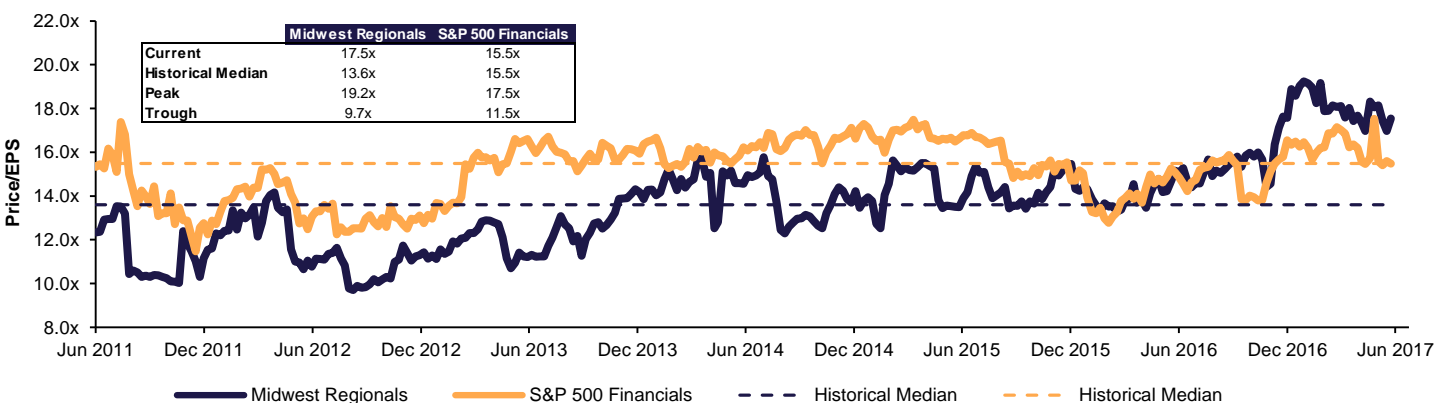
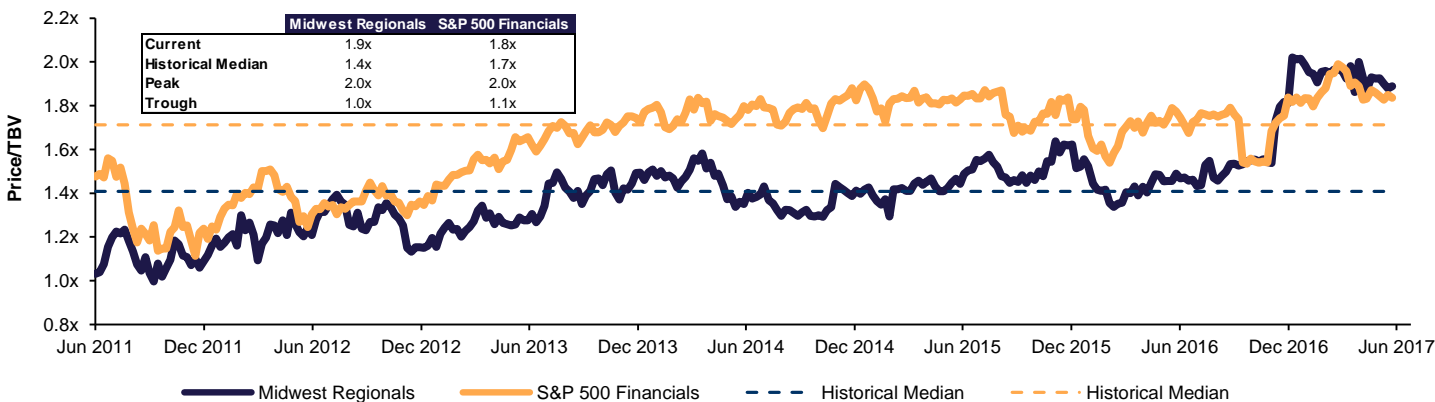


# Midwest Banking Industry Update

## Bank Valuations Remain Elevated after Election Boost

- Historically, Midwest banks have traded at a discount to the broader S&P 500 Financials Sector Index, and the discount has been more pronounced in P/TBV ratio than P/E. Since Trump's victory spurred the promise of decreased regulation and increased business confidence, both trends have reversed. Midwest bank valuations now exceed the broader banking market, particularly when measured by P/E. Proprietary precedent transaction data support these trends, as regional transaction documents reflect pricing multiples pegged to book value rather than earnings, resulting in higher P/E multiples for average earning banks.
- Short-term interest rates have finally begun to rise, and recent bank data indicates higher margins, a trend anticipated to continue. Tempering bank regulations has been perhaps the most significant (if not singular) tangible improvement from Washington DC this year. Accordingly, it seems logical that valuations will remain strong and improved profitability will lead to a robust community bank M&A market.
- Bridgepoint advises the market is receptive (and valuations are elevated) toward sellers who may be seeking near-term monetization options.

### Banking Valuation Update – P/TBV & P/EPS

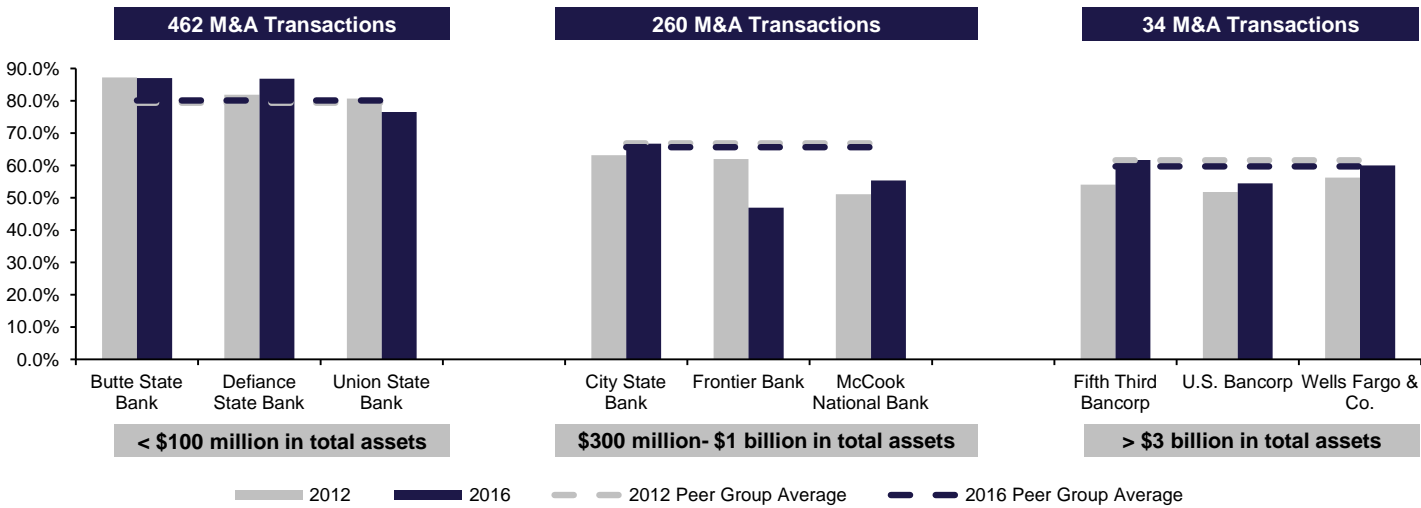


Note: Midwest Regional composite composed of selected public comparables as listed on page 3. Baylake Corp. and Talmer Bancorp, Inc. were included in the composite until being acquired by Nicolet Bankshares Inc. and Chemical Financial Corporation on 04/29/2016 and 08/31/2016, respectively.

Sources: Bridgepoint Merchant Banking, SNL, PitchBook, Capital IQ

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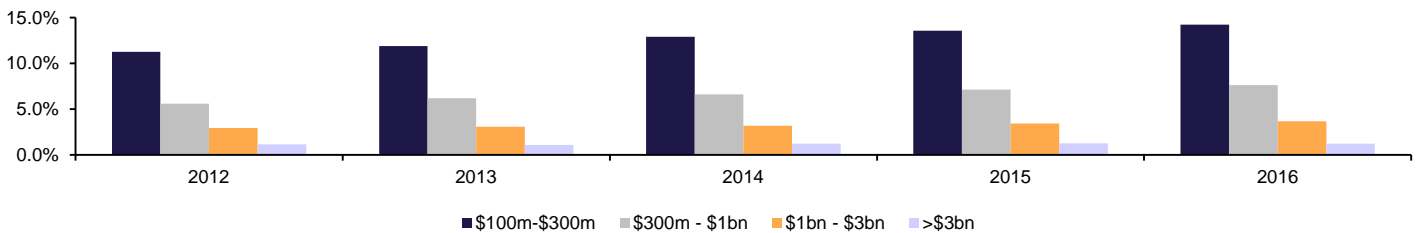
## Efficiency Ratio (2012 – LTM)



- Over the past four years, the average efficiency ratio for banks has inched up only slightly.
- Industry headwinds, namely increased regulatory compliance costs, have challenged banks to maintain efficiency ratios. Large improvements in efficiency (see Frontier Bank) likely involve structural change like merging charters or acquisition.
- Not surprisingly, larger banks report lower efficiency ratios than smaller banks. However, the delta between large community banks (\$300M - \$1B) and regional/large banks (>\$3B) is far less than between small and large community banks. Banks are anxious to get to that \$300M threshold, as a 140 bps improvement in efficiency results in a \$60K pickup on an average \$100M bank. This is undoubtedly a driving force in the amount of M&A activity among smaller banks, and is a trend likely to continue.

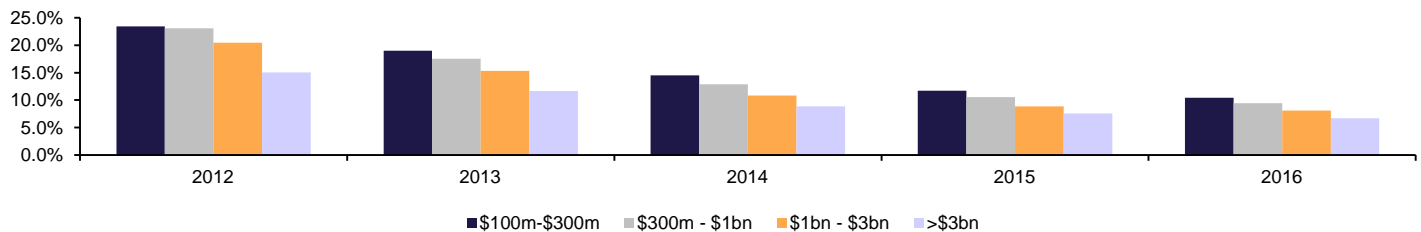
## U.S. Bank Loans Landscape

### Agricultural Loans + Loans Secured by Farmland/Loans



- Smaller community banks continue to make more ag loans on a relative basis than the largest banks.

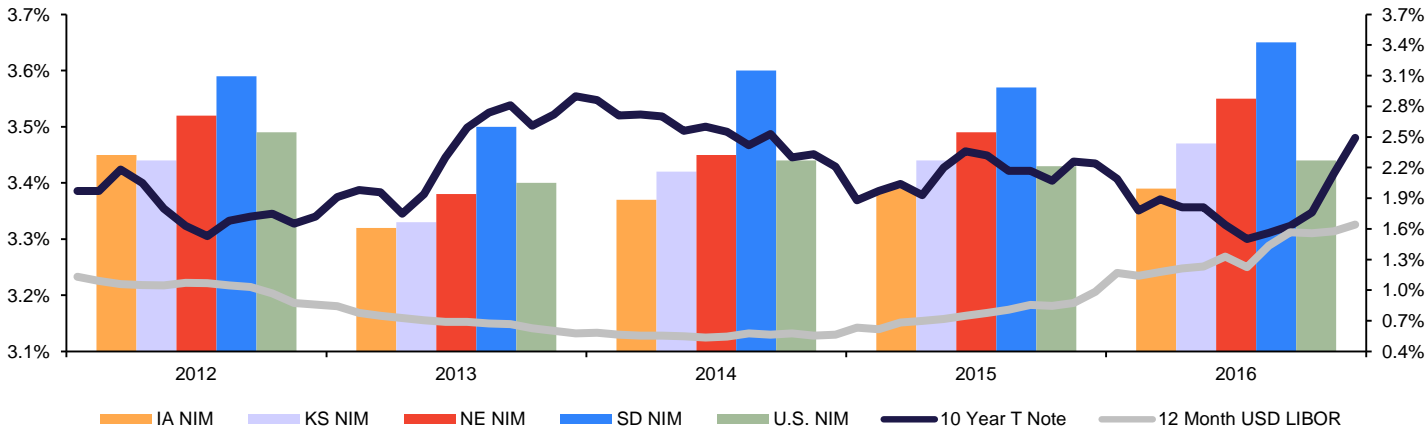
### Classified Loans/Reserves



- The smaller community banks made dramatic improvement in credit quality over the last five years, and the classified loan ratio for all banks remains low. It is anticipated that trend will reverse in the smallest and largest banks as credit card delinquencies have begun to trend up a bit and the ag sector enters its third year of stress. Frankly it is surprising the smallest banks have not already reported higher classified loan ratios.

Sources: Bridgepoint Merchant Banking, SNL, Federal Deposit Insurance Corporation

## Selected Midwestern States Last 5 Years NIM



- South Dakota banks have consistently produced, on average, higher net interest margins than the other banks presented above, likely due to the amount of credit card banks chartered in SD.
- Nebraska's average NIM is likely skewed by the state's largest bank having a high NIM (5.5%) due to their large credit card portfolio.
- Banks in three of the four selected Midwestern states boast better NIMs than the national average.
- While neither a direct or inverse relationship exists, the data indicates that short-term interest rates have greater impact on bank NIMs than long-term rates.

## Selected Public Comparables

(\$ in millions except per share data)

Company Name	State	6/2/2017 Share Price	Equity Value	Total Assets	ROAA	ROAE	Price / EPS LTM	Price / TBV LTM	Price / BV LTM
Ames National Corporation	Iowa	\$30.3	\$165.1	\$1,366.5	1.2%	9.4%	18.1x	1.8x	1.7x
BancFirst Corporation	Oklahoma	95.2	711.1	7,019.0	1.0%	10.3%	20.0x	2.3x	2.1x
BOK Financial Corporation	Oklahoma	81.3	3,306.4	32,772.3	0.7%	6.9%	19.2x	1.9x	1.6x
County Bancorp, Inc.	Wisconsin	24.7	131.3	1,242.7	1.0%	8.8%	15.2x	1.4x	1.3x
Enterprise Financial Services Corp	Missouri	40.7	387.1	4,081.3	1.3%	13.1%	16.7x	2.3x	1.8x
Equity Bancshares, Inc.	Kansas	30.5	258.0	2,192.2	0.5%	5.6%	27.7x	1.8x	1.3x
First Busey Corporation	Illinois	28.8	594.3	5,425.2	1.0%	9.6%	20.0x	2.3x	1.8x
First Business Financial Services, Inc.	Wisconsin	23.1	161.7	1,780.7	0.8%	9.4%	14.5x	1.3x	1.2x
First Mid-Illinois Bancshares, Inc.	Illinois	33.2	280.7	2,884.5	0.9%	9.2%	16.1x	1.9x	1.4x
Great Southern Bancorp, Inc.	Missouri	50.1	429.8	4,550.7	1.0%	10.9%	15.0x	1.6x	1.6x
Guaranty Bancorp	Colorado	25.6	352.4	3,366.4	0.9%	9.3%	22.7x	2.5x	2.0x
Heartland Financial USA, Inc.	Iowa	45.6	740.9	8,247.1	1.0%	11.5%	14.8x	2.0x	1.6x
Independent Bank Corporation	Michigan	20.8	249.0	2,549.0	0.9%	9.2%	18.1x	1.7x	1.7x
Macatawa Bank Corporation	Michigan	9.4	162.2	1,741.0	1.0%	10.1%	18.8x	1.9x	1.9x
Mercantile Bank Corporation	Michigan	31.7	340.8	3,082.6	1.1%	9.3%	16.8x	1.8x	1.5x
MidWestOne Financial Group, Inc.	Iowa	34.7	305.5	3,079.6	0.7%	6.7%	18.4x	1.7x	1.3x
Old Second Bancorp, Inc.	Illinois	12.0	175.2	2,251.2	0.7%	9.4%	21.0x	2.0x	1.9x
QCR Holdings, Inc.	Illinois	44.6	286.0	3,301.9	1.0%	10.6%	19.3x	2.1x	2.0x
Southwest Bancorp, Inc.	Oklahoma	24.8	286.6	2,475.4	0.7%	6.2%	22.1x	1.7x	1.6x
West Bancorporation, Inc.	Iowa	22.3	165.4	1,854.2	1.3%	14.3%	15.5x	2.1x	2.1x

High	3,306.4	32,772.3	1.3%	14.3%	27.7x	2.5x	2.1x
Mean	474.5	4,763.2	0.9%	9.5%	18.5x	1.9x	1.7x
Median	286.3	2,982.1	1.0%	9.4%	18.3x	1.9x	1.6x
Low	131.3	1,242.8	0.5%	5.6%	14.5x	1.3x	1.2x

Sources: Bridgepoint Merchant Banking, SNL, Federal Deposit Insurance Corporation, Capital IQ

## Selected Midwestern Transactions

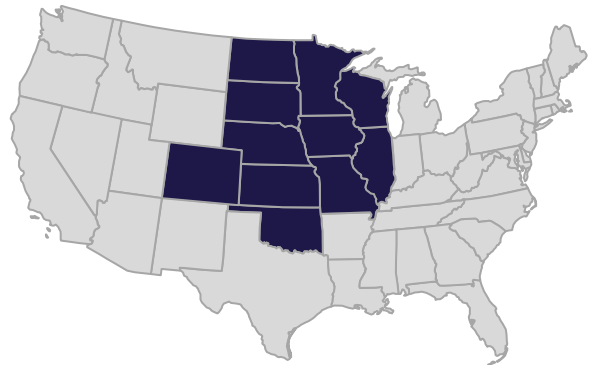
Announced Date	Target	State	Acquiror	State
5/27/2017	Commercial Bancshares, Inc.	Wisconsin	First American Bankshares, Inc.	Wisconsin
5/27/2017	Freedom Bancorporation, Inc.	Minnesota	Waseca Bancshares, Inc.	Minnesota
5/23/2017	Lafayette Community Bancorp	Indiana	Horizon Bancorp	Indiana
5/12/2017	Waupaca Bancorporation, Inc.	Wisconsin	Bank First National Corporation	Wisconsin
5/12/2017	Bank of Whitewater	Kansas	Vintage Bancorp, Inc.	Kansas
5/5/2017	Citizens State Bank of Ontonagon	Michigan	Honor Credit Union	Michigan
4/26/2017	Blue Rapids Bancshares, Inc.	Kansas	First Commerce Financial Corporation	Kansas
4/17/2017	Assets and liabilities	Nebraska	Synovus Financial Corp.	Georgia
4/14/2017	Bank of Macks Creek	Missouri	M1 Bancshares, Inc.	Missouri
4/4/2017	Carroll County Savings and Loan Association	Missouri	Home Savings and Loan Association of I	Missouri
4/4/2017	Farmers State Bank	Indiana	Piper Holdings, Inc.	Indiana
4/4/2017	State Bank of Cazenovia	Wisconsin	Royal Bancshares, Inc.	Wisconsin
3/31/2017	First State Bank of Warner, South Dakota	South Dakota	First Financial Corporation	North Dakota
3/28/2017	Byron State, Inc.	Nebraska	Summerfield Financial Services, LLC	Nebraska
3/24/2017	Bank of Nebraska	Nebraska	Access Bank	Nebraska
3/22/2017	Benchmark Bancorp, Inc.	Ohio	United Bancshares, Inc.	Ohio
3/17/2017	Wells Financial Corp.	Minnesota	Citizens Community Bancorp, Inc.	Wisconsin
3/15/2017	Kaw Valley Bancorp, Inc.	Kansas	Topeka Bancorp Inc.	Kansas
3/14/2017	Branch assets and liabilities of AmFirst Bank	Nebraska	Pinnacle Bancorp, Inc.	Nebraska
3/13/2017	Monitor Bancorp, Inc.	Ohio	Farmers National Banc Corp.	Ohio
3/13/2017	Mid Illinois Bancorp, Inc.	Illinois	First Busey Corporation	Illinois

Sources: Bridgepoint Merchant Banking, SNL

### About Us

- 40+ years of cumulative community bank management experience
- \$158+ billion of M&A, capital raising, corporate finance and transaction advisory services experience
- 43 completed M&A assignments spanning more than \$36 billion
- 75 completed corporate finance transactions, raising more than \$74 billion in capital
- 51 completed advisory assignments spanning more than \$48 billion
- 117+ years cumulative investment banking & private equity experience
- Principals currently sit on 11 Boards

### Geographic Focus Area



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