



MIDWEST BANK QUARTERLY 4Q17 REVIEW

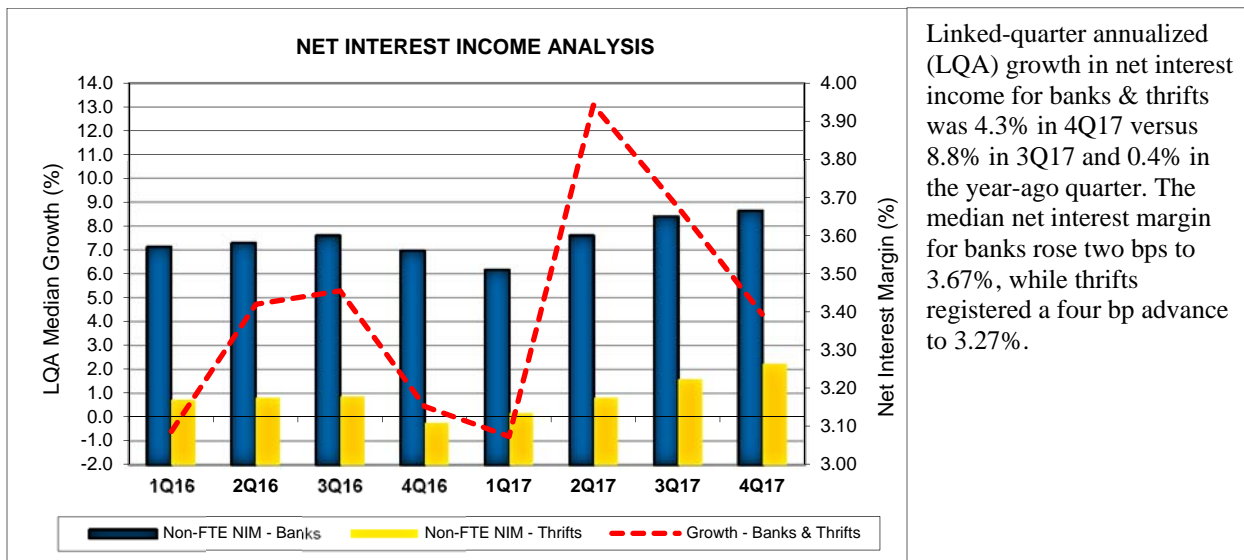
Banks

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February 9, 2018

FINANCIAL REVIEW

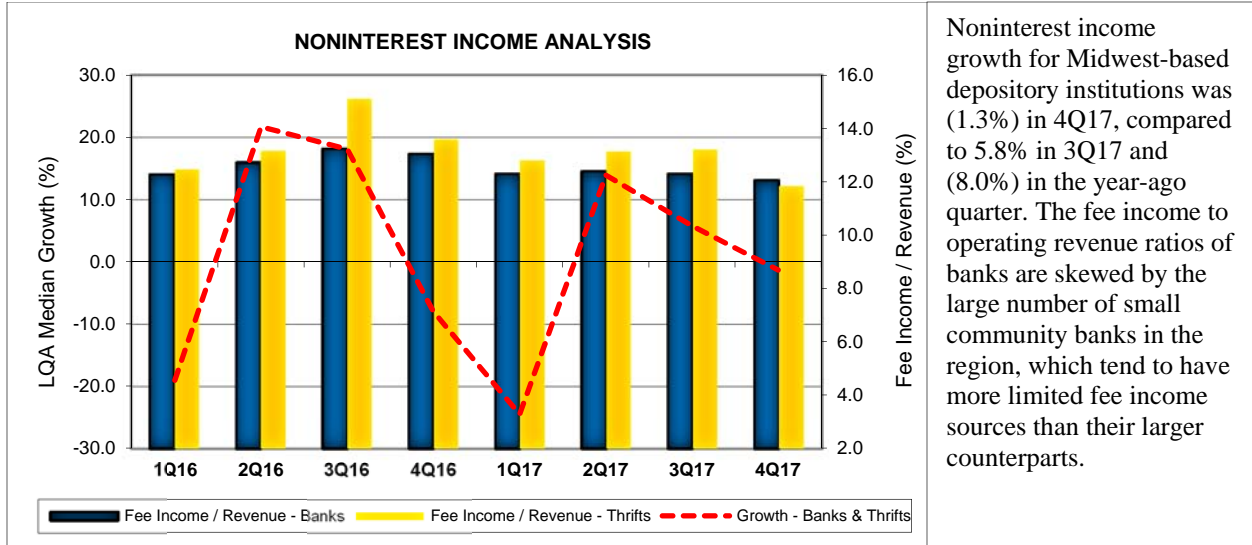
This section presents financial trends realized by the 2,650 financial institutions (2,271 banks and 379 thrifts) headquartered in the Midwest based on regulatory data provided by SNL Financial. The section contains the following subcategories: Income Statement Trends, Asset Quality Trends and Balance 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

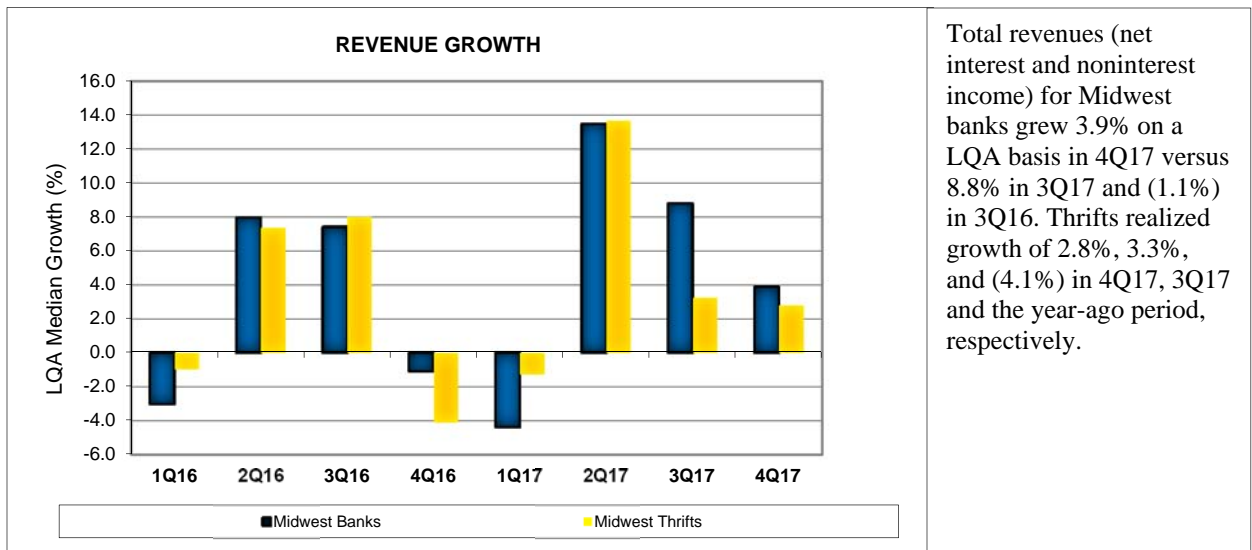


To obtain important disclosure information regarding Hilliard Lyons' rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to RsLib@hilliard.com, or go online 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.

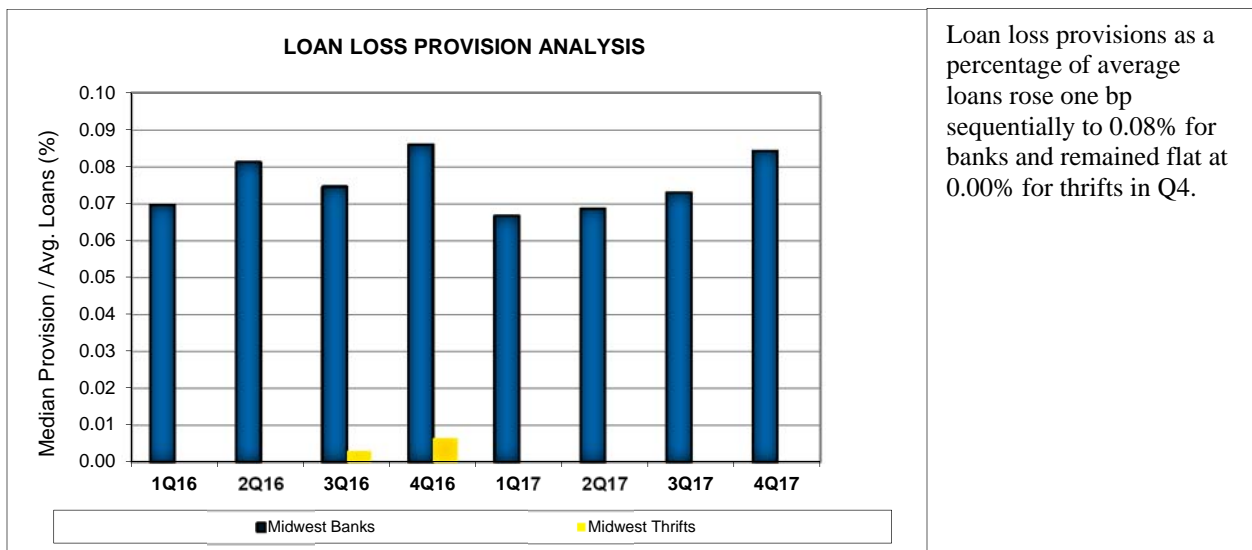
Note Important Disclosures on page 10
Note Analyst Certification on page 10



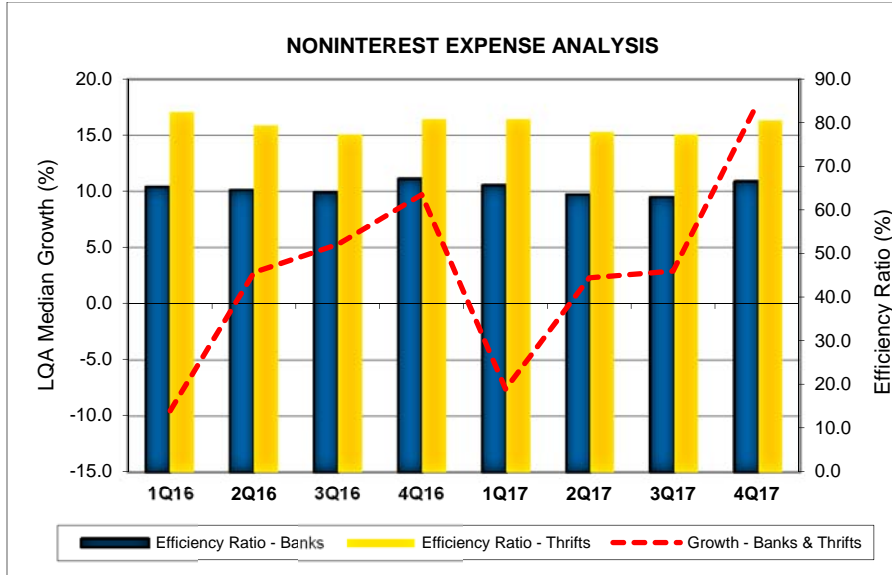
Noninterest income growth for Midwest-based depository institutions was (1.3%) in 4Q17, compared to 5.8% in 3Q17 and (8.0%) in the year-ago quarter. The fee income to operating revenue ratios of banks are skewed by the large number of small community banks in the region, which tend to have more limited fee income sources than their larger counterparts.



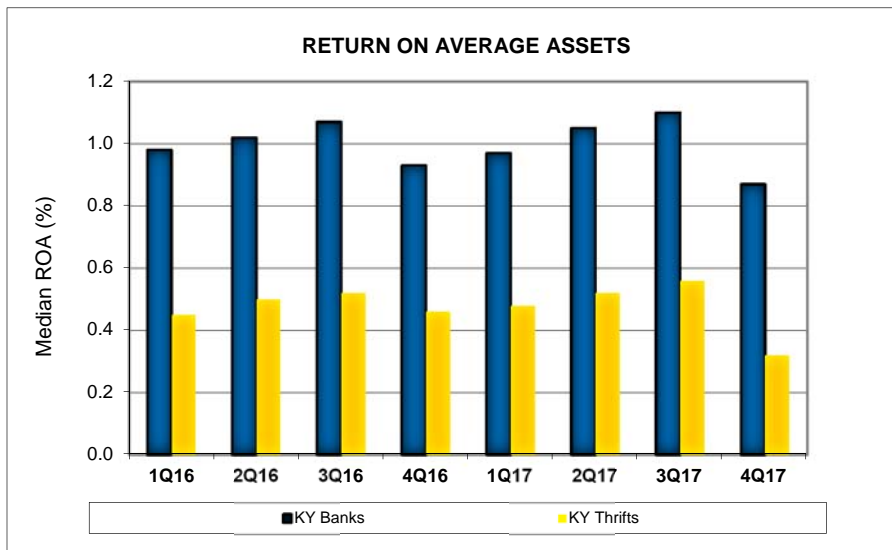
Total revenues (net interest and noninterest income) for Midwest banks grew 3.9% on a LQA basis in 4Q17 versus 8.8% in 3Q17 and (1.1%) in 3Q16. Thrifts realized growth of 2.8%, 3.3%, and (4.1%) in 4Q17, 3Q17 and the year-ago period, respectively.



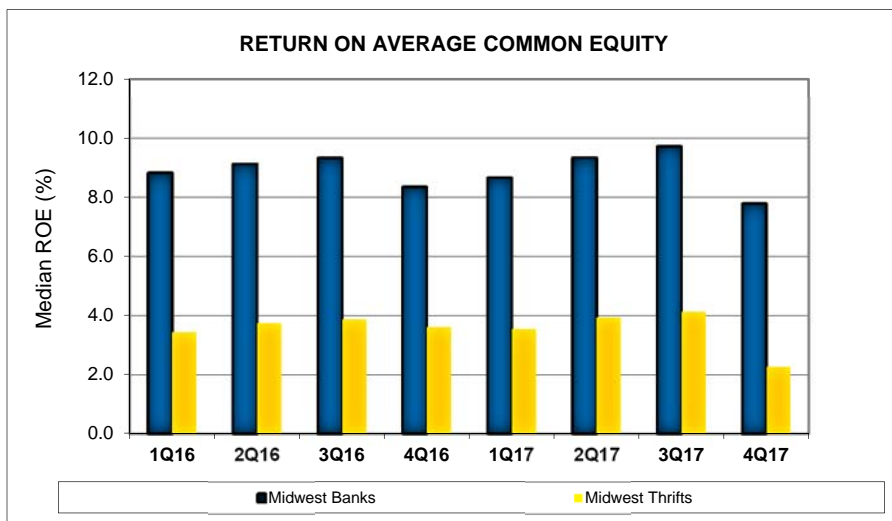
Loan loss provisions as a percentage of average loans rose one bp sequentially to 0.08% for banks and remained flat at 0.00% for thrifts in Q4.



Noninterest expense for banks & thrifts increased 17.8% LQA in 4Q17 compared to 2.9% in 3Q17 and 9.7% in the year-ago period. The efficiency ratio was 66.6% for banks and 80.6% for thrifts in Q4. The efficiency ratio is essentially noninterest expense divided by total revenues. Given that it provides insights regarding how much institutions must spend to generate a \$1 in revenues, a lower number is better.

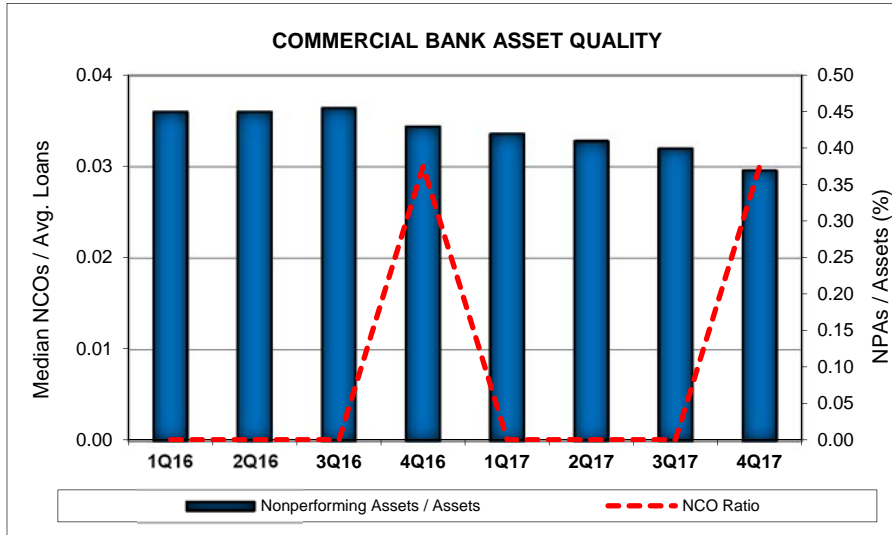


The median ROA for banks was 0.87% in 4Q17 versus 1.01% in 3Q17 and 0.93% in 4Q16. Midwest thrifts generated a median ROA of 0.32% in 4Q17 compared to 0.56% in 3Q17 and 0.46% in the year-ago period.

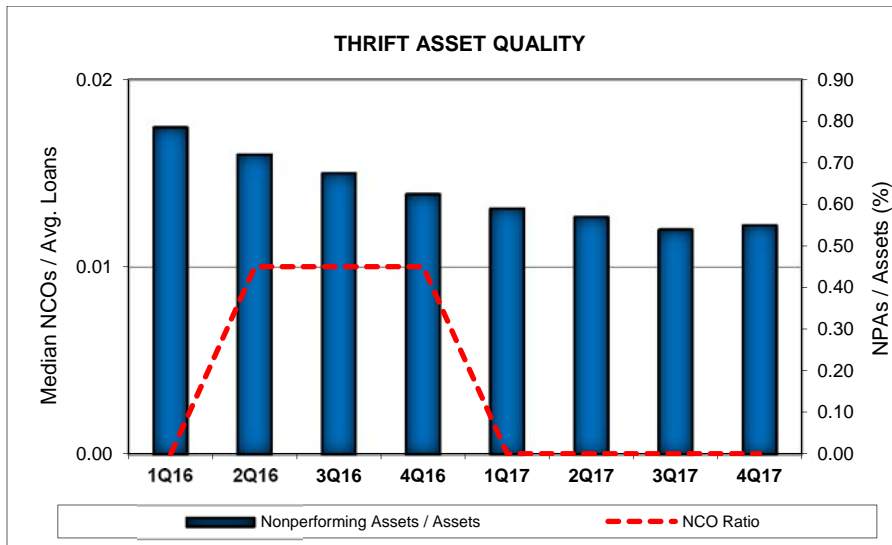


The median ROE for banks fell 193 bps LQ and 57 bps YOY to 7.79% in 4Q17. With a ROE of 2.27% in 4Q17, thrifts did not earn their cost of equity capital.

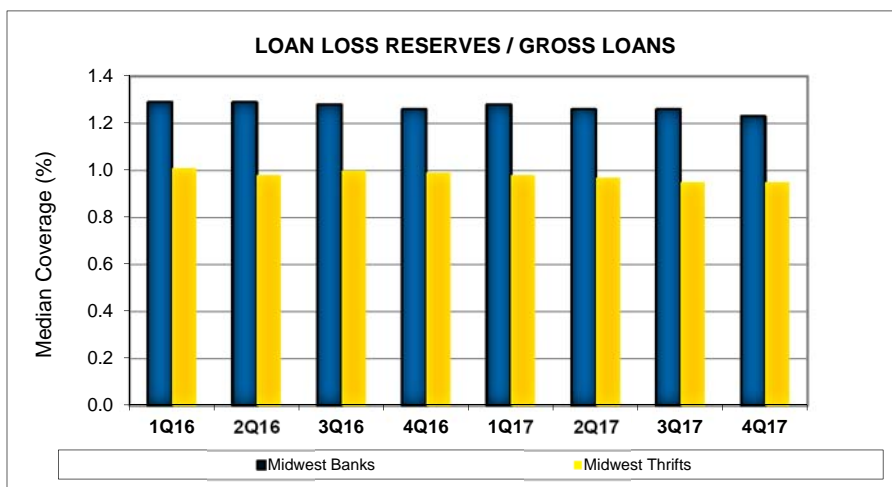
Asset Quality Trends



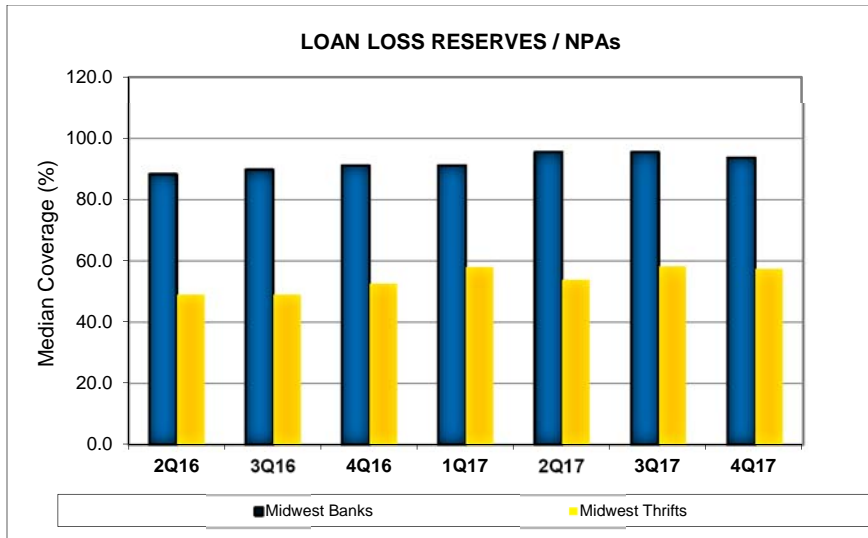
Commercial bank non-performing assets (NPAs) declined three bps LQ to 0.37% of assets at December 31, 2017. The median net charge-off (NCO) ratio rose three bps to 0.03%.



Thrift NPAs increased one bp sequentially to 0.55% of assets at December 31, 2017. While thrifts have had higher NPAs/Assets than banks, their loss content has been low, with NCOs/Average Loans remaining at 0.00%.

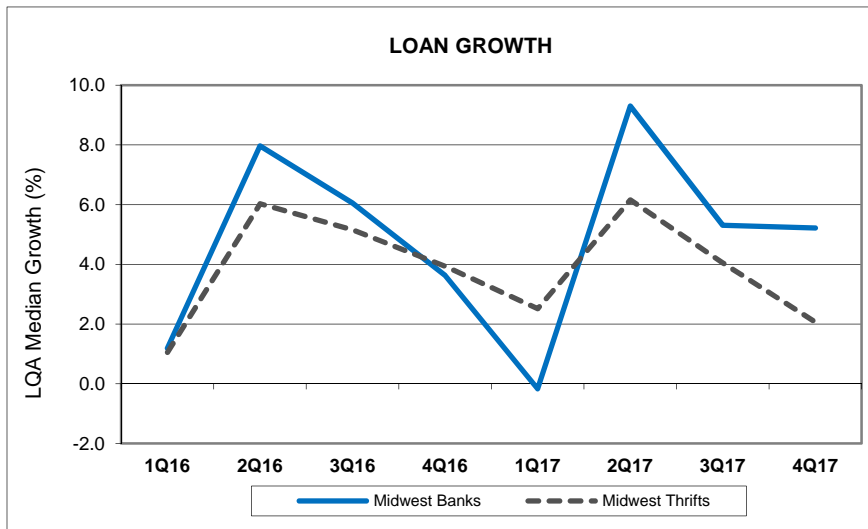


The reserve coverage of loans declined three bps LQ to 1.23% for banks and was flat at 0.95% for thrifts at December 31, 2017.

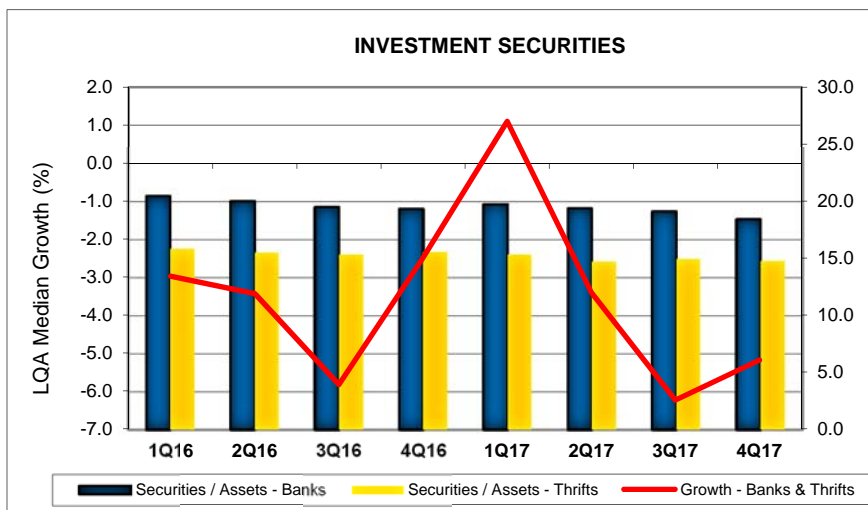


The reserve coverage of NPAs for Midwest banks declined to 93.7% at the end of 4Q17 from 95.5% at the end of 3Q17. The NPA coverage for thrifts decreased to 57.4% at December 31, 2017 from 58.2% at the end of 3Q17.

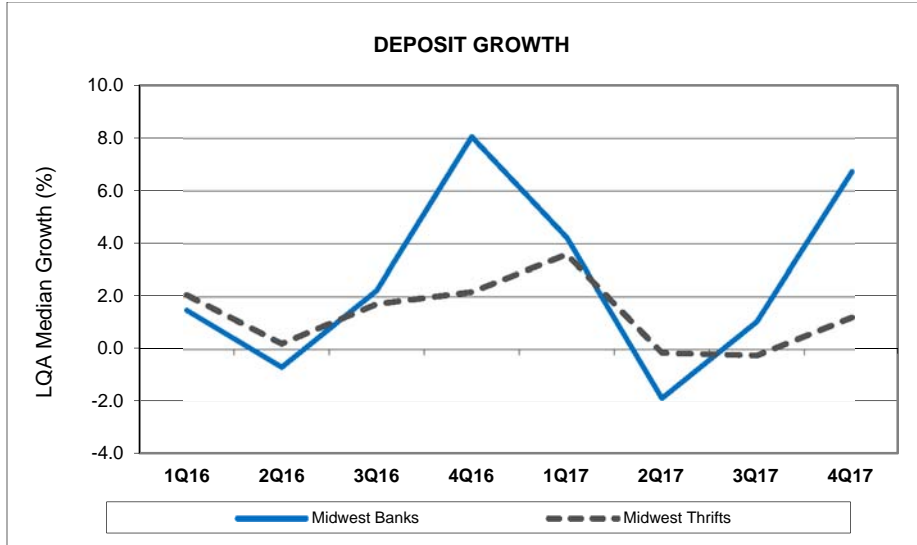
Balance Sheet Trends



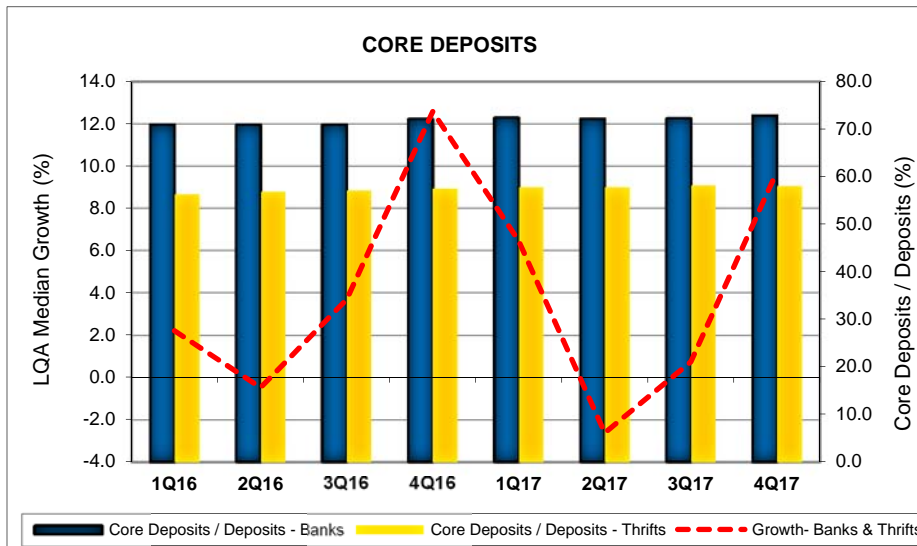
Midwest banks realized LQA growth in loans of 5.2% in 4Q17 versus 5.3% in 3Q17 and 3.6% in 4Q16. Loan growth for thrifts was 2.1%, 4.1% and 3.9%, respectively, during these periods.



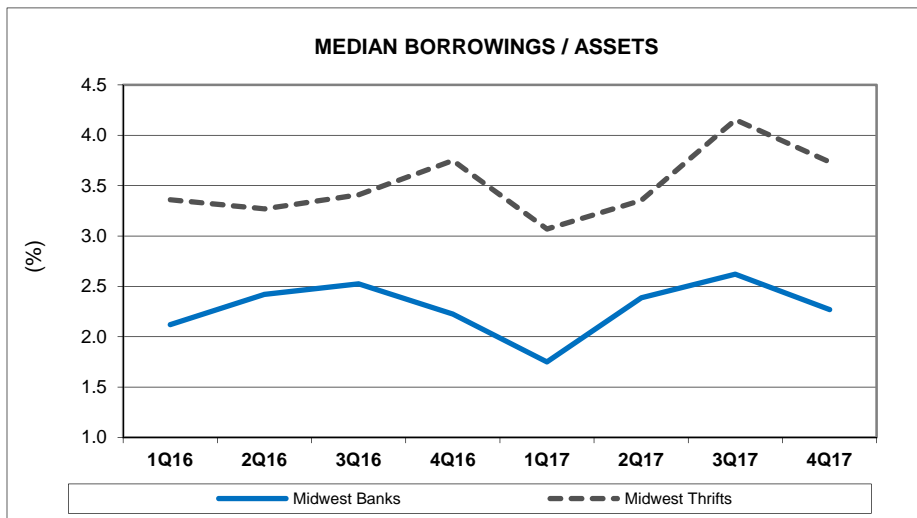
Total securities of Midwest banks & thrifts fell (5.2%) in 4Q17 versus (6.2%) in 3Q17 and (2.5%) in the year-ago period. Securities comprised 18.4% of bank assets and 14.8% of thrift assets at December 31, 2017.



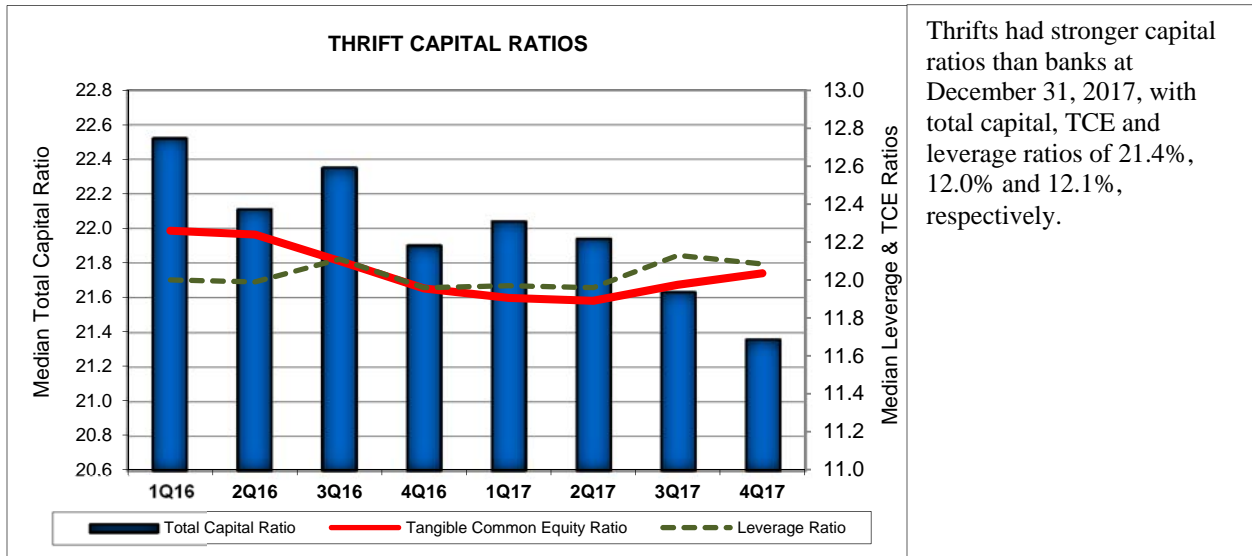
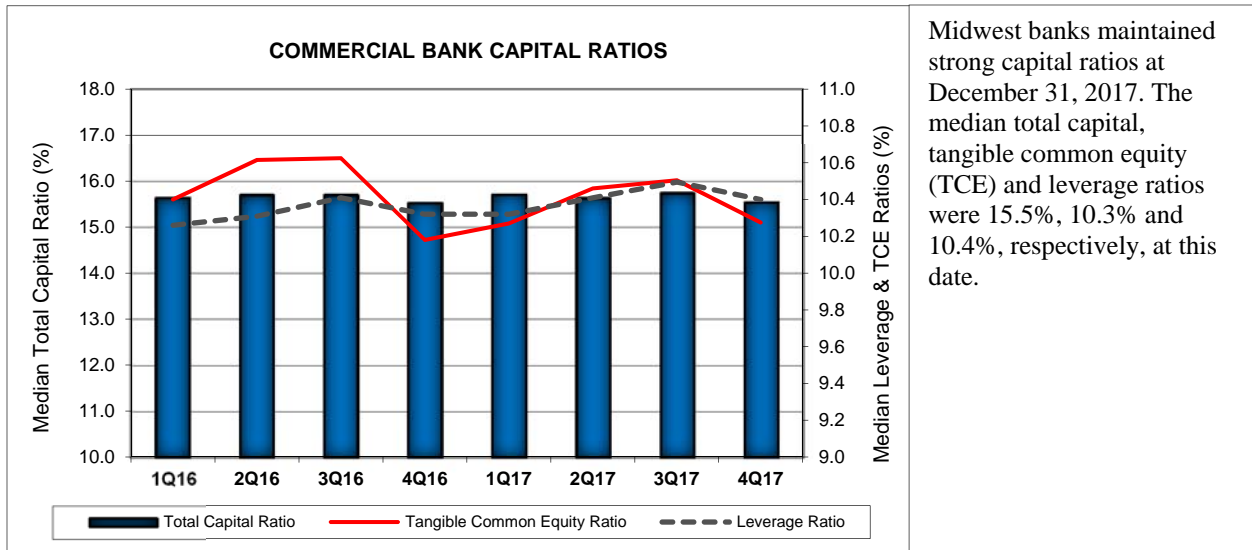
Total deposits of banks increased 6.7% on a LQA basis in 4Q17, versus 1.1% in 3Q17 and 8.1% in the year-ago quarter. Thrifts realized growth of 1.2%, (0.2%) and 2.2% respectively, in these periods.



Core deposits (total deposits less time deposits) rose 9.7% for banks and thrifts on a LQA basis in 4Q17. They accounted for 72.9% of bank deposits and 58.1% of thrift deposits at December 31, 2017.



Total outside borrowings as a percentage of assets were 2.3% for banks and 3.7% for thrifts at December 31, 2017 versus 2.6% and 4.2%, respectively, at September 30, 2017.



MERGER & ACQUISITION ACTIVITY

There were 36 whole bank acquisitions announced since the end of 3Q17 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, 2017**

Buyer/ Target Name	Announce Date	Buyer State	Seller State	Deal Value (\$M)	Pricing @ Announcement	
					Deal Value/ Earnings (x)	Deal Value/ Tangible Common Equity (%)
MutualFirst Financial, Inc./ Universal Bancorp	10/4/2017	IN	IN	65.9	23.0	158.5
Lincoln County Bancorp, Inc./ New Frontier Bancshares, Inc.	10/10/2017	MO	MO	0.2	NM	255.2
First Holding Company of Cavalier, Inc./ First National Bank Mahnomon Twin Valley	10/13/2017	ND	MN	NA	NA	NA
Midland States Bancorp, Inc./ Alpine Bancorporation, Inc.	10/16/2017	IL	IL	182.7	18.2	173.3
TS Contrarian Bancshares, Inc./ City Bank and Trust Company	10/20/2017	IA	KS	NA	NA	NA
Peoples Bancorp Inc./ ASB Financial Corp.	10/24/2017	OH	OH	38.8	14.5	150.4
Hometown Community Bancorp, Inc./ State Bank of Speer	11/1/2017	IL	IL	NA	NA	NA
Farmington Bancorp, Inc./ Laura State Bank	11/2/2017	IL	IL	NA	NA	NA
Reliable Community Bancshares, Inc./ Martinsburg Bancorp, Inc.	11/2/2017	MO	MO	NA	NA	NA
Dakota Financial, Inc./ Milan Agency, Inc.	11/6/2017	MN	MN	NA	NA	NA
Deerwood Bancshares, Inc./ Plaza Park State Bank	11/8/2017	MN	MN	NA	NA	NA
Heartland Financial USA, Inc./ Signature Bancshares, Inc.	11/13/2017	IA	MN	53.4	15.6	206.6
Byline Bancorp, Inc./ First Evanston Bancorp, Inc.	11/27/2017	IL	IL	169.0	23.2	172.6
Guaranty Federal Bancshares, Inc./ Hometown Bancshares, Inc.	12/1/2017	MO	MO	4.6	NM	71.6
Independent Bank Corporation/ TCSB Bancorp, Inc.	12/4/2017	MI	MI	62.8	24.7	210.1
Grok Bancshares, Inc./ Clifford Bancshares, Inc.	12/6/2017	MO	MO	NA	NA	NA
Park Financial Group, Inc./ Pioneer National Bank of Duluth	12/7/2017	MN	MN	NA	NA	NA
First Mid-Illinois Bancshares, Inc./ First BancTrust Corporation	12/11/2017	IL	IL	73.8	22.6	158.6
Heartland Financial USA, Inc./ First Bank Lubbock Bancshares, Inc.	12/12/2017	IA	TX	185.6	15.1	239.6
First State Holding Co./ Wallico, Inc.	12/13/2017	NE	NE	NA	NA	NA
Equity Bancshares, Inc./ Kansas Bank Corporation	12/18/2017	KS	KS	45.6	15.5	143.2
Equity Bancshares, Inc./ Adams Dairy Bancshares, Inc.	12/18/2017	KS	MO	16.0	16.5	158.4
LCNB Corp./ Columbus First Bancorp, Inc.	12/21/2017	OH	OH	66.8	27.5	215.7
Community Bancorp, Inc./ Shelbank Corporation	12/22/2017	KS	MO	NA	NA	NA
Old Second Bancorp, Inc./ Greater Chicago Financial Corp.	12/26/2017	IL	IL	41.1	NA	119.0
Caldwell County Bancshares, Inc./ Horizon State Bank	12/29/2017	MO	MO	NA	NA	NA
Emmetsburg Bank Shares, Inc./ Panora State Bank	1/5/2018	IA	IA	NA	NA	NA
Meta Financial Group, Inc./ Crestmark Bancorp Inc.	1/9/2018	SD	MI	320.6	16.9	403.2
First Commonwealth Financial Corporation/ Garfield Acquisition Corp	1/10/2018	PA	OH	57.6	31.7	152.9
Heritage Commerce Corp/ United American Bank	1/11/2018	CA	IA	45.2	5.6	210.4
Chebelle Corporation/ Victor State Bank	1/12/2018	IA	IA	NA	NA	NA
Liberty Bancorp, Inc./ Lawson Financial Corp.	1/12/2018	MO	MO	NA	NA	NA
Mackinac Financial Corporation/ First Federal of Northern Michigan Bancorp, Inc.	1/16/2018	MI	MI	34.1	18.3	132.0
CNB Bank Shares, Inc./ Jacksonville Bancorp, Inc.	1/18/2018	IL	IL	61.7	20.2	130.6
Park National Corporation/ NewDominion Bank	1/23/2018	OH	NC	76.5	65.8	235.1
Cyrus Bancshares, Inc./ Quality Bankshares, Inc.	1/24/2018	MN	ND	NA	NA	NA
Median Multiple					18.3	165.6

Source: S&P Global Market Intelligence

PUBLIC COMPANY VALUATIONS

There are 228 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 8, 2018

Market Capitalization	Median Statistics				
	Price/ TTM EPS (X)	Price/ 2018 EPS Est (X)	Price/ 2019 EPS Est (X)	Price/ Tang. Book (%)	Dividend Yield (%)
Large	15.1	13.1	12.3	218.6	2.1
Mid	17.7	14.2	12.9	203.0	1.9
Small	18.3	13.5	12.3	183.9	2.0
Micro	16.2	12.6	11.2	120.7	1.9

Source: S&P Global Market Intelligence

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 8, 2018

Company	City	State	Ticker	Closing Price
ASB Financial Corp.	Portsmouth	OH	ASBN	20.10
Byline Bancorp, Inc.	Chicago	IL	BY	21.97
Equity Bancshares, Inc.	Wichita	KS	EQBK	35.58
First BancTrust Corporation	Champaign	IL	FIRT	32.80
First Commonwealth Financial Corp.	Indiana	PA	FCF	13.59
First Federal of Northern Michigan Bancorp	Alpena	MI	FFNM	10.98
First Mid-Illinois Bancshares, Inc.	Mattoon	IL	FMBH	34.35
Guaranty Federal Bancshares, Inc.	Springfield	MO	GFED	22.40
Heartland Financial USA, Inc.	Dubuque	IA	HTLF	50.98
Heritage Commerce Corp	San Jose	CA	HTBK	15.33
Independent Bank Corporation	Grand Rapids	MI	IBCP	22.70
Jacksonville Bancorp, Inc.	Jacksonville	IL	JXSB	33.23
LCNB Corp.	Lebanon	OH	LCNB	18.80
Liberty Bancorp, Inc.	Kansas City	MO	LBCP	24.50
Mackinac Financial Corporation	Manistique	MI	MFNC	16.00
Meta Financial Group, Inc.	Sioux Falls	SD	CASH	107.65
Midland States Bancorp, Inc.	Effingham	IL	MSBI	29.95
MutualFirst Financial, Inc.	Muncie	IN	MFSF	35.00
NewDominion Bank	Charlotte	NC	NDMN	1.06
Old Second Bancorp, Inc.	Aurora	IL	OSBC	13.25
Park National Corporation	Newark	OH	PRK	99.03
Peoples Bancorp Inc.	Marietta	OH	PEBO	33.87
United American Bank	San Mateo	CA	UABK	33.00

Source: S&P Global Market Intelligence

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	31	28%	10%	90%
Hold/Neutral	74	66%	9%	91%
Sell	7	6%	0%	100%

As of 7 February 2018

Other Disclosures

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