



SOUTHEAST BANK QUARTERLY 1Q17 REVIEW

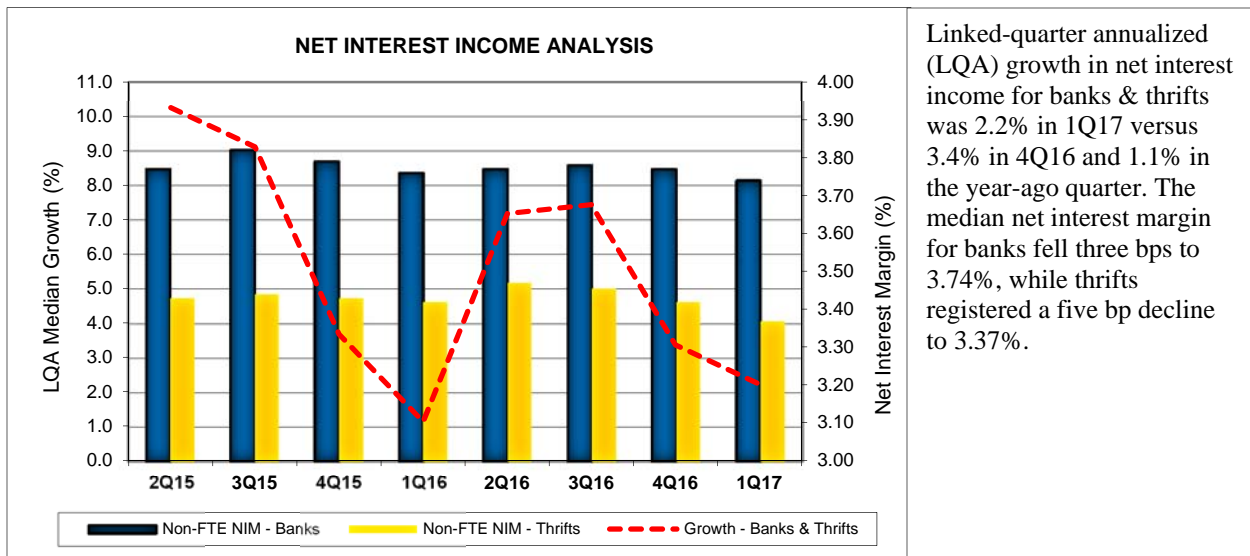
Banks

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May 12, 2017

FINANCIAL REVIEW

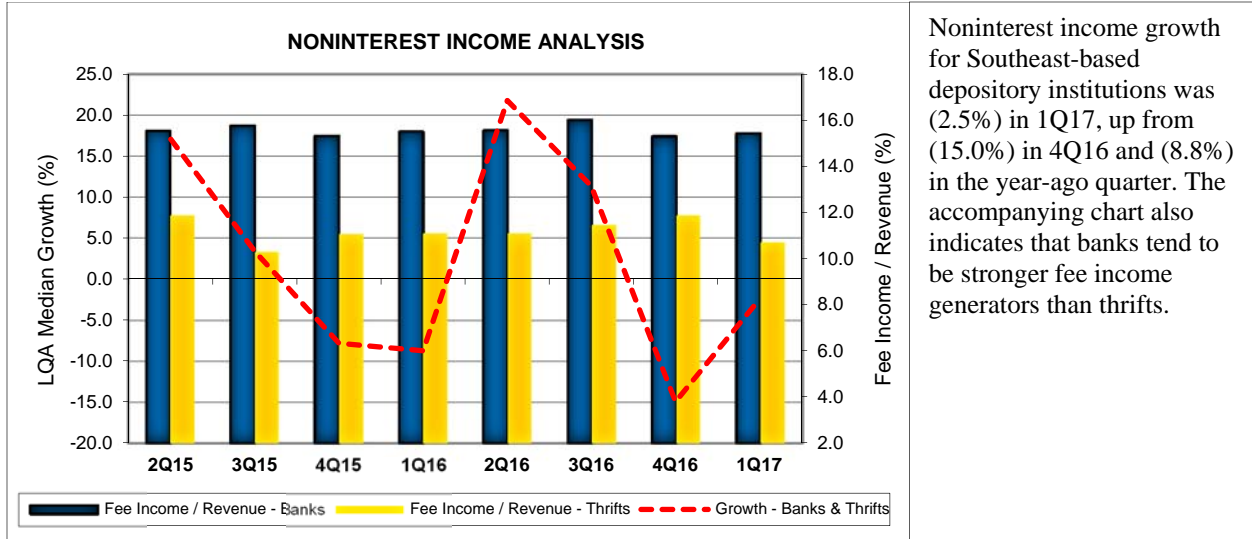
This section presents financial trends realized by the 1,082 financial institutions (959 banks and 123 thrifts) headquartered in the Southeast based on regulatory data provided by SNL Financial. States included in the Southeast region according to SNL’s definition are Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. 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

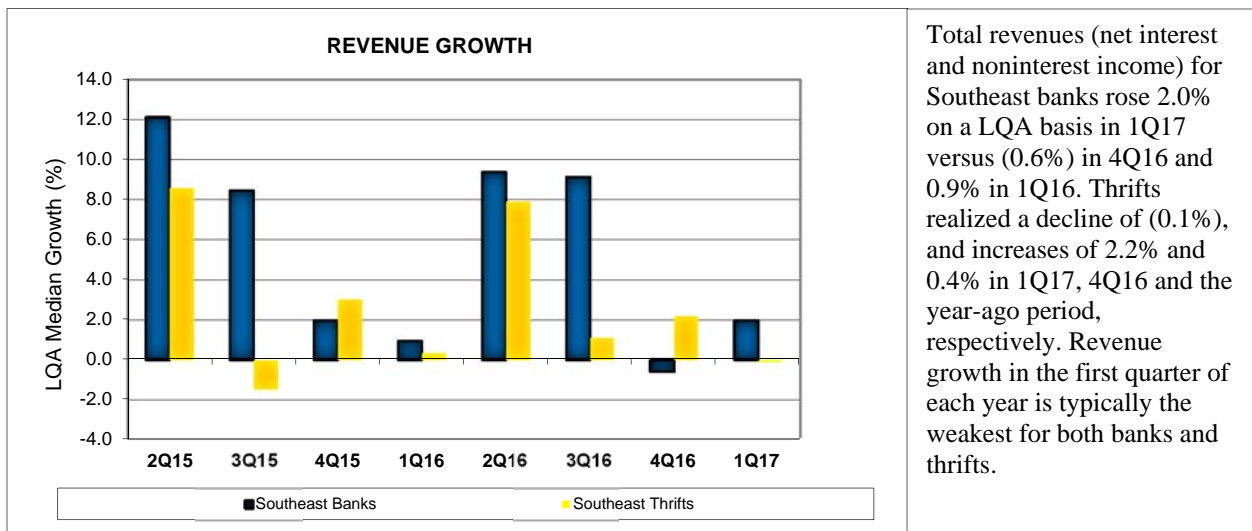


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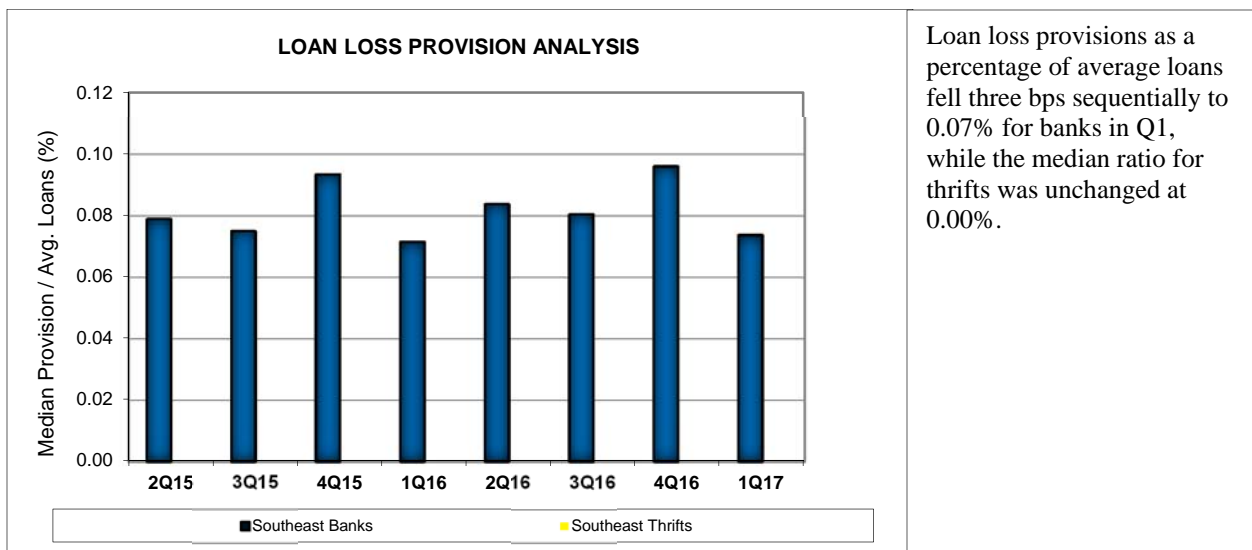
Note Important Disclosures on page 10
Note Analyst Certification on page 10



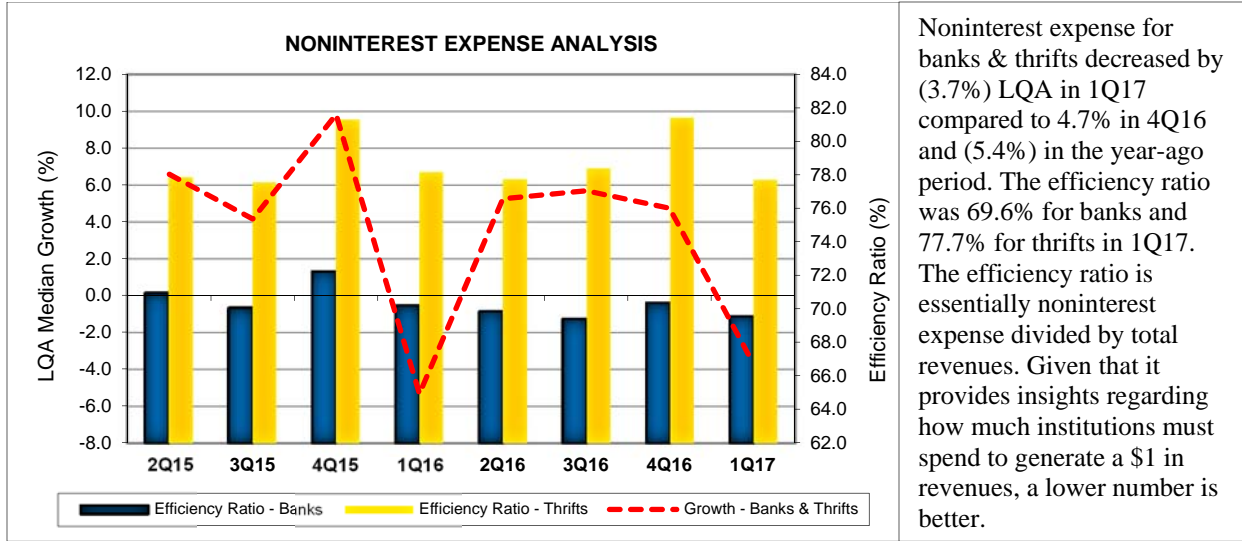
Noninterest income growth for Southeast-based depository institutions was (2.5%) in 1Q17, up from (15.0%) in 4Q16 and (8.8%) in the year-ago quarter. The accompanying chart also indicates that banks tend to be stronger fee income generators than thrifts.



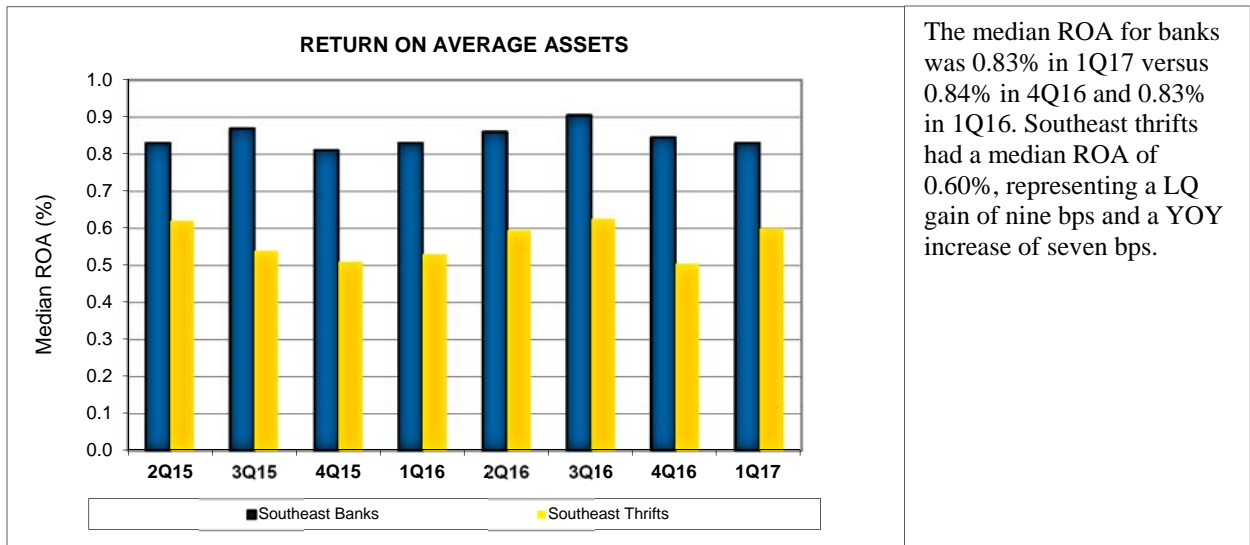
Total revenues (net interest and noninterest income) for Southeast banks rose 2.0% on a LQA basis in 1Q17 versus (0.6%) in 4Q16 and 0.9% in 1Q16. Thrifts realized a decline of (0.1%), and increases of 2.2% and 0.4% in 1Q17, 4Q16 and the year-ago period, respectively. Revenue growth in the first quarter of each year is typically the weakest for both banks and thrifts.



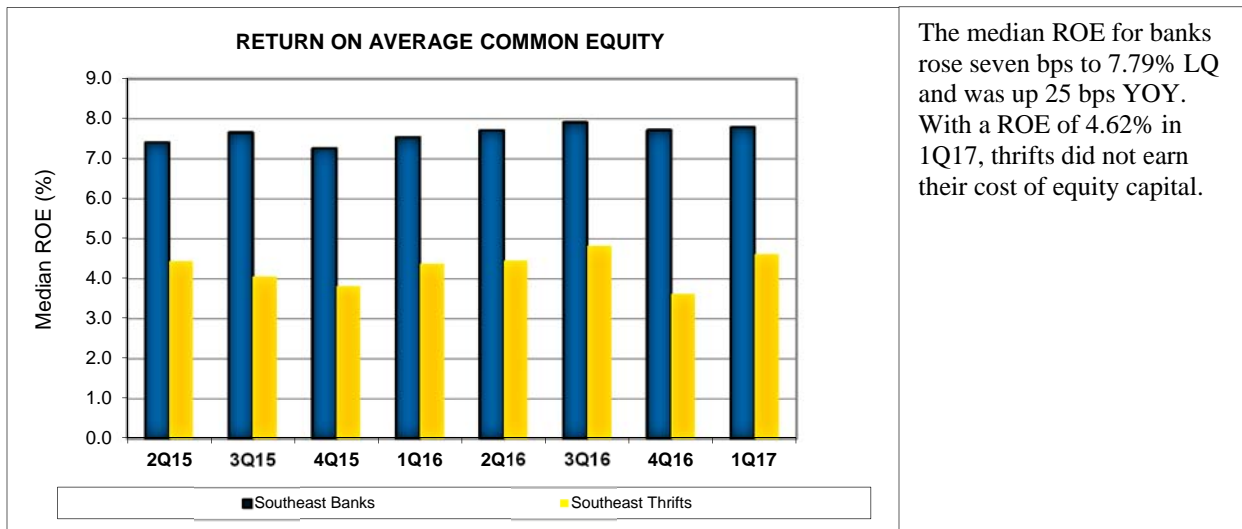
Loan loss provisions as a percentage of average loans fell three bps sequentially to 0.07% for banks in Q1, while the median ratio for thrifts was unchanged at 0.00%.



Noninterest expense for banks & thrifts decreased by (3.7%) LQA in 1Q17 compared to 4.7% in 4Q16 and (5.4%) in the year-ago period. The efficiency ratio was 69.6% for banks and 77.7% for thrifts in 1Q17. 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.

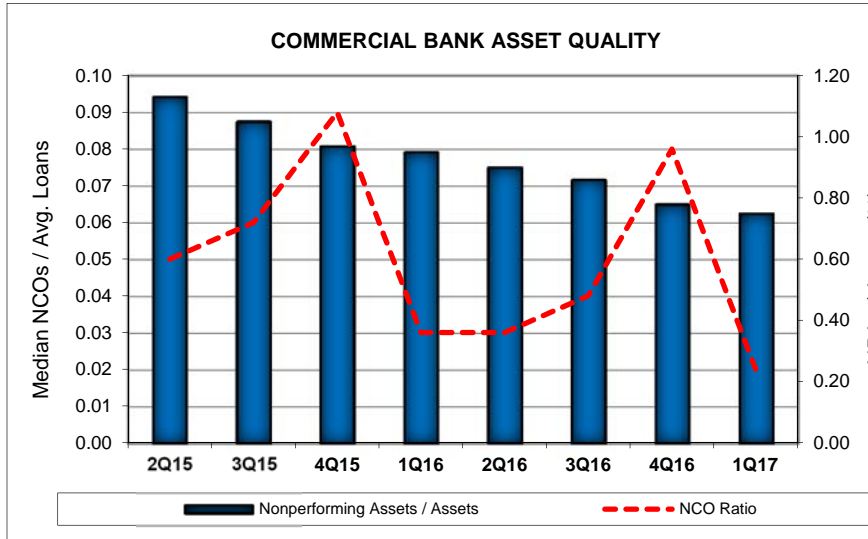


The median ROA for banks was 0.83% in 1Q17 versus 0.84% in 4Q16 and 0.83% in 1Q16. Southeast thrifts had a median ROA of 0.60%, representing a LQ gain of nine bps and a YOY increase of seven bps.

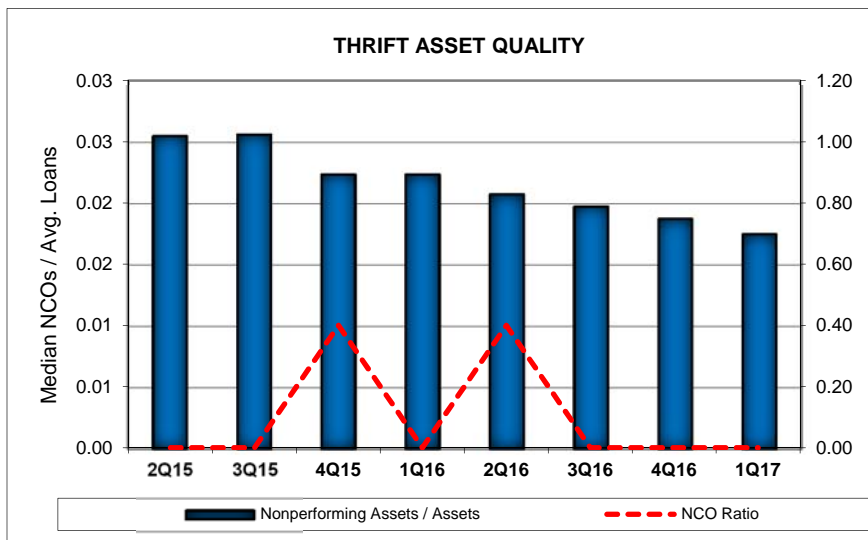


The median ROE for banks rose seven bps to 7.79% LQ and was up 25 bps YOY. With a ROE of 4.62% in 1Q17, thrifts did not earn their cost of equity capital.

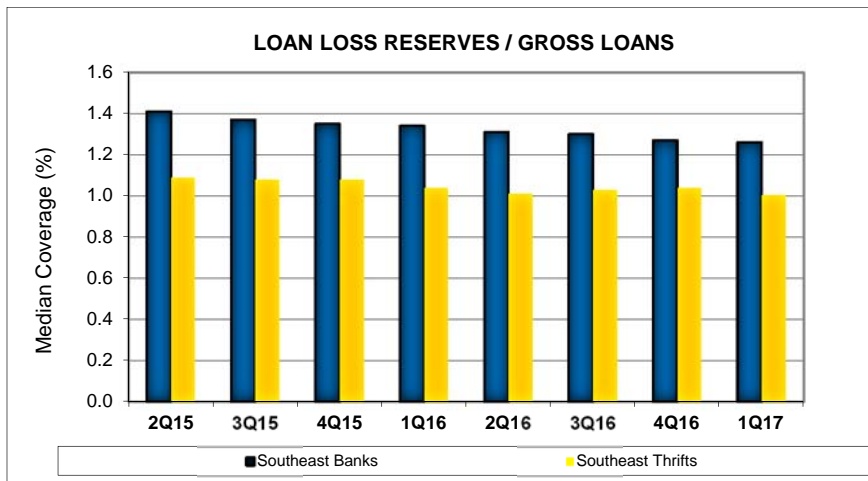
Asset Quality Trends



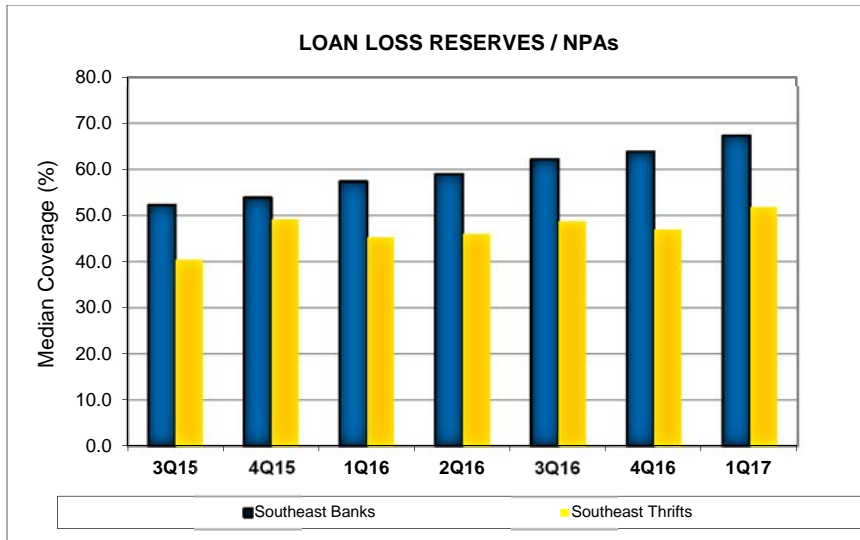
Commercial bank non-performing assets (NPAs) fell three bps LQ to 0.75% of assets at March 31, 2017. The median net charge-off (NCO) ratio decreased six bps to 0.02%



Thrift NPAs were 0.70% of assets at March 31, 2017, down from 0.75% at the end of 4Q16. The median net charge-off ratio for the group was flat sequentially at 0.00%.

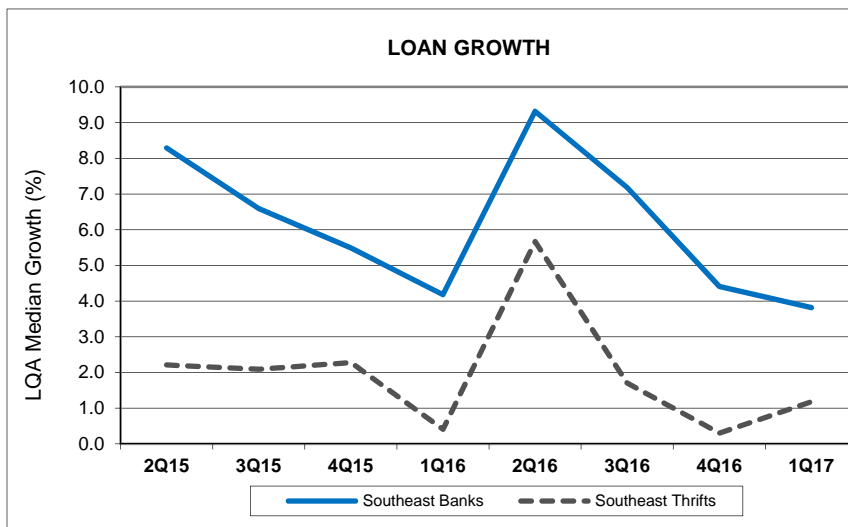


The reserve coverage of loans fell one bp LQ to 1.26% for banks and was down four bps LQ to 1.00% for thrifts at March 31, 2017.

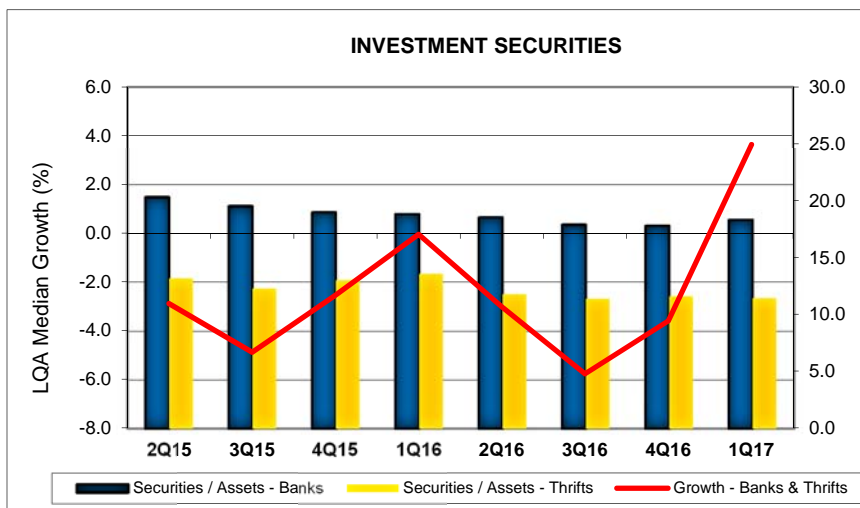


The reserve coverage of NPAs continued its ascent for Southeast banks, rising to 67.1% at the end of 1Q17 from 63.8% at December 31, 2016. The NPA coverage for thrifts rose to 51.8% at March 31, 2017 from 47.0% at the end Q4.

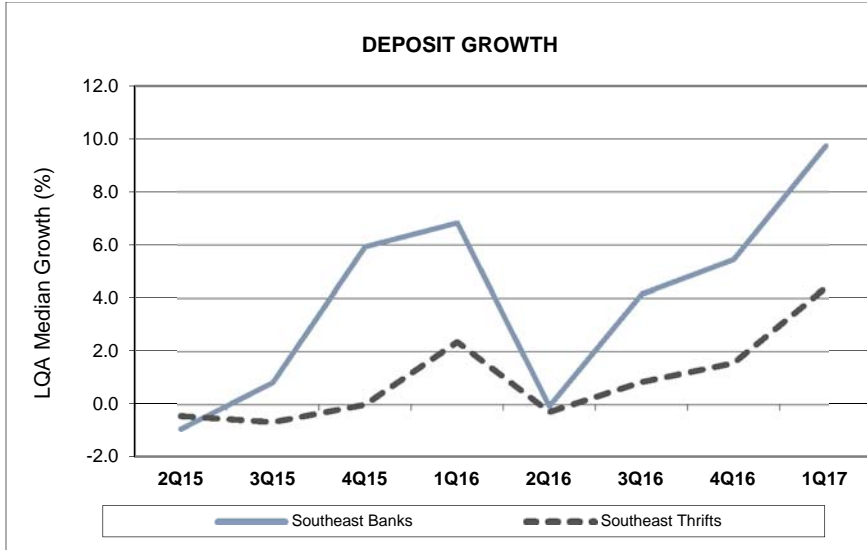
Balance Sheet Trends



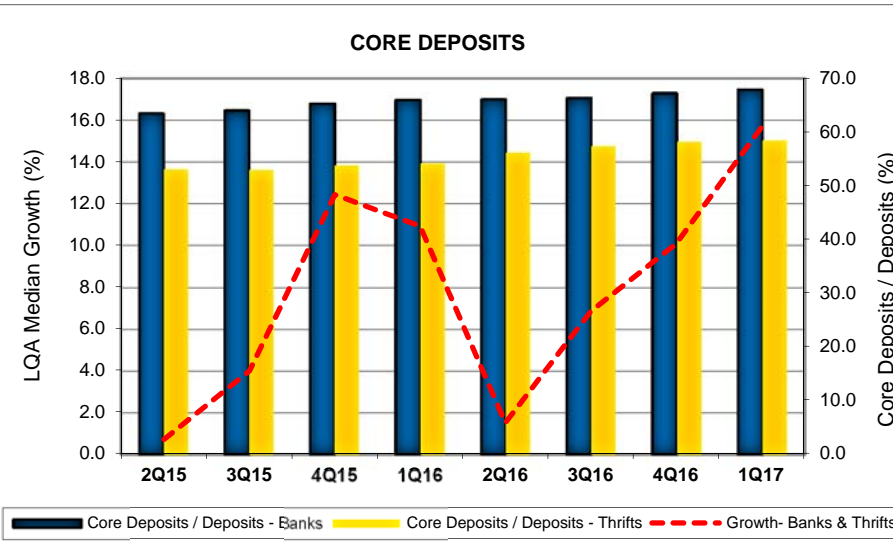
Southeast banks realized a LQA increase in loans of 3.7% in 1Q17 versus growth of 4.5% in 4Q16 and 4.2% in 1Q16. Loan growth for thrifts was 1.2%, 0.3% and 0.4%, respectively, during these periods. Loan growth tends to be seasonally weak for depository institutions in the first quarter of each year.



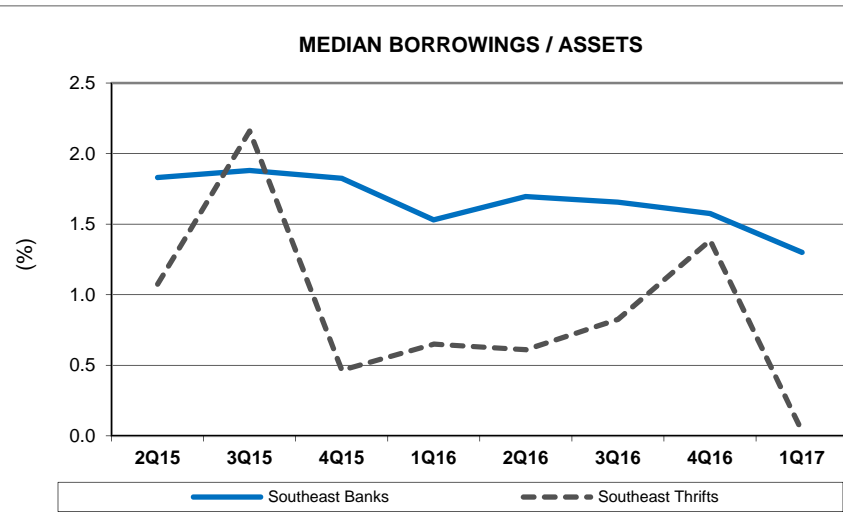
Total securities of Southeast banks & thrifts were up 3.6% in 1Q17 versus declines of (3.6%) in 4Q16 and (0.1%) in the year-ago period. Securities comprised 18.3% of bank assets and 11.5% of thrift assets at March 31, 2017.



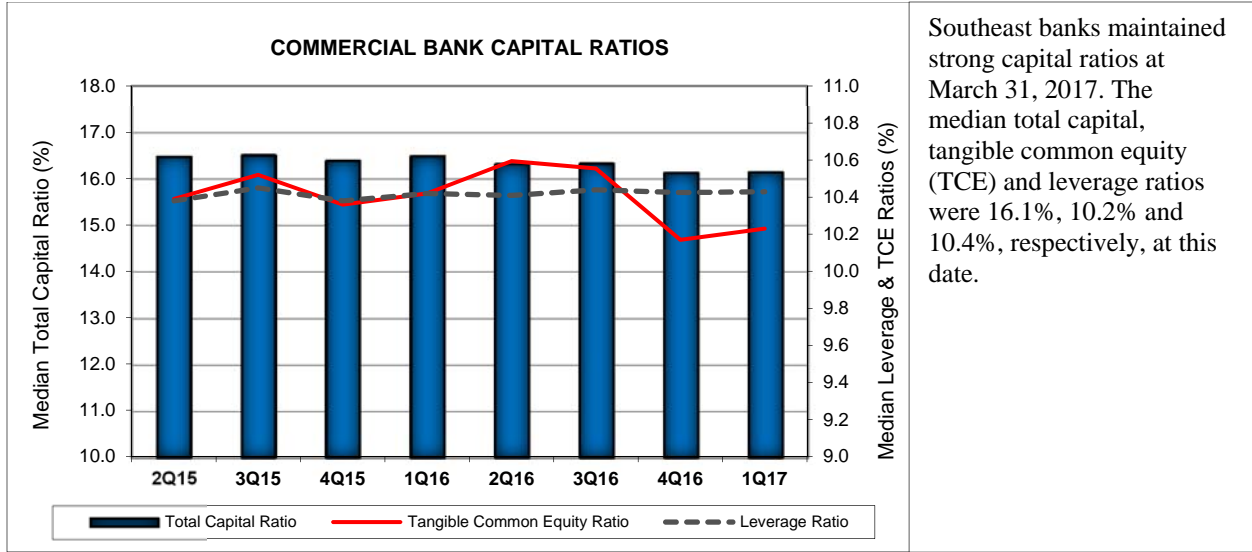
Total deposits of banks rose 9.7% on a LQA basis in 1Q17, versus 5.5% in 4Q16 and 6.8% in the year-ago quarter. Thrifts realized growth of 4.4%, 1.6% and 2.4%, respectively, in these periods.



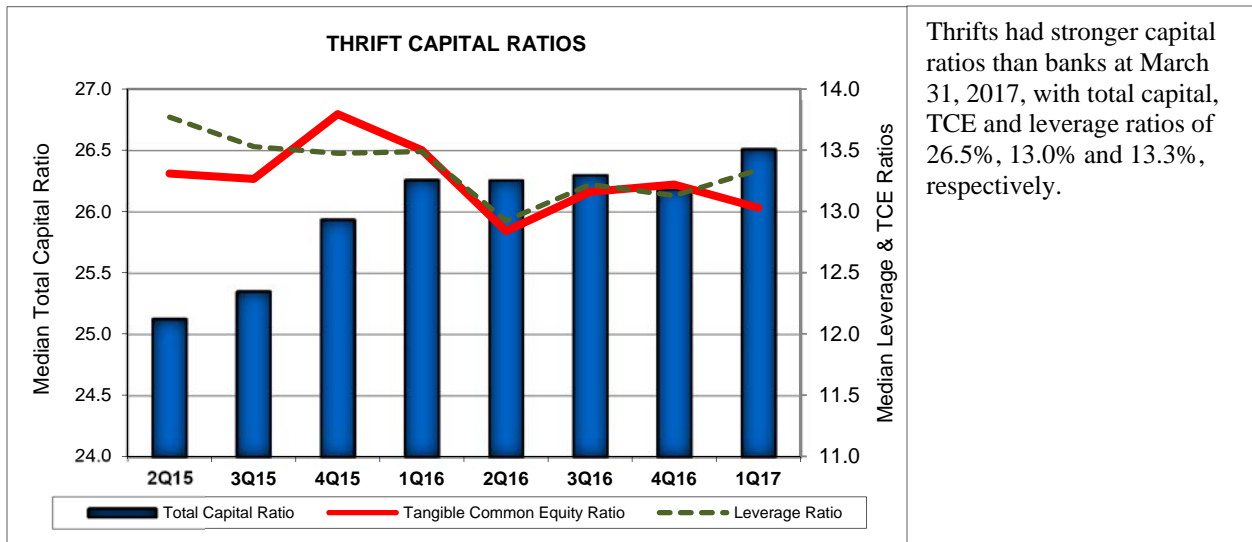
Core deposits (total deposits less time deposits) grew 15.6% for banks and thrifts on a LQA basis in 1Q17. They accounted for 67.9% of bank deposits and 58.5% of thrift deposits at March 31, 2017.



Total outside borrowings as a percentage of assets were 1.3% for banks and 0.0% for thrifts at March 31, 2017 compared to 1.6% and 1.4%, respectively, at December 31, 2016.



Southeast banks maintained strong capital ratios at March 31, 2017. The median total capital, tangible common equity (TCE) and leverage ratios were 16.1%, 10.2% and 10.4%, respectively, at this date.



Thrifts had stronger capital ratios than banks at March 31, 2017, with total capital, TCE and leverage ratios of 26.5%, 13.0% and 13.3%, respectively.

MERGER & ACQUISITION ACTIVITY

There were 26 whole bank acquisitions announced since 4Q16 involving Southeast-based financial institutions excluding any deals involving private investors. Pricing multiples for these deals are provided in the following table.

**ANALYSIS OF BANK & THRIFT M&A ACTIVITY
INVOLVING SOUTHEAST-BASED INSTITUTIONS
ANNOUNCED AFTER DECEMBER 31, 2016**

Buyer/ Target Name	Announce Date	Buyer State	Seller State	Pricing @ Announcement		
				Deal Value (\$M)	Deal Value/ Earnings (x)	Deal Value/ Tangible Common Equity (%)
First Citizens BancShares, Inc./ Harvest Community Bank	1/13/2017	NC		NA	NA	NA
Renasant Corporation/ Metropolitan BancGroup, Inc.	1/17/2017	MS	MS	182.7	25.7	209.2
HCBF Holding Company, Inc./ Jefferson Bankshares, Inc.	1/20/2017	FL	FL	40.0	22.5	164.7
Pinnacle Financial Partners, Inc./ BNC Bancorp	1/22/2017	TN	NC	1,760.6	23.8	269.7
Simmons First National Corporation/ First Texas BHC, Inc.	1/23/2017	AR	TX	462.0	26.1	250.4
Southern Bancorp, Inc./ Farmers Bank	1/25/2017	AR	AR	4.5	NM	99.6
FB Financial Corporation/ American City Bank/Clayton Bank & Trust	2/8/2017	TN	TN	204.7	9.1	185.4
Progress Financial Corporation/ First Partners Financial, Inc.	2/14/2017	AL	AL	41.9	15.1	159.9
West Town Bancorp, Inc./ Sound Banking Company	2/17/2017	NC	NC	22.8	22.4	140.0
First Forest Corporation/ Bank of Walnut Grove	3/2/2017	MS	MS	10.0	28.6	119.0
Piedmont Bancorp, Inc./ Mountain Valley Bancshares, Inc.	3/17/2017	GA	GA	NA	NA	NA
Jones Bancshares, L.P./ Atlantic National Bank	3/27/2017	GA	GA	NA	NA	NA
Home BancShares, Inc./ Stonegate Bank	3/27/2017	AR	FL	779.7	22.9	240.6
FNS Bancshares, Inc./ Commerce Bancshares, Inc.	3/28/2017	AL	TN	NA	NA	NA
First Community Corporation/ Patriot Bank	4/12/2017	SC	SC	25.7	34.5	138.8
United Community Banks, Inc./ HCSB Financial Corporation	4/20/2017	GA	SC	66.2	1.9	187.4
National Commerce Corporation/ Patriot Bank	4/24/2017	AL	FL	31.3	27.2	157.0
TowneBank/ Paragon Commercial Corporation	4/27/2017	VA	NC	324.0	22.1	237.3
South State Corporation/ Park Sterling Corporation	4/27/2017	SC	NC	692.4	27.4	237.8
Hancock Holding Company/ First NBC Bank	4/28/2017	MS		NA	NA	NA
First Bancorp/ ASB Bancorp, Inc.	5/1/2017	NC	NC	175.4	NM	174.3
Emclair Financial Corp/ Northern Hancock Bank & Trust Company	5/4/2017	PA	WV	1.9	NM	59.9
First Horizon National Corporation/ Capital Bank Financial Corp.	5/4/2017	TN	NC	2,184.5	28.2	203.1
Seacoast Banking Corporation of Florida/ Palm Beach Community Bank	5/4/2017	FL	FL	68.9	19.4	165.1
First Citizens BancShares, Inc./ Guaranty Bank (MHC)	5/5/2017	NC	NC	NA	NA	NA
First Mutual Holding Co./ Doolin Security Savings Bank, FSB	5/11/2017	OH	WV	NA	NA	NA
Median Multiple					23.4	174.3

Source: SNL Financial

PUBLIC COMPANY VALUATIONS

There are 219 Southeast-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 SOUTHEAST-BASED FINANCIAL INSTITUTIONS VALUATION DATA AS OF MAY 11, 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	15.6	13.9	12.5	159.6	2.0
Mid	18.7	17.9	15.1	199.9	1.5
Small	20.0	18.3	15.8	200.2	1.4
Micro	15.8	18.8	15.3	119.4	1.2

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 MAY 11, 2017

Company	City	State	Ticker	Closing Price
ASB Bancorp, Inc.	Asheville	NC	ASBB	41.00
BNC Bancorp	High Point	NC	BNCN	32.60
Capital Bank Financial Corp.	Charlotte	NC	CBF	38.25
Commerce Bancshares, Inc.	Nolensville	TN	CBCB	NA
Cornerstone Bancorp	Easley	SC	CTOT	10.80
Emclair Financial Corp	Emlenton	PA	EMCF	29.25
FB Financial Corporation	Nashville	TN	FBK	37.62
First Bancorp	Southern Pines	NC	FBNC	29.13
First Community Corporation	Lexington	SC	FCCO	20.10
First Citizens BancShares, Inc.	Raleigh	NC	FCNCA	343.27
First Horizon National Corporation	Memphis	TN	FHN	17.62
Hancock Holding Company	Gulfport	MS	HBHC	47.05
HCSB Financial Corporation	Loris	SC	HCFB	0.13
Home BancShares, Inc.	Conway	AR	HOMB	24.36
Jefferson Bankshares, Inc.	Oldsmar	FL	JFBF	14.10
National Commerce Corporation	Birmingham	AL	NCOM	38.30
Paragon Commercial Corporation	Raleigh	NC	PBNC	52.74
Pinnacle Financial Partners	Nashville	TN	PNFP	62.20
Park Sterling Corporation	Charlotte	NC	PSTB	11.88
Renasant Corporation	Tupelo	MS	RNST	41.74
Seacoast Banking Corporation of Florida	Stuart	FL	SBCF	23.28
Simmons First National Corporation	Pine Bluff	AR	SFNC	52.90
Stonegate Bank	Pompano Beach	FL	SGBK	45.10
Sound Banking Company	Morehead City	NC	SNBN	13.05
South State Corporation	Columbia	SC	SSB	85.85
TowneBank	Portsmouth	VA	TOWN	30.65
United Community Banks, Inc.	Blairsville	GA	UCBI	27.26
West Town Bancorp, Inc.	Raleigh	NC	WTWB	24.70

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.

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

Renasant Corporation is/was a client 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 an average 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	32	26%	13%	88%
Hold/Neutral	79	64%	8%	92%
Sell	12	10%	0%	100%

As of 8 May 2017

Other Disclosures

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