



MIDWEST BANK QUARTERLY 3Q17 REVIEW

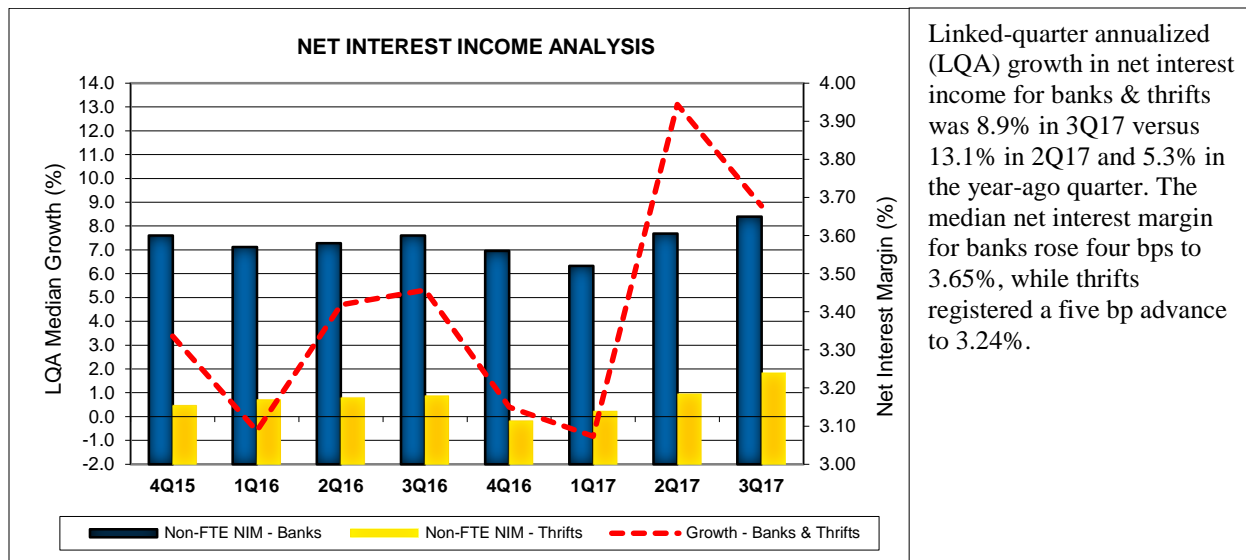
Banks

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FINANCIAL REVIEW

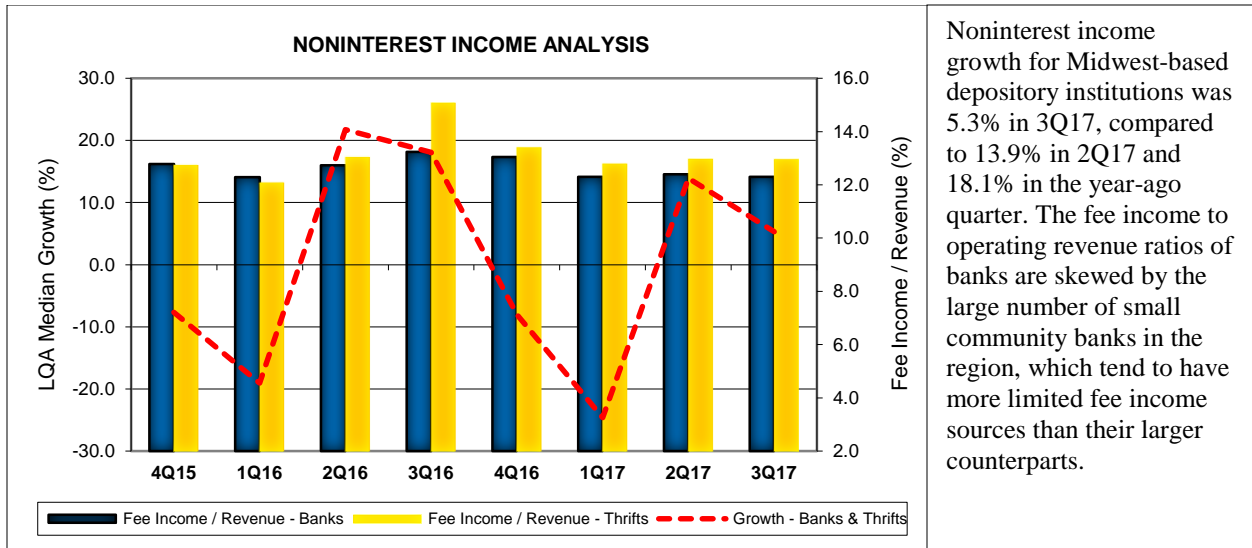
This section presents financial trends realized by the 2,660 financial institutions (2,282 banks and 378 thrifts) headquartered in the Midwest based on regulatory data provided by SNL Financial. The section contains the following subcategories: Income Statement Trends, Asset Quality Trends and Balance 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

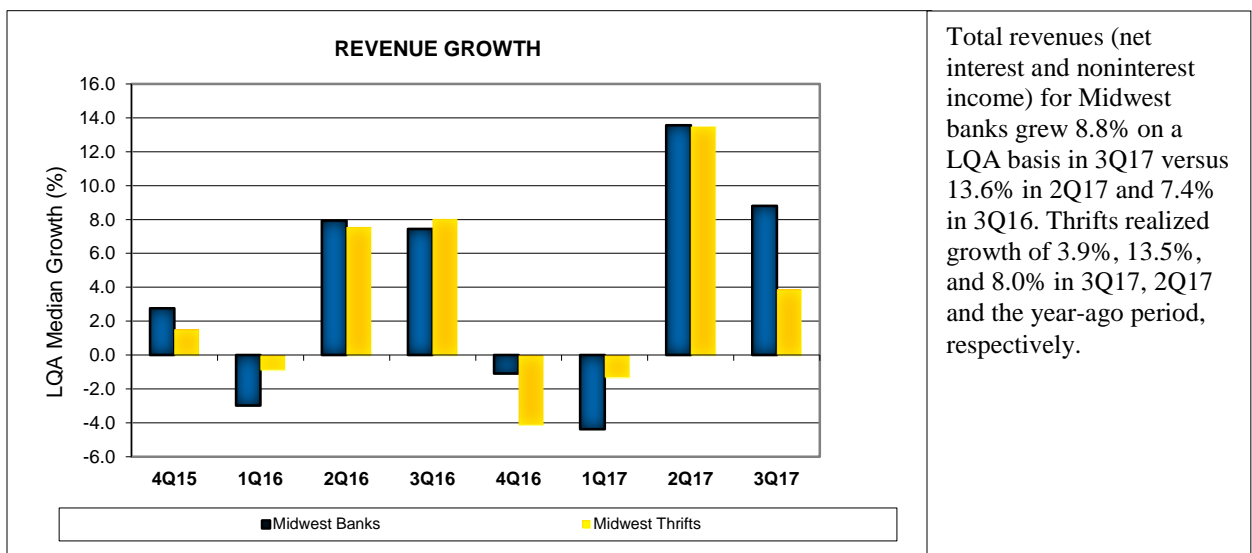


To obtain important disclosure information regarding Hilliard Lyons' rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to RsLib@hilliard.com, or go online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

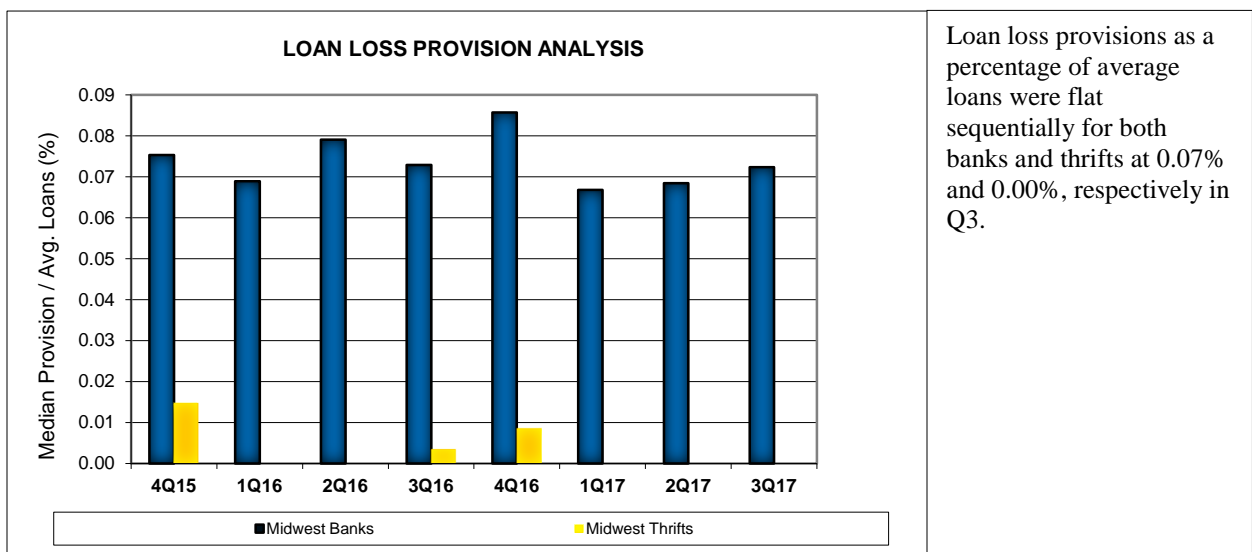
Note Important Disclosures on page 10
Note Analyst Certification on page 10



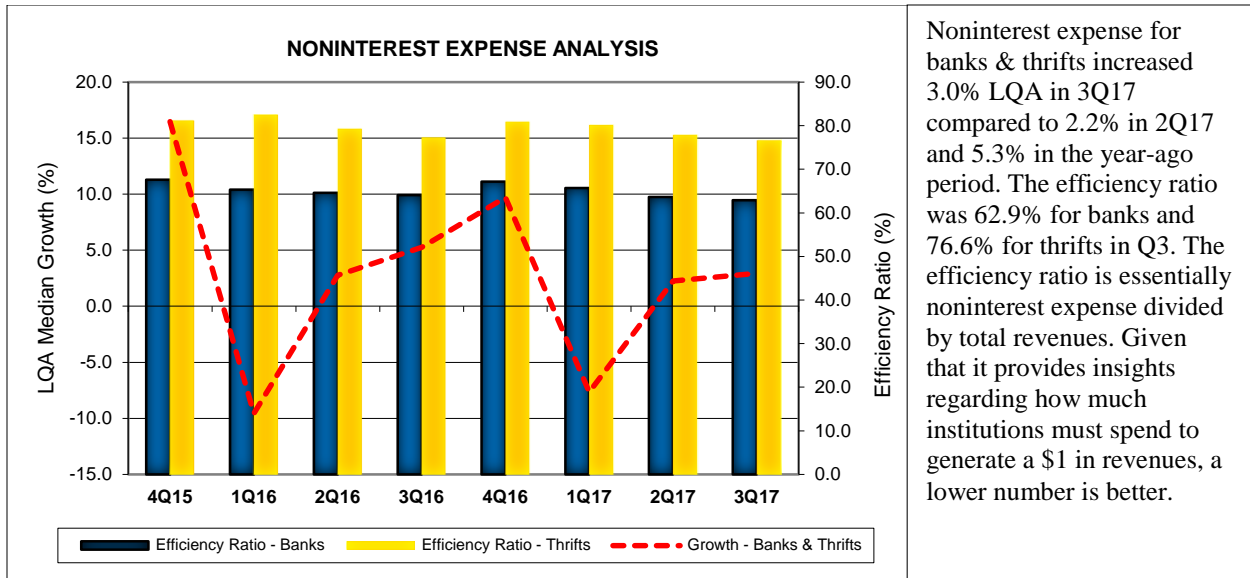
Noninterest income growth for Midwest-based depository institutions was 5.3% in 3Q17, compared to 13.9% in 2Q17 and 18.1% in the year-ago quarter. The fee income to operating revenue ratios of banks are skewed by the large number of small community banks in the region, which tend to have more limited fee income sources than their larger counterparts.



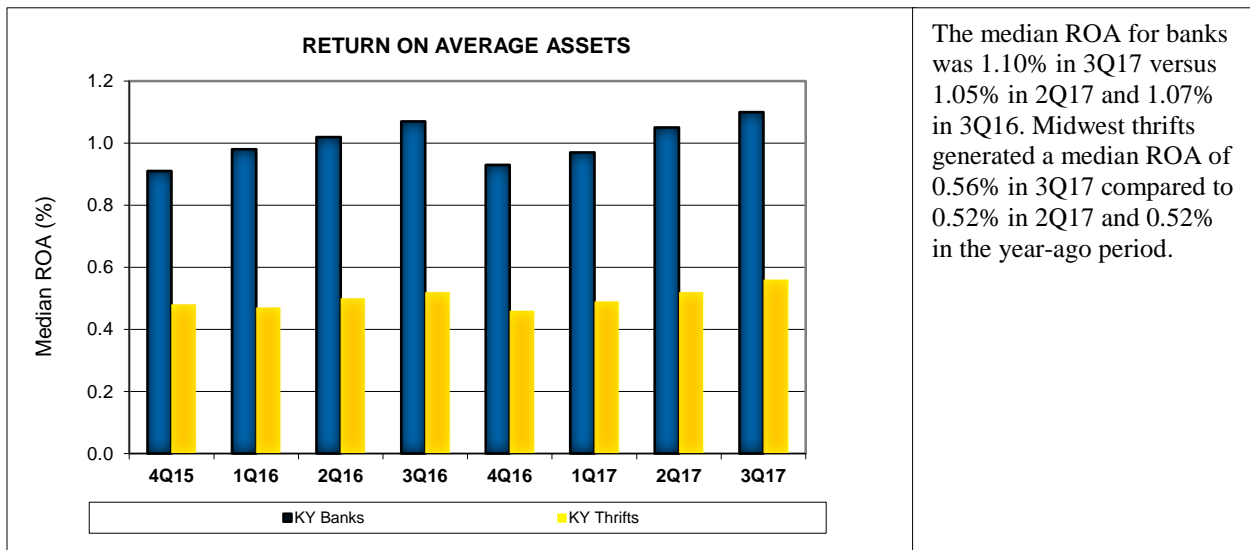
Total revenues (net interest and noninterest income) for Midwest banks grew 8.8% on a LQA basis in 3Q17 versus 13.6% in 2Q17 and 7.4% in 3Q16. Thrifts realized growth of 3.9%, 13.5%, and 8.0% in 3Q17, 2Q17 and the year-ago period, respectively.



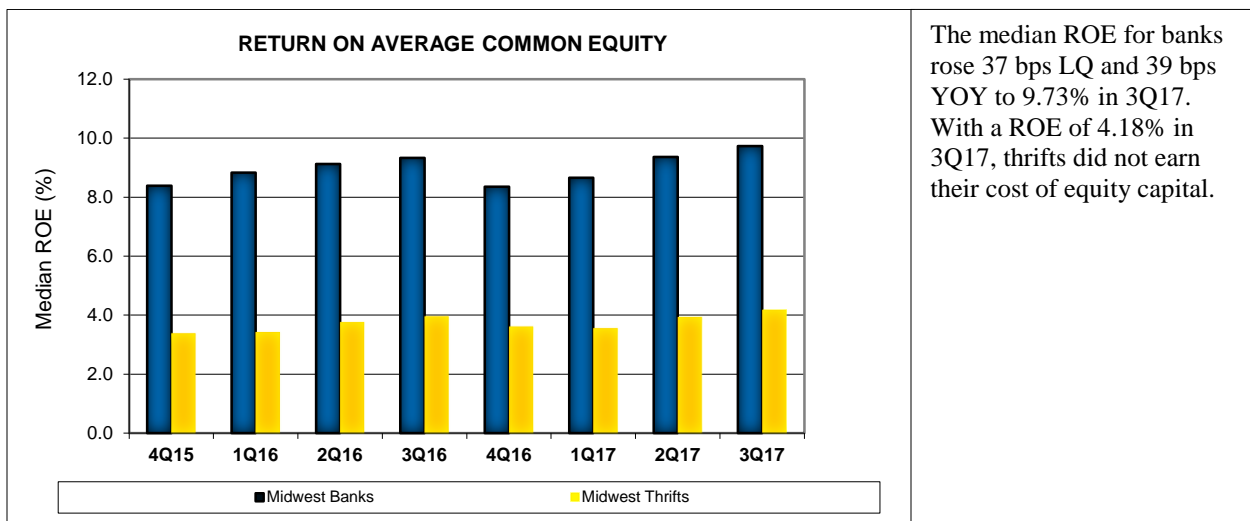
Loan loss provisions as a percentage of average loans were flat sequentially for both banks and thrifts at 0.07% and 0.00%, respectively in Q3.



Noninterest expense for banks & thrifts increased 3.0% LQA in 3Q17 compared to 2.2% in 2Q17 and 5.3% in the year-ago period. The efficiency ratio was 62.9% for banks and 76.6% for thrifts in Q3. 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.

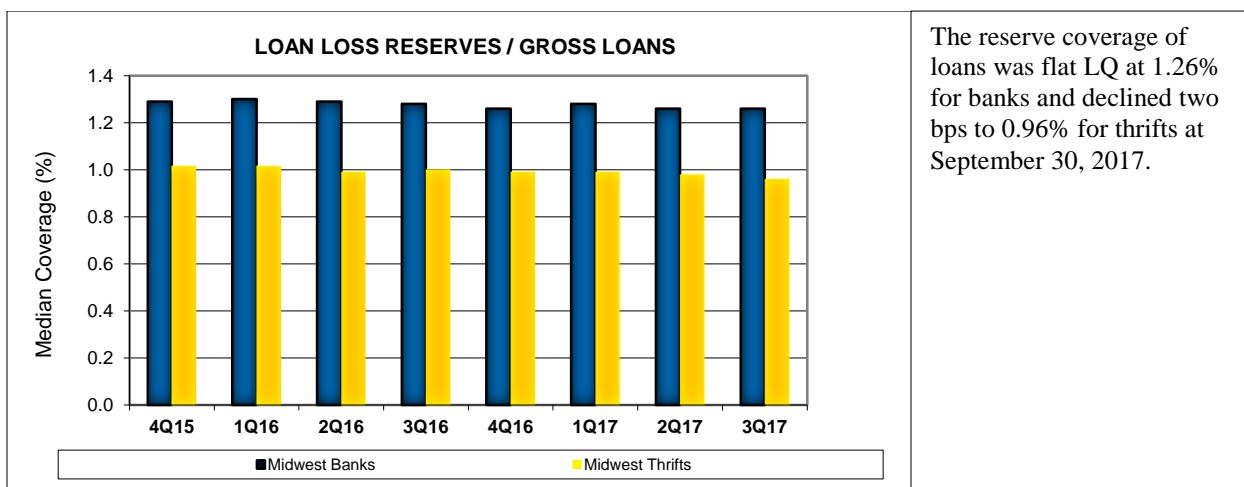
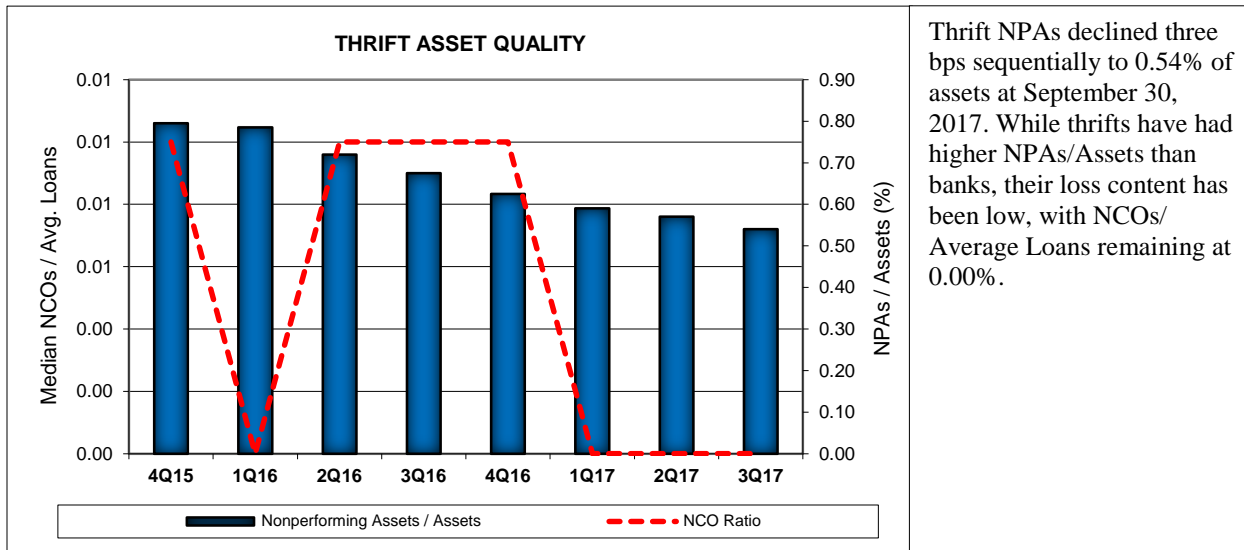
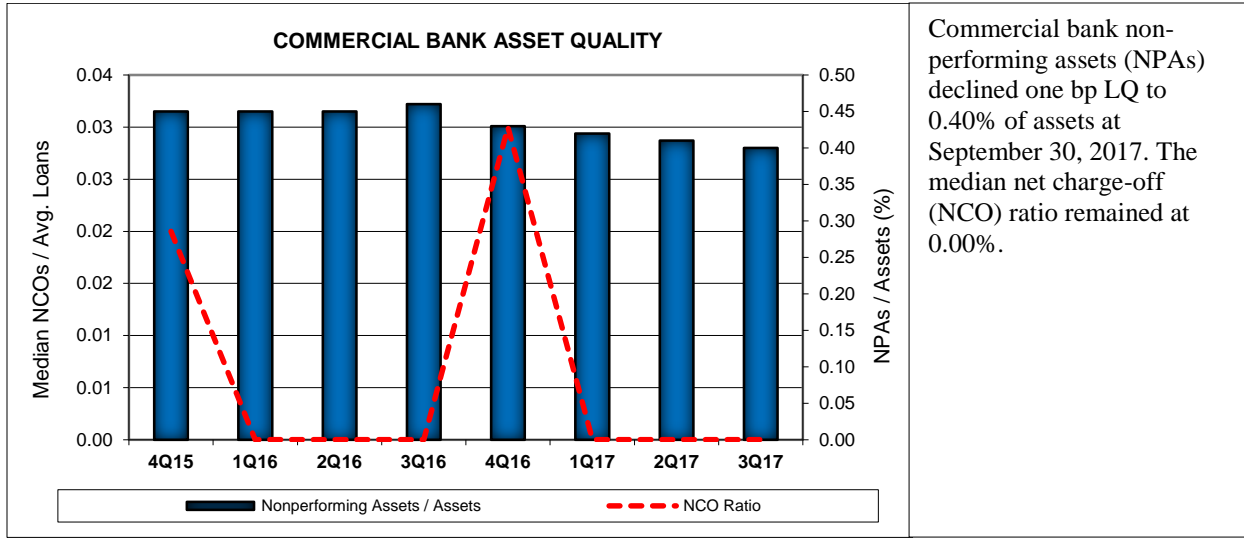


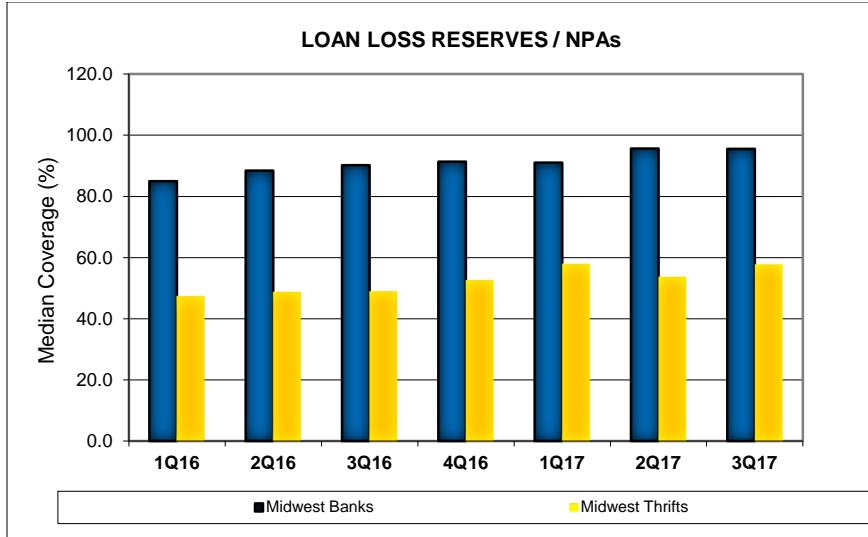
The median ROA for banks was 1.10% in 3Q17 versus 1.05% in 2Q17 and 1.07% in 3Q16. Midwest thrifts generated a median ROA of 0.56% in 3Q17 compared to 0.52% in 2Q17 and 0.52% in the year-ago period.



The median ROE for banks rose 37 bps LQ and 39 bps YOY to 9.73% in 3Q17. With a ROE of 4.18% in 3Q17, thrifts did not earn their cost of equity capital.

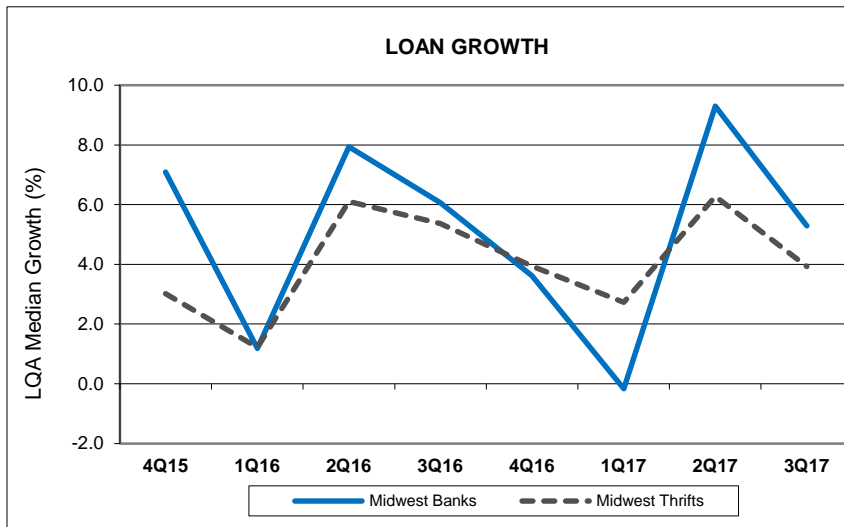
Asset Quality Trends



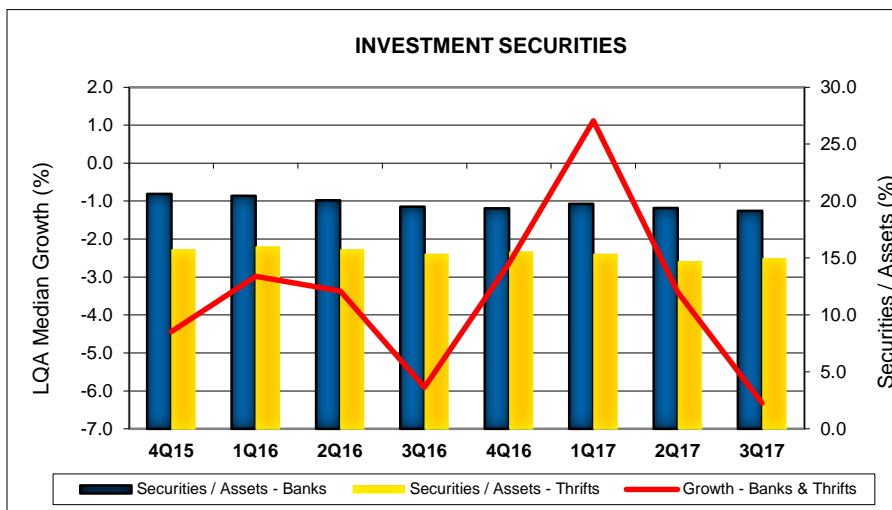


The reserve coverage of NPAs for Midwest banks was flat sequentially at 95.6% at the end of 3Q17. The NPA coverage for thrifts increased to 57.8% at September 30, 2017 from 53.7% at the end of 2Q17.

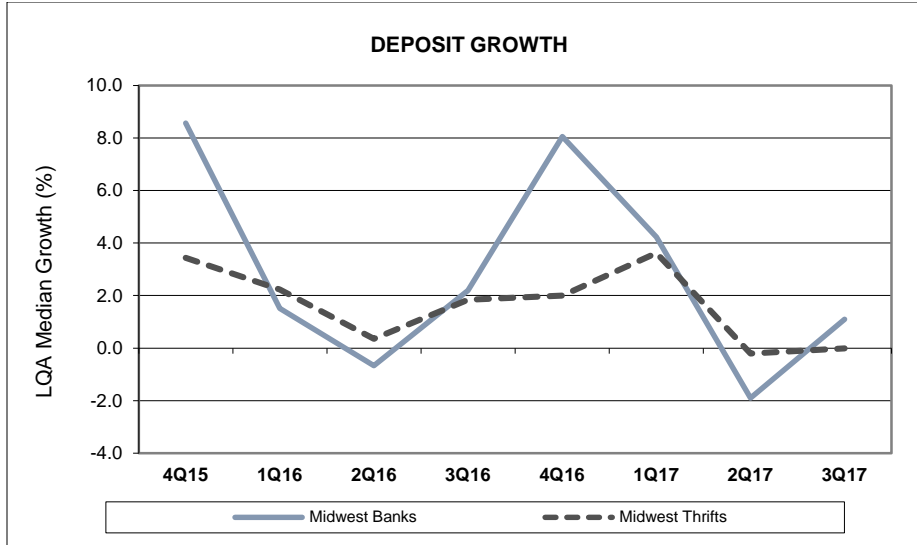
Balance Sheet Trends



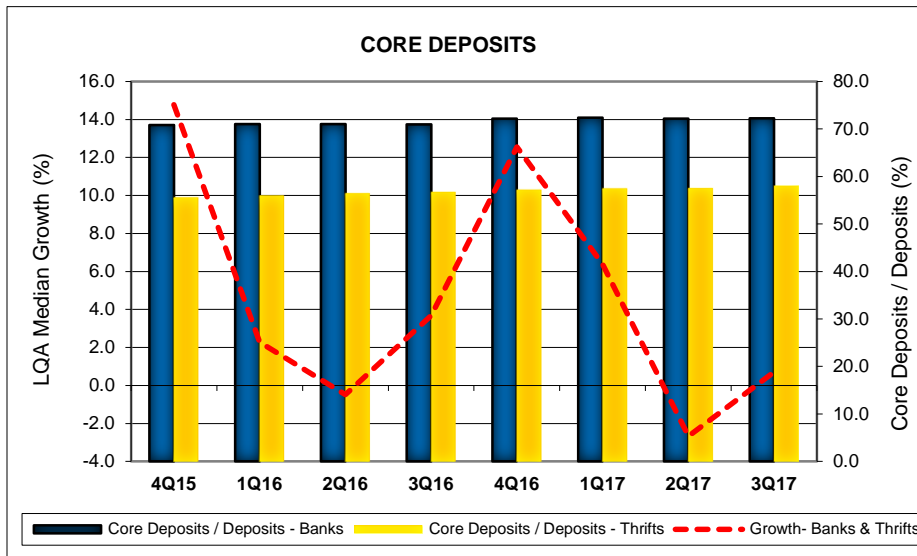
Midwest banks realized LQA growth in loans of 5.3% in 3Q17 versus 9.3% in 2Q17 and 6.1% in 3Q16. Loan growth for thrifts was 3.9%, 6.3% and 5.4%, respectively, during these periods.



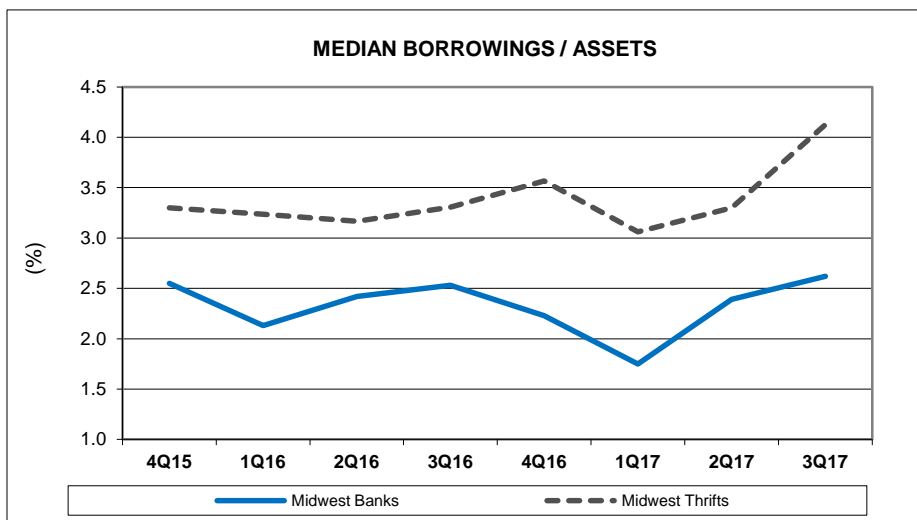
Total securities of Midwest banks & thrifts fell (6.3%) in 3Q17 versus (3.4%) in 2Q17 and (5.9%) in the year-ago period. Securities comprised 19.1% of bank assets and 15.0% of thrift assets at September 30, 2017.



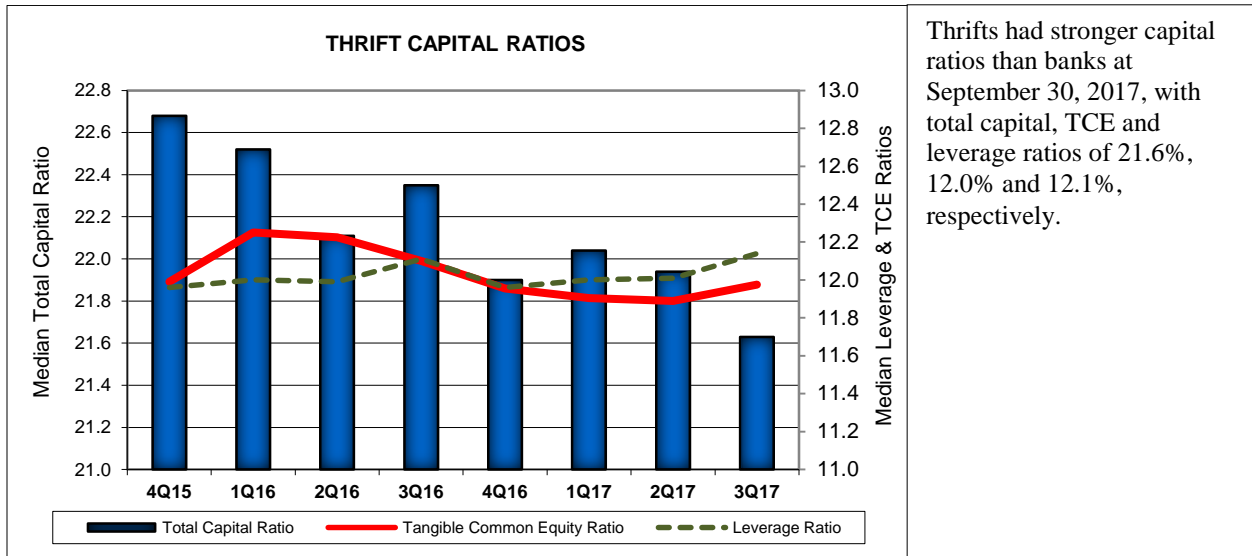
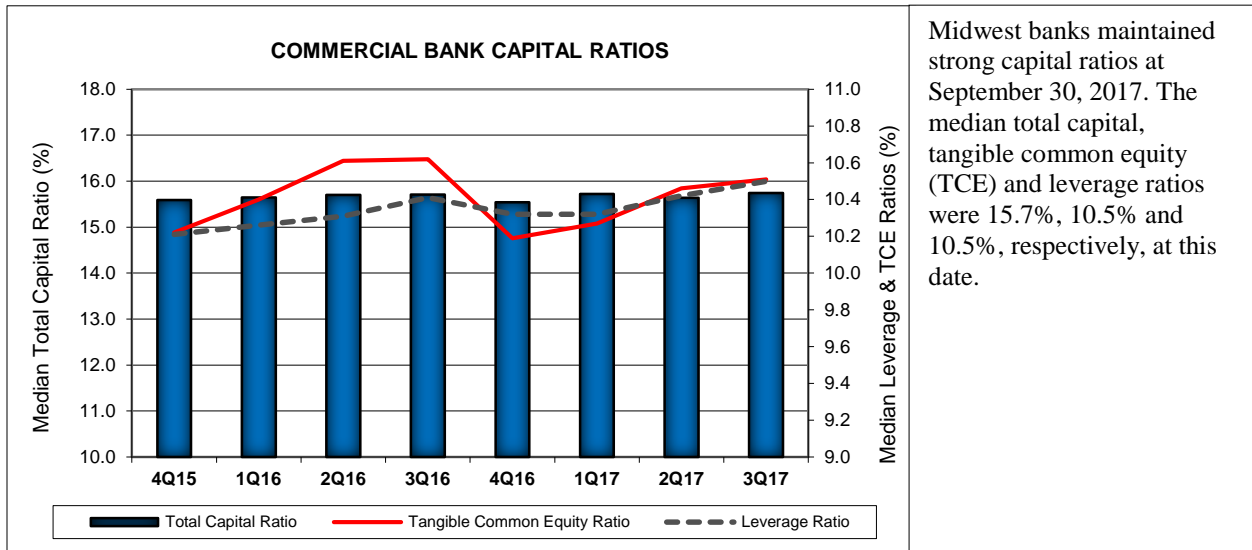
Total deposits of banks increased 1.1% on a LQA basis in 3Q17, versus (1.9%) in 2Q17 and 2.2% in the year-ago quarter. Thrifts realized growth of 0.0%, (0.2%) and 1.8% respectively, in these periods.



Core deposits (total deposits less time deposits) rose 0.7% for banks and thrifts on a LQA basis in 3Q17. They accounted for 72.3% of bank deposits and 58.0% of thrift deposits at September 30, 2017.



Total outside borrowings as a percentage of assets were 2.6% for banks and 4.1% for thrifts at September 30, 2017 versus 2.4% and 3.3%, respectively, at June 30, 2017.



MERGER & ACQUISITION ACTIVITY

There were 30 whole bank acquisitions announced since 2Q17 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 JUNE 30, 2017**

Buyer/ Target Name	Announce Date	Buyer State	Seller State	Pricing @ Announcement		
				Deal Value (\$M)	Deal Value/ Earnings (x)	Deal Value/ Tangible Common Equity (%)
Ozarks Heritage Financial Group, Inc./ Financial Enterprises, Inc.	7/11/2017	MO	MO	7.4	30.8	111.4
Equity Bancshares, Inc./ Eastman National Bancshares, Inc.	7/17/2017	KS	OK	46.6	10.8	192.4
Equity Bancshares, Inc./ Cache Holdings, Inc.	7/17/2017	KS	OK	47.9	12.5	160.8
Associated Banc-Corp/ Bank Mutual Corporation	7/20/2017	WI	WI	482.3	28.8	165.3
First Savings Financial Group, Inc./ Dearmin Bancorp, Inc.	7/21/2017	IN	IN	10.6	17.7	148.1
First Financial Bancorp./ MainSource Financial Group, Inc.	7/25/2017	OH	IN	1,005.6	22.4	266.4
Southern Hills Community Bank/ Adams County Building and Loan Company	8/2/2017	OH	OH	NA	NA	NA
Fishback Financial Corporation/ Peoples Bank of Commerce/State Bank of New Prague	8/3/2017	SD	MN	NA	NA	NA
Hometown Community Bancorp, Inc./ Arthur Bancshares Corp.	8/4/2017	IL	IL	NA	NA	NA
Lake Michigan Credit Union/ Encore Bank	8/7/2017	MI	FL	NA	NA	NA
Old National Bancorp/ Anchor Bancorp, Inc.	8/8/2017	IN	MN	303.3	17.1	190.5
Border Bancshares, Inc./ First State Bank of Clearbrook	8/16/2017	MN	MN	NA	NA	NA
Southern Missouri Bancorp, Inc./ Southern Missouri Bancshares, Inc.	8/18/2017	MO	MO	14.9	14.3	138.0
Rigler Investment Company/ Green Circle Investments, Inc.	8/24/2017	IA	IA	NA	NA	NA
Central Bancshares, Inc./ Republic Corporation	8/29/2017	NE	NE	NA	NA	NA
Full Service Insurance Agency, Inc./ First and Farmers Bank Holding Company	9/15/2017	ND	ND	NA	NA	NA
First American Bank Corporation/ Southport Financial Corporation	9/18/2017	IL	WI	44.0	11.3	184.9
First Nebraska Bancs, Inc./ Woodstock Land and Cattle Company	9/29/2017	NE	NE	NA	NA	NA
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 Mahanomen Twin Valley	10/13/2017	ND	MN	NA	NA	NA
Midland States Bancorp, Inc./ Alpine Bancorporation, Inc.	10/16/2017	IL	IL	181.0	18.0	166.6
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	53.5	15.6	206.9
Median Multiple					17.1	165.9

Source: SNL Financial

PUBLIC COMPANY VALUATIONS

There are 225 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 NOVEMBER 17, 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	16.1	13.7	13.9	201.2	2.2
Mid	18.8	17.1	15.1	204.9	1.7
Small	17.7	17.0	15.4	191.6	1.9
Micro	15.3	14.6	13.3	112.4	1.9

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 NOVEMBER 17, 2017

Company	City	State	Ticker	Closing Price
Associated Banc-Corp	Green Bay	WI	ASB	24.45
ASB Financial Corporation	Portsmouth	OH	ASBN	19.00
Bank Mutual Corporation	Milwaukee	WI	BKMU	10.25
Equity Bancshares, Inc.	Wichita	KS	EQBK	33.65
First Financial Bancorp	Cincinnati	OH	FFBC	26.70
First Savings Financial Group, Inc.	Clarksville	IN	FSFG	56.77
Heartland Financial USA, Inc.	Dubuque	IA	HTLF	50.00
MutualFirst Financial, Inc.	Muncie	IN	MFSF	38.70
Midland States Bancorp, Inc.	Effingham	IL	MSBI	31.25
MainSource Financial Group, Inc.	Greensburg	IN	MSFG	36.86
Old National Bancorp	Evansville	IN	ONB	17.30
Peoples Bancorp Inc.	Marietta	OH	PEBO	32.73
Southern Missouri Bancorp, Inc.	Poplar Bluff	MO	SMBC	38.33

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.

First Financial Bancorp, and Old National Bancorp are/were clients of Hilliard Lyons within the past 12 months, received non-investment banking securities related services and Hilliard Lyons received compensation for those services.

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.

<u>Rating</u>	<u>Hilliard Lyons Recommended Issues</u>		<u>Investment Banking Provided in Past 12 Mo.</u>	
	<u># of Stocks Covered</u>	<u>% of Stocks Covered</u>	<u>Banking</u>	<u>No Banking</u>
Buy	32	29%	13%	88%
Hold/Neutral	73	65%	7%	93%
Sell	7	6%	0%	100%

As of 8 November 2017

Other Disclosures

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