



SOUTHEAST BANK QUARTERLY 3Q17 REVIEW

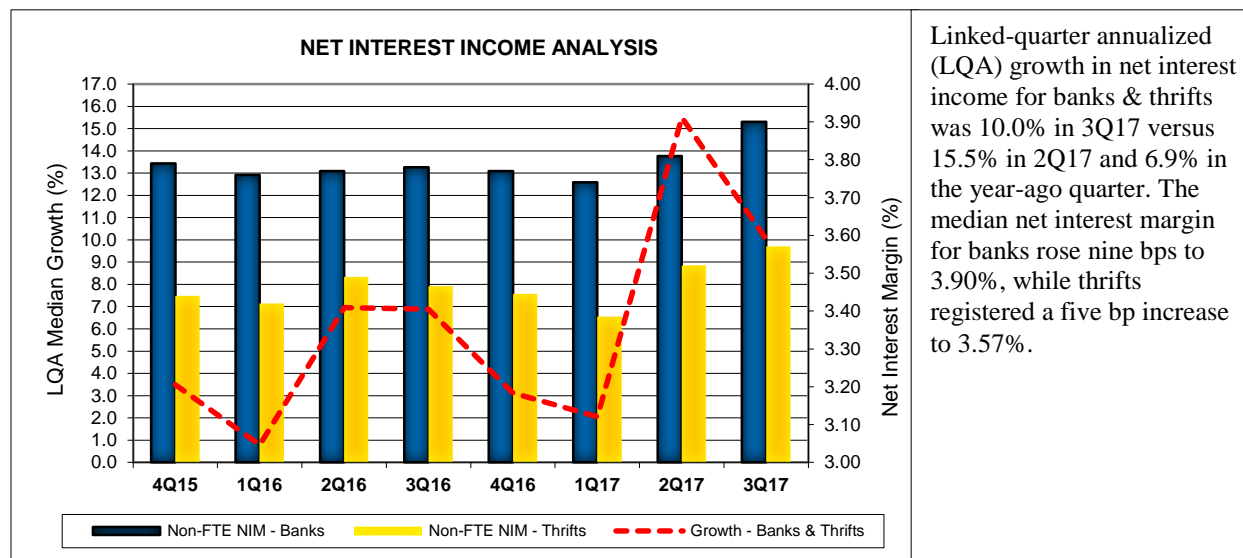
Banks

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J.J.B. Hilliard, W.L. Lyons, LLC
November 20, 2017

FINANCIAL REVIEW

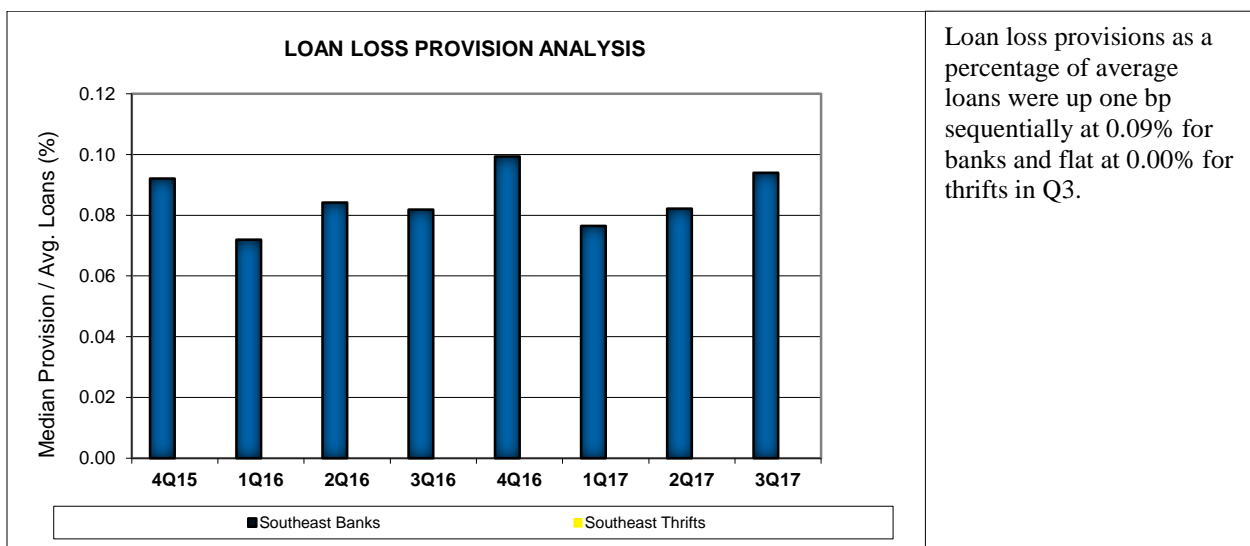
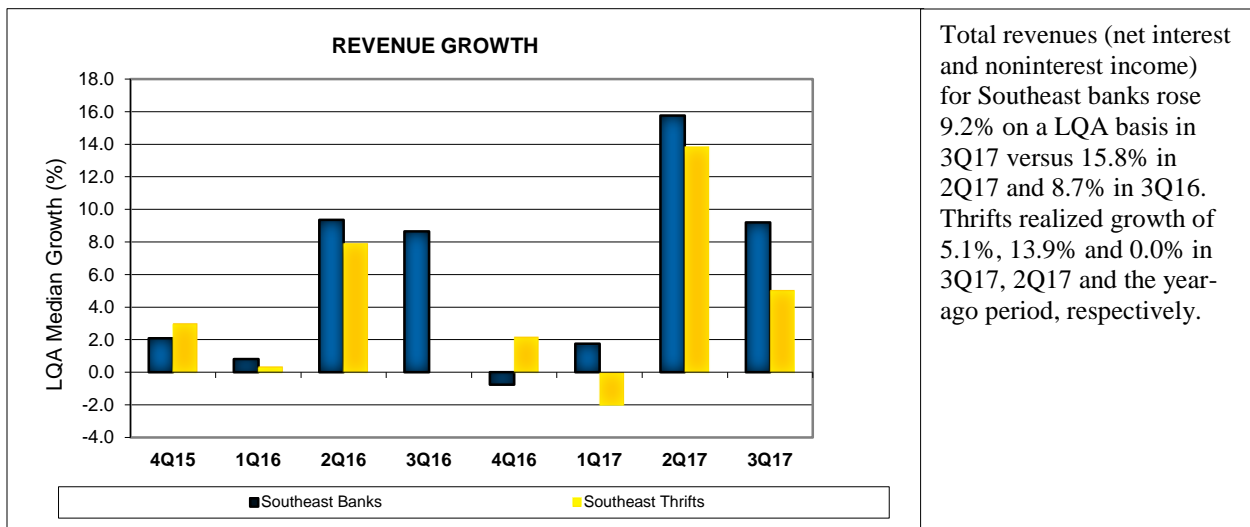
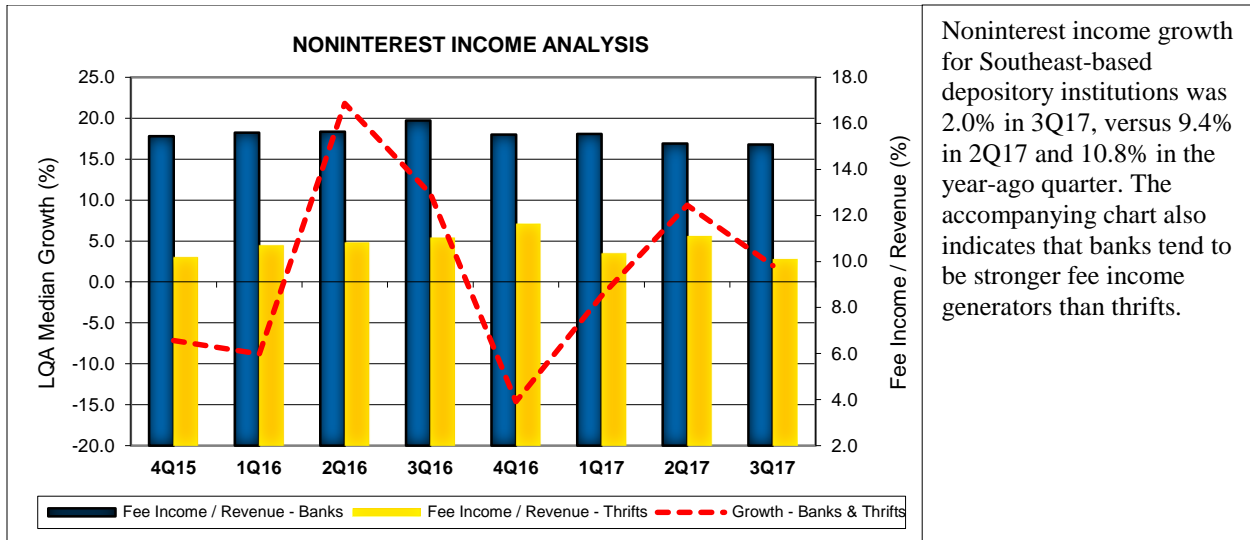
This section presents financial trends realized by the 1,047 financial institutions (929 banks and 118 thrifts) headquartered in the Southeast based on regulatory data provided by SNL Financial. States included in the Southeast region according to SNL’s definition are Alabama, Arkansas, Florida, Georgia, 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.

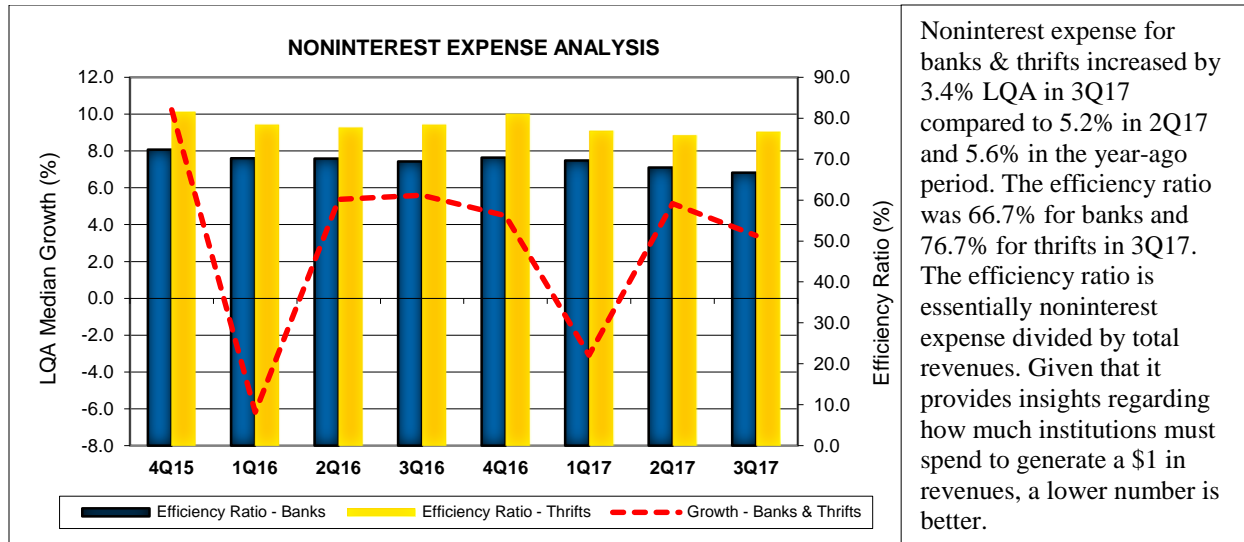
Income Statement Trends



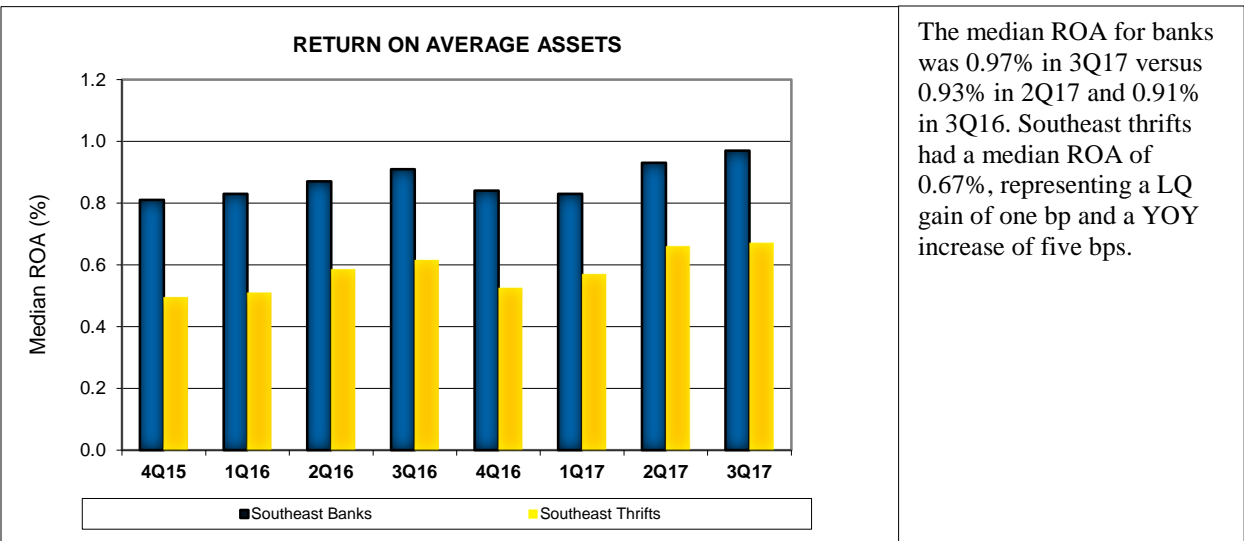
To obtain important disclosure information regarding Hilliard Lyons’ rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to RsLib@hilliard.com, or go online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

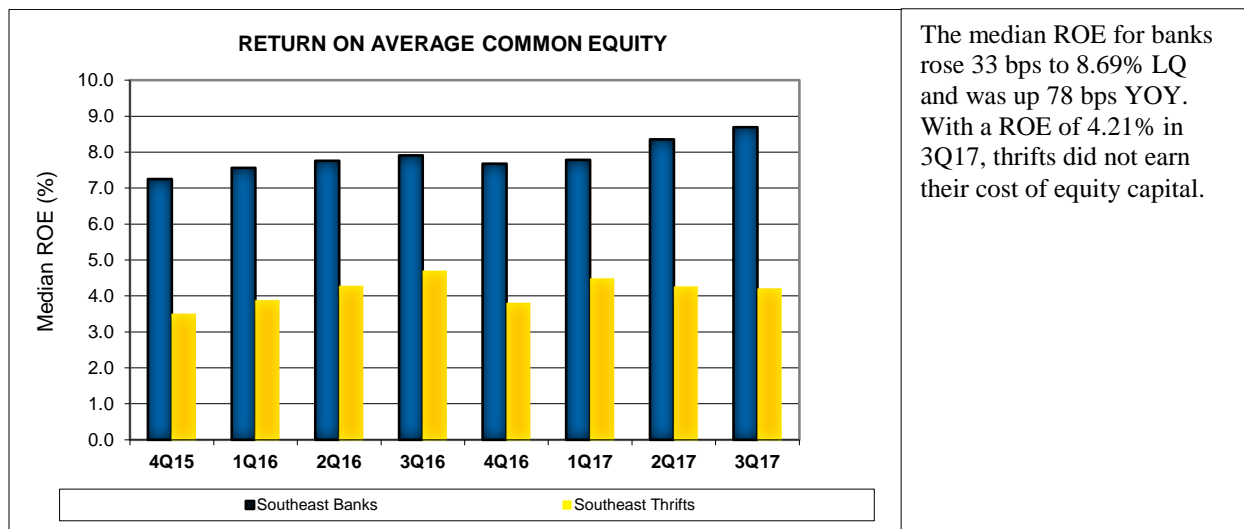




Noninterest expense for banks & thrifts increased by 3.4% LQA in 3Q17 compared to 5.2% in 2Q17 and 5.6% in the year-ago period. The efficiency ratio was 66.7% for banks and 76.7% for thrifts in 3Q17. The efficiency ratio is essentially noninterest expense divided by total revenues. Given that it provides insights regarding how much institutions must spend to generate a \$1 in revenues, a lower number is better.

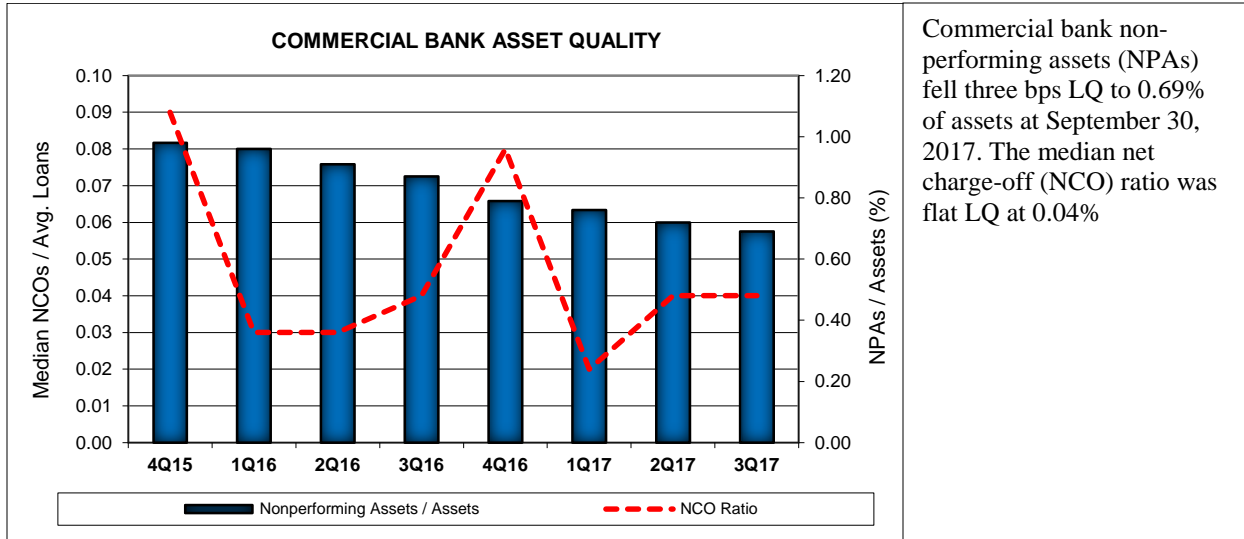


The median ROA for banks was 0.97% in 3Q17 versus 0.93% in 2Q17 and 0.91% in 3Q16. Southeast thrifts had a median ROA of 0.67%, representing a LQ gain of one bp and a YOY increase of five bps.

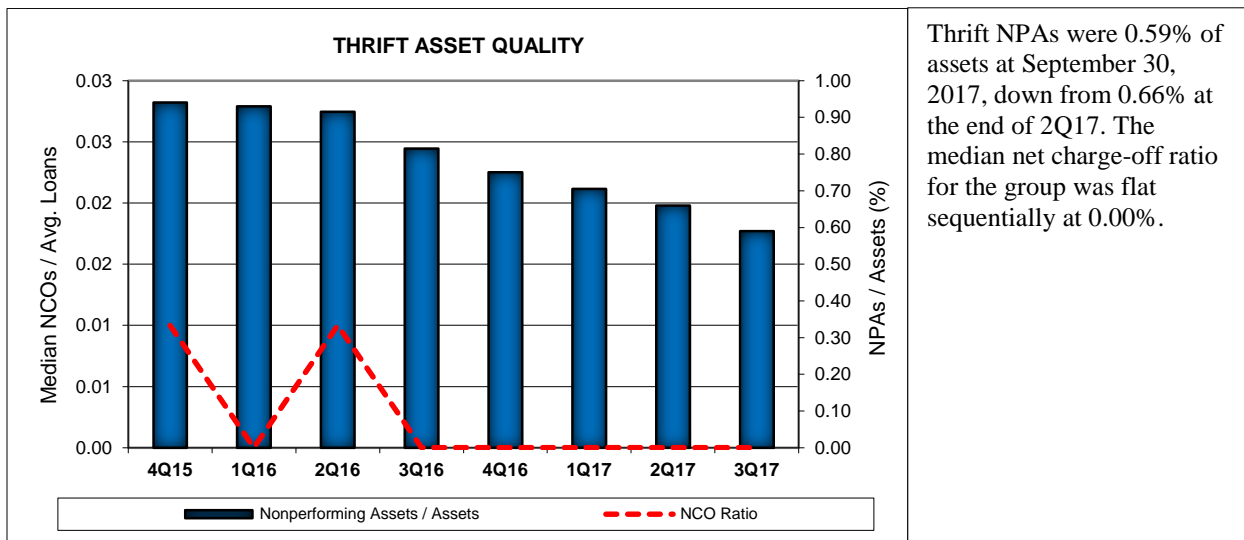


The median ROE for banks rose 33 bps to 8.69% LQ and was up 78 bps YOY. With a ROE of 4.21% in 3Q17, thrifts did not earn their cost of equity capital.

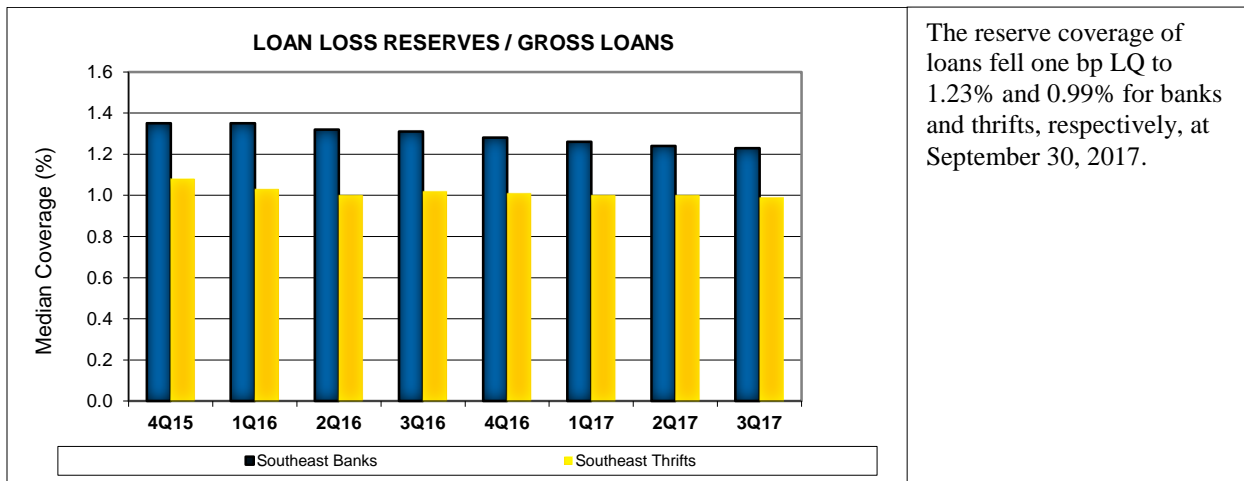
Asset Quality Trends



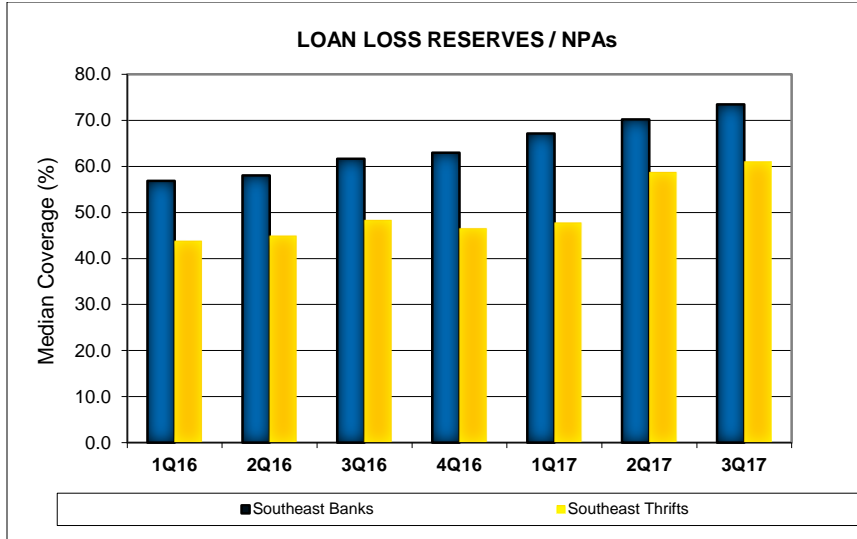
Commercial bank non-performing assets (NPAs) fell three bps LQ to 0.69% of assets at September 30, 2017. The median net charge-off (NCO) ratio was flat LQ at 0.04%



Thrift NPAs were 0.59% of assets at September 30, 2017, down from 0.66% at the end of 2Q17. The median net charge-off ratio for the group was flat sequentially at 0.00%.

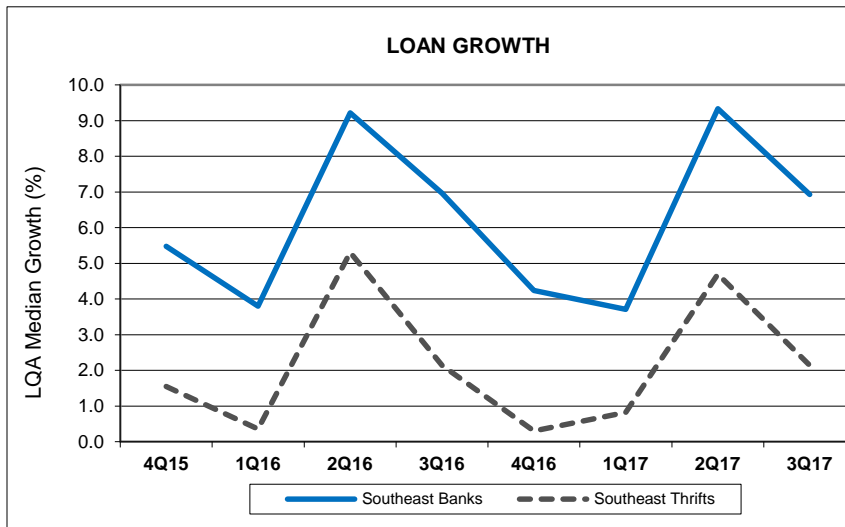


The reserve coverage of loans fell one bp LQ to 1.23% and 0.99% for banks and thrifts, respectively, at September 30, 2017.

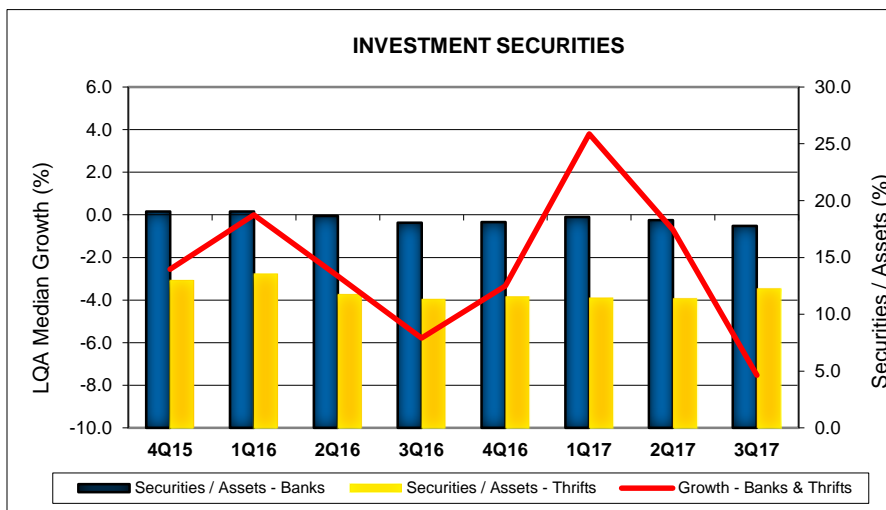


The reserve coverage of NPAs continued its ascent for Southeast banks, rising to 73.5% at the end of 3Q17 from 70.2% at June 30, 2017. The NPA coverage for thrifts rose to 61.1% at September 30, 2017 from 58.8% at the end of Q2.

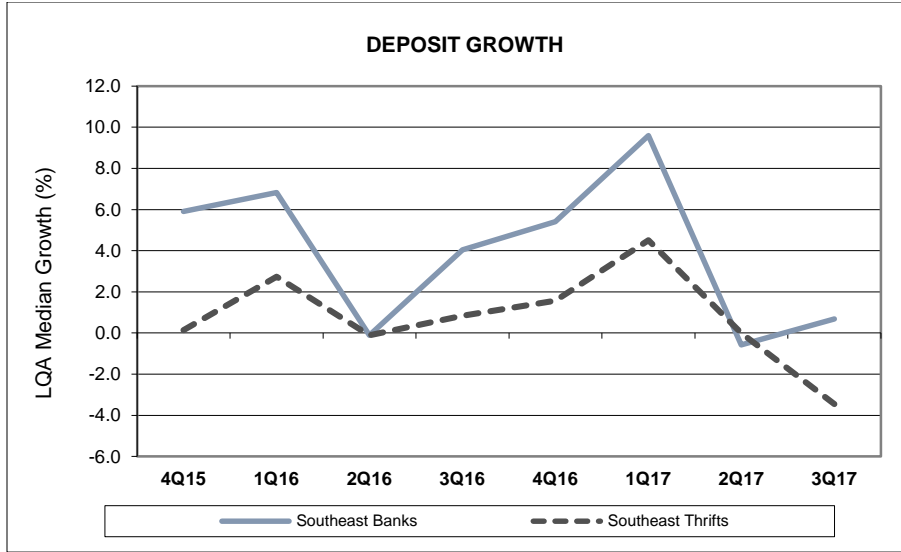
Balance Sheet Trends



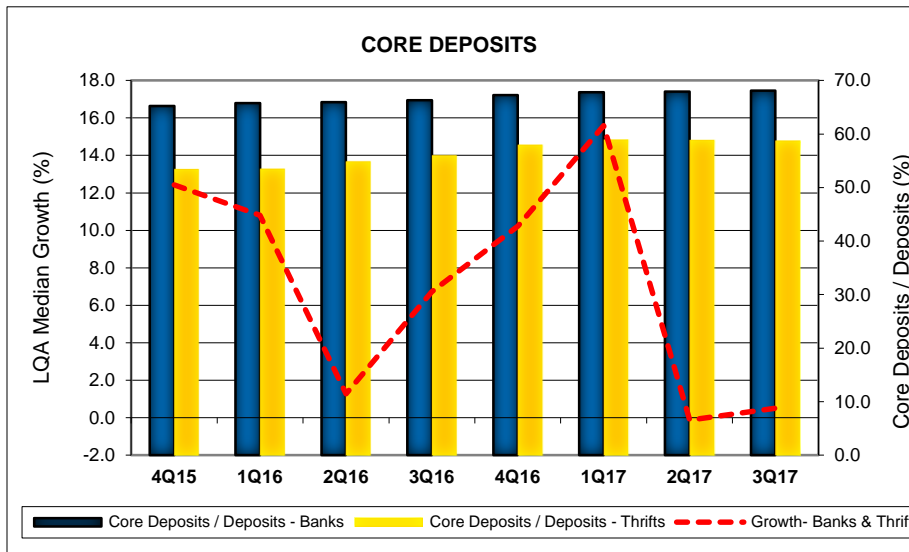
Southeast banks realized a LQA increase in loans of 6.9% in 3Q17 versus growth of 9.3% in 2Q17 and 7.0% in 3Q16. Loan growth for thrifts was 2.2%, 4.7% and 2.1%, respectively, during these periods.



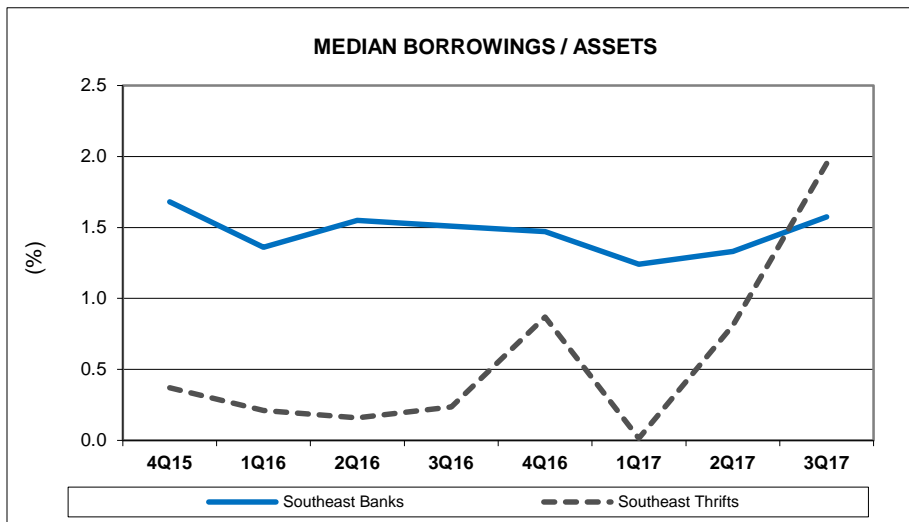
Total securities of Southeast banks & thrifts were down (7.5%) in 3Q17 versus (0.7%) in 2Q17 and (5.8%) in the year-ago period. Securities comprised 17.8% of bank assets and 12.3% of thrift assets at September 30, 2017.



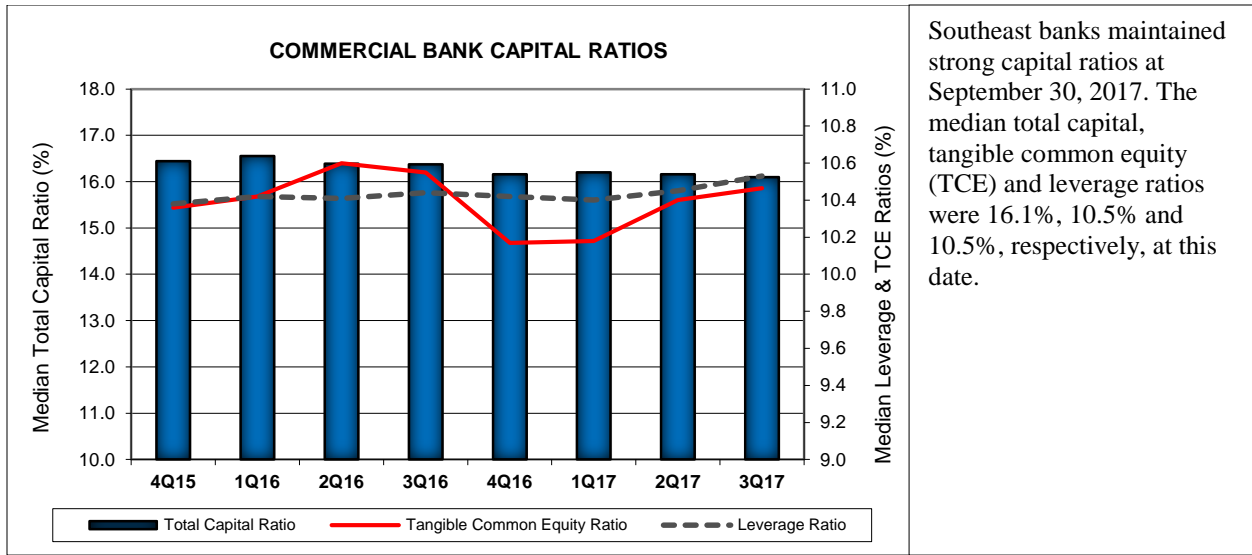
Total deposits of banks rose 0.7% on a LQA basis in 3Q17, versus (0.6%) in 2Q17 and 4.1% in the year-ago quarter. Thrifts realized growth of (3.5%), 0.0% and 0.8%, respectively, in these periods.



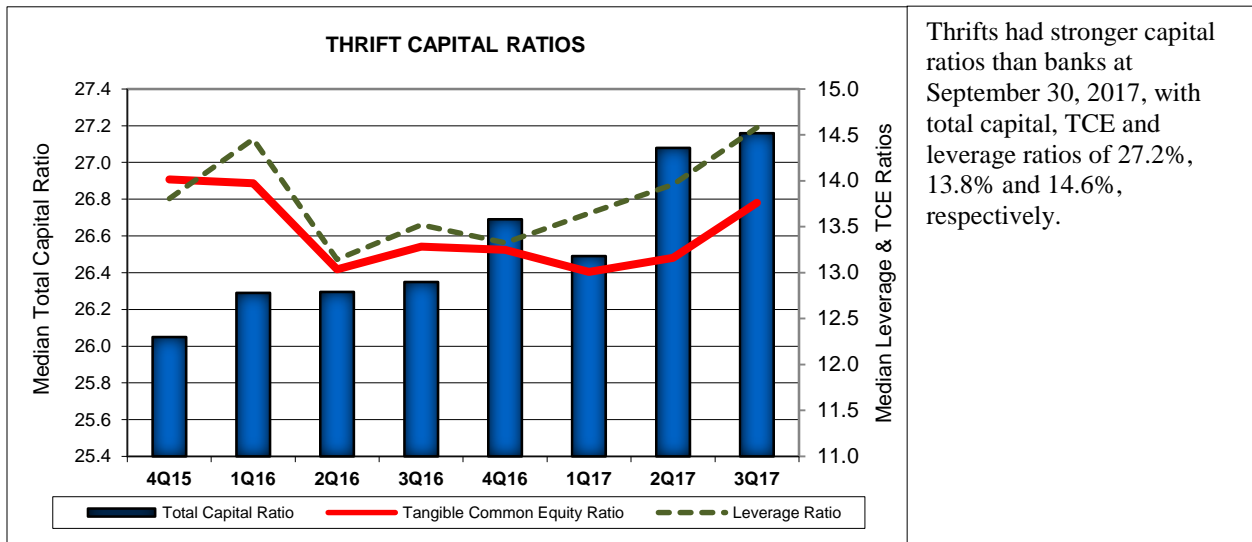
Core deposits (total deposits less time deposits) increased 0.5% for banks and thrifts on a LQA basis in 3Q17. They accounted for 68.1% of bank deposits and 58.8% of thrift deposits at September 30, 2017.



Total outside borrowings as a percentage of assets were 1.6% for banks and 2.0% for thrifts at September 30, 2017 compared to 1.3% and 0.8%, respectively, at September 30, 2017.



Southeast banks maintained strong capital ratios at September 30, 2017. The median total capital, tangible common equity (TCE) and leverage ratios were 16.1%, 10.5% and 10.5%, respectively, at this date.



Thrifts had stronger capital ratios than banks at September 30, 2017, with total capital, TCE and leverage ratios of 27.2%, 13.8% and 14.6%, respectively.

MERGER & ACQUISITION ACTIVITY

There were 24 whole bank acquisitions announced since 2Q17 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 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 (%)
First National Corporation of Wynne/ Bank of McCrory	7/17/2017	AR	AR	NA	NA	NA
Southeastern Bancorp, Inc./ Cumberland Bancorp, Inc.	7/21/2017	TN	TN	NA	NA	NA
Select Bancorp, Inc./ Premara Financial, Inc.	7/21/2017	NC	NC	40.1	51.9	162.6
Atlantic Bay Mortgage Group LLC/ Virginia Community Bank	7/25/2017	VA	VA	NA	NA	NA
Valley National Bancorp/ USAmeriBancorp, Inc.	7/26/2017	NJ	FL	852.1	17.6	246.1
Lake Michigan Credit Union/ Encore Bank	8/7/2017	MI	FL	NA	NA	NA
CenterState Bank Corporation/ Sunshine Bancorp, Inc.	8/14/2017	FL	FL	178.7	54.6	181.1
CenterState Bank Corporation/ HCBF Holding Company, Inc.	8/14/2017	FL	FL	417.5	55.9	209.2
Commercial Bancgroup, Inc./ Citizens Bancorp, Inc.	8/15/2017	TN	TN	NA	NA	NA
National Commerce Corporation/ FirstAtlantic Financial Holdings, Inc.	8/16/2017	AL	FL	107.9	28.4	175.1
Arvest Bank Group, Inc./ Bear State Financial, Inc.	8/22/2017	AR	AR	391.3	18.0	199.3
Commerce Union Bancshares, Inc./ Community First, Inc.	8/23/2017	TN	TN	59.0	15.7	185.0
Simmons First National Corporation/ Heartland Bank	8/28/2017	AR	AR	NA	NA	NA
F & M Bancshares, Inc./ Merchants & Planters Bancshares, Inc.	9/21/2017	TN	TN	NA	NA	NA
First Reliance Bancshares, Inc./ Independence Bancshares, Inc.	9/25/2017	SC	SC	2.6	NM	174.0
Henderson Bancshares, Inc./ First Brundidge Bancshares, Inc.	10/2/2017	AL	AL	NA	NA	NA
IBERIABANK Corporation/ Gibraltar Private Bank & Trust Co.	10/19/2017	LA	FL	228.3	42.3	159.0
First Bancshares, Inc./ Southwest Banc Shares, Inc.	10/24/2017	MS	AL	59.9	23.1	165.8
Old Point Financial Corporation/ Citizens National Bank	10/30/2017	VA	VA	8.0	9.1	100.9
First Federal Bancorp, MHC/ Coastal Banking Company, Inc.	11/7/2017	FL	SC	83.2	10.9	NA
Georgia's Own Credit Union/ State Bank of Georgia	11/10/2017	GA	GA	NA	NA	NA
WesBanco, Inc./ First Sentry Bancshares, Inc.	11/13/2017	WV	WV	96.4	NA	NA
CB Financial Services, Inc./ First West Virginia Bancorp, Inc.	11/16/2017	PA	WV	50.2	NM	156.0
Ameris Bancorp/ Atlantic Coast Financial Corporation	11/17/2017	GA	FL	146.7	24.8	160.5
Median Multiple					23.9	174.0

Source: SNL Financial

PUBLIC COMPANY VALUATIONS

There are 215 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 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	15.2	14.7	13.0	170.8	2.3
Mid	18.6	17.0	15.1	204.4	1.7
Small	21.1	19.3	16.4	193.9	1.3
Micro	17.6	18.8	16.5	119.9	1.4

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
Ameris Bancorp	Moultrie	GA	ABCB	46.80
Atlantic Coast Financial Corporation	Jacksonville	FL	ACFC	9.07
Bear State Financial, Inc.	Little Rock	AR	BSF	10.25
CB Financial Services, Inc.	Carmichaels	PA	CBFV	29.65
CenterState Bank Corporation	Winter Haven	FL	CSFL	25.84
Citizens National Bank	Windsor	VA	CNBV	4.79
Coastal Banking Company, Inc.	Beaufort	SC	CBCO	20.90
Commerce Union Bancshares, Inc.	Brentwood	TN	CUBN	23.32
First Bancshares, Inc.	Hattiesburg	MS	FBMS	32.30
First Reliance Bancshares, Inc.	Florence	SC	FSRL	7.29
First Sentry Bancshares, Inc.	Huntington	WV	FTSB	61.25
First West Virginia Bancorp, Inc.	Wheeling	WV	FWVB	27.95
FirstAtlantic Financial Holdings, Inc.	Jacksonville	FL	FFHD	17.75
IBERIABANK Corporation	Lafayette	LA	IBKC	73.40
Independence Bancshares, Inc.	Greenville	SC	IEBS	0.12
National Commerce Corporation	Birmingham	AL	NCOM	40.90
Old Point Financial Corporation	Hampton	VA	OPOF	28.17
Premara Financial, Inc.	Charlotte	NC	PARA	12.15
Select Bancorp, Inc.	Dunn	NC	SLCT	11.64
Simmons First National Corporation	Pine Bluff	AR	SFNC	55.00
Sunshines Bancorp, Inc.	Plant City	FL	SBCP	22.71
USAmeriBancorp, Inc.	Clearwater	FL	USAB	75.00
Valley National Bancorp	Wayne	NJ	VLY	11.27
WesBanco, Inc.	Wheeling	WV	WSBC	40.04

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 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
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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