA
Nicolet Bancshares, Inc./ First Menasha Bancshares, Inc.	11/4/2016	WI	WI	74.1	22.1	164.6
Fountain View Bancorp., Inc./ Hartwick State Bank	11/14/2016	IA	IA	NA	NA	NA
Merchants Bancorp/ Bluestem Development Corporation	11/15/2016	IN	IL	5.0	19.7	115.3
Sargent Bancshares, Inc./ First National Bank	11/22/2016	ND	ND	NA	NA	NA
Reliable Community Bancshares, Inc./ Mid America Banking Corporation	11/22/2016	MO	MO	NA	NA	NA
West End Financial Corporation/ Ewen Bancshares, Inc.	12/2/2016	MI	MI	NA	NA	NA
First Belleville Bancshares, Inc./ Palco Bancshares, Inc.	12/14/2016	KS	KS	8.0	15.0	105.5
Dickinson Financial Corporation II/ Community Bancshares of Kansas, Inc.	12/16/2016	MO	KS	12.9	14.7	240.1
MainSource Financial Group, Inc./ FCB Bancorp, Inc.	12/19/2016	IN	KY	57.0	NA	188.9
River Valley Bancorporation, Inc./ Integrity First Bank	12/21/2016	WI	WI	NA	NA	NA
Farmers State Bancshares, Inc./ Farmers State Bancshares II, Inc.	12/22/2016	NE	NE	NA	NA	NA
Advia Credit Union/ Peoples Bank	1/9/2017	MI	WI	NA	NA	NA
Southern Missouri Bancorp, Inc./ Tammcorp, Inc.	1/11/2017	MO	MO	23.4	21.4	161.9
Wadena Bancshares, Inc./ FNB Acquisition Holding Corporation	1/12/2017	MN	MN	NA	NA	NA
Central Banc, Inc./ First National Bank and Trust Company of Rochelle	1/24/2017	IL	IL	NA	NA	NA
First Merchants Corporation/ Arlington Bank	1/25/2017	IN	OH	75.6	19.1	215.9
Midland States Bancorp, Inc./ Centru Financial Corporation	1/26/2017	IL	IL	173.8	4.1	140.5
SBT Bancshares, Inc./ Seaway Bank and Trust Company	1/27/2017	TX		NA	NA	NA
MidAmerica National Bancshares, Inc./ Henry State Bank	1/30/2017	IL	IL	NA	NA	NA
Ameri Financial Group, Inc./ First Resource Bank	1/31/2017	MN	MN	NA	NA	NA
First Busey Corporation/ First Community Financial Partners, Inc.	2/6/2017	IL	IL	235.4	20.4	NA
Median Multiple					19.4	150.3

Source: SNL Financial

PUBLIC COMPANY VALUATIONS

There are 230 Midwest-based financial institutions that are traded on the New York Stock Exchange, NASDAQ or over the counter. Current valuation multiples for these stocks are provided in the table below. Micro-cap institutions tend to have thinner tangible book multiples, which we largely attribute to the lack of critical mass to effectively absorb the increase in regulatory compliance costs subsequent to the financial crisis and their limited trading volume.

**ANALYSIS OF COMMON STOCK VALUATIONS
MIDWEST-BASED FINANCIAL INSTITUTIONS
VALUATION DATA AS OF FEBRUARY 7, 2017**

Market Capitalization	Median Statistics				
	Price/ TTM EPS (X)	Price/ 2017 EPS Est (X)	Price/ 2018 EPS Est (X)	Price/ Tang. Book (%)	Dividend Yield (%)
Large	19.5	14.9	13.1	214.8	2.1
Mid	20.9	18.0	15.9	217.2	1.7
Small	18.4	16.7	15.0	191.0	1.9
Micro	14.2	14.0	13.1	108.1	2.0

Source: SNL Financial

The following table provides market data for publicly traded companies listed in this report.

**MARKET DATA FOR PUBLICLY TRADED COMPANIES
REFERENCED IN THIS REPORT
VALUATION DATA AS OF FEBRUARY 7, 2017**

Company	City	State	Ticker	Closing Price
Central Banccompany, Inc.	Jefferson City	MO	CBCYB	406.00
Commercial Bancshares, Inc.	Upper Sandusky	OH	CMOH	55.65
DCB Financial Corp	Lewis Center	OH	DCBF	18.05
Enterprise Financial Services Corp	Clayton	MO	EFSC	42.10
Equity Bancshares, Inc.	Wichita	KS	EQBK	32.79
First Commonwealth Financial Corporation	Indiana	PA	FCF	13.61
First Defiance Financial Corp.	Defiance	OH	FDEF	48.62
First Menasha Bancshares, Inc.	Neenah	WI	FMBJ	141.50
Founders Bancorp	San Luis Obispo	CA	FBCP	22.50
Heartland Financial USA, Inc.	Dubuque	IA	HTLF	45.80
Horizon Bancorp	Michigan City	IN	HBNC	25.48
Middlefield Banc Corp.	Middlefield	OH	MBCN	40.50
Nicolet Bankshares, Inc.	Green Bay	WI	NCBS	48.47

Source: SNL Financial

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

I, Tyler Agee, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price decline in the next 12 months.

Definitions of Suitabilities:

1. A large cap, core holding with a solid history.
2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.
3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.
4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Rating				
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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