

Midwest Banking Industry Update

Bank Valuations Boosted by Election; Environment Remains Challenged

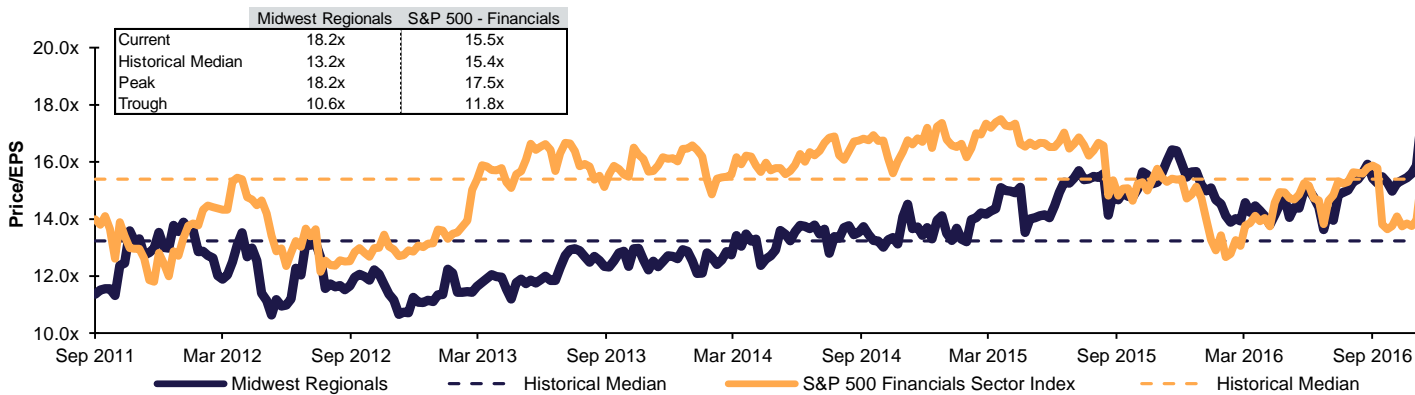
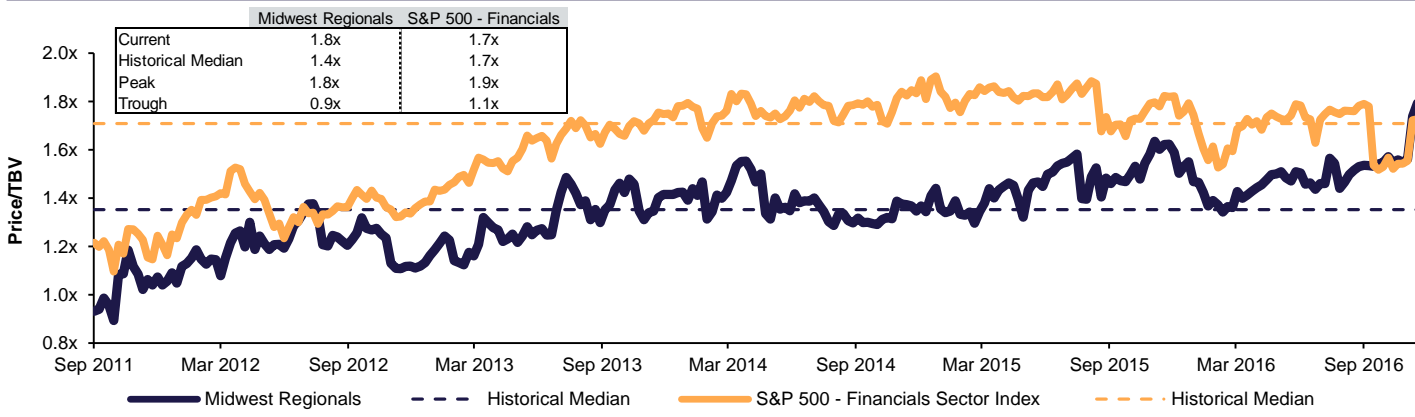
Midwest Regional banks have traditionally traded at a discount to the broader S&P 500 Financials Sector Index. However, at Q3-2016, the Midwest Regionals P/TBV and P/EPS multiples ended trading at a premium. The precipitous S&P 500 Financials valuation drop noted in Q3'16 was heavily influenced by the Wells Fargo accounts scandal. A quick and impressive valuation rebound occurred in the wake of Trump's victory, as investors are assuming rising rates and decreasing regulations in the future.

The Wells Fargo case illustrates the difficult environment in which banks are currently operating. With net interest margin at record lows, the quest for fee income may have driven banks away from prudent banking principles.

Midwestern bank M&A activity remains robust, as larger banks are increasingly turning toward acquisitions to fuel growth. The industry has displayed a steady trend of consolidation, in which larger banks utilize their greater capital raising abilities to acquire smaller, community sized banks (generally <\$500mm in assets).

Bridgepoint advises the market is attractive to sellers who may be seeking near-term monetization options.

Valuation Update – P/TBV & P/EPS

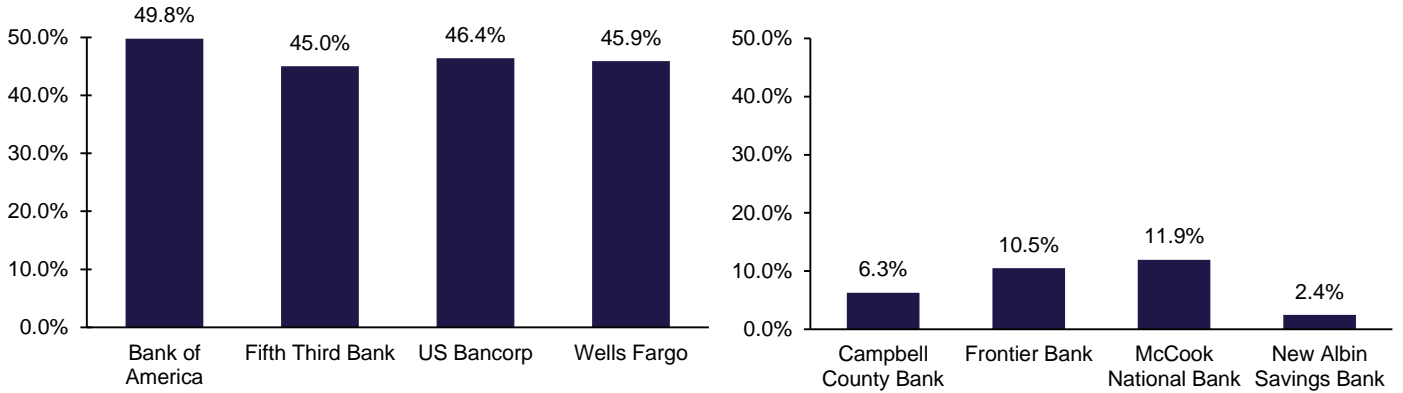


Note: Midwest Regional composite composed of selected public comparables as listed on page 3. Baylake Corp. and Talmer Bancorp, Inc. were included in the composite until being acquired by Nicolet Bankshares Inc. and Chemical Financial Corporation on 04/29/2016 and 08/31/2016, respectively.

Sources: Bridgepoint Merchant Banking, Capital IQ, PitchBook

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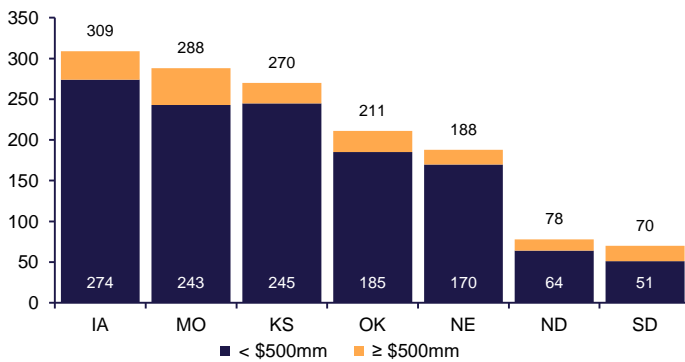
Non-interest Income as a % of Total Revenue (2002 – LTM)



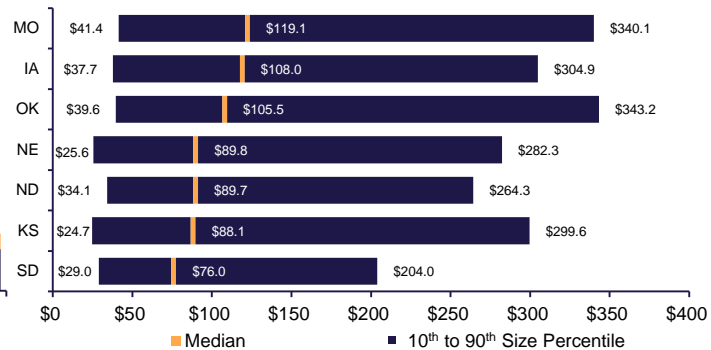
- Large banks generate significantly more fee income than community banks. Investment Banking, Trading Activity, Interchange and Mortgage Servicing are examples of fee opportunities more readily available to large banks.

Midwest U.S. Bank Landscape

of Midwest Banks by Asset Size

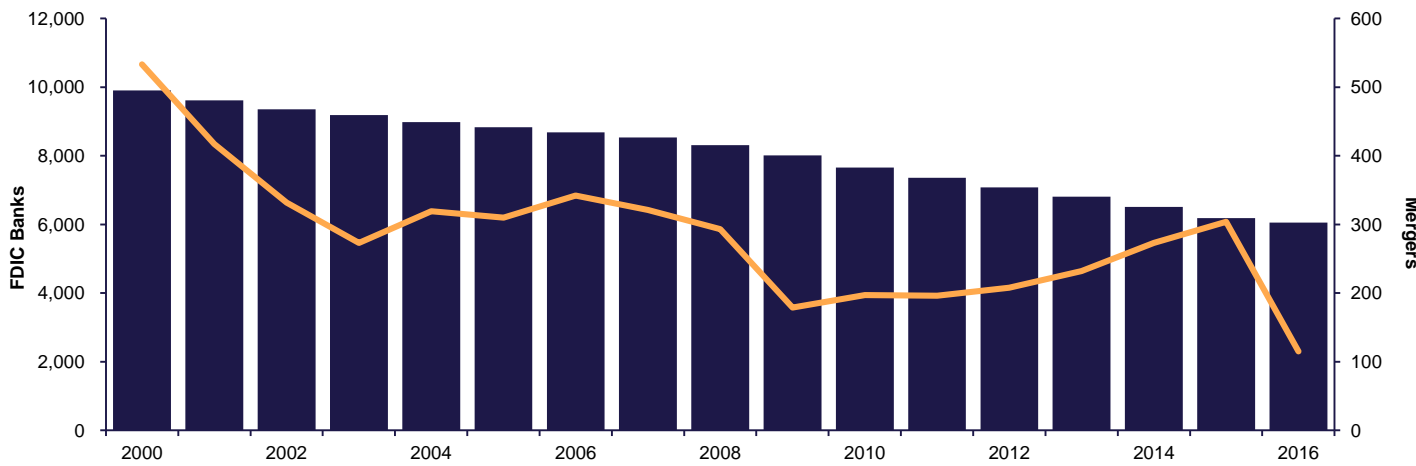


Size of Midwest Banks by Assets (\$mm)



- Midwest banks are generally smaller community banks with less than \$500mm of total assets.
- As these adverse conditions continue, M&A will become an even more critical growth option to consider. Significant consolidation opportunities appear to exist in IA, MO, KS.

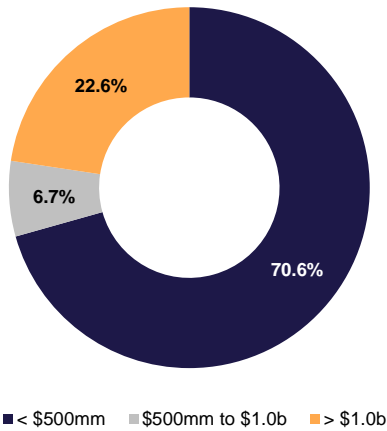
Bank Consolidation



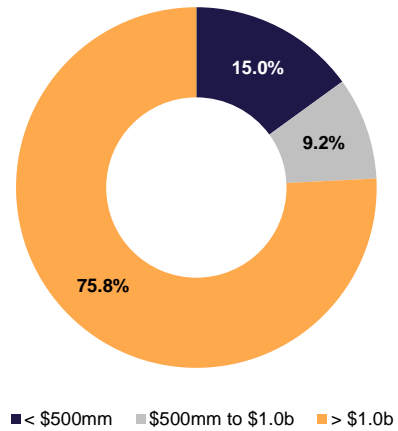
Note: Merger Data as of 6/30/2016 – ½ year activity.

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

U.S. Historical Sell-Side M&A Activity ('08-'16)



U.S. Historical Capital Raising Activity ('08-'16)



- Smaller community banks – with less than \$500mm of assets – account for the vast majority of all M&A transactions.
- Earnings pressure and regulatory burden are driving scale required to achieve acceptable returns.
- Larger banks are impacted by higher capital requirements which drive capital raising activity. Community banks historically maintain higher relative capital levels, perhaps less concerned with meeting public return expectations.
- Acquisitions are critical to institutions seeking increased scale and resources to cope with mounting regulatory burdens; however, they can severely diminish a bank’s capital reserves and often face cultural / integration challenges.

Selected Public Comparables

(\$ in millions, except per share data)

Company Name	State	11/21/2016 Share Price	Equity Value	Total Assets	ROA	ROE	Price / EPS LTM	Price / TBV LTM	Price / BV LTM
Ames National Corporation	Iowa	\$30.85	\$287.2	\$1,340.3	1.2%	9.4%	18.4x	1.8x	1.7x
BancFirst Corporation	Oklahoma	82.45	1,295.2	6,783.5	1.0%	10.1%	19.3x	2.1x	1.9x
BOK Financial Corporation	Oklahoma	81.09	5,344.7	32,779.2	0.8%	7.1%	22.2x	1.8x	1.6x
County Bancorp, Inc.	Wisconsin	22.80	149.6	1,217.1	1.0%	8.2%	14.3x	1.3x	1.2x
Enterprise Financial Services Corp	Missouri	37.90	758.4	3,909.6	1.2%	12.7%	16.8x	2.2x	2.0x
Equity Bancshares, Inc.	Kansas	30.48	250.5	1,557.1	0.8%	8.0%	21.6x	1.8x	1.6x
First Busey Corporation	Illinois	27.18	1,038.5	5,592.2	1.0%	9.4%	18.4x	2.2x	1.7x
First Business Financial Services, Inc.	Wisconsin	22.03	191.8	1,772.4	0.8%	9.7%	12.9x	1.3x	1.2x
First Mid-Illinois Bancshares, Inc.	Illinois	31.16	388.2	2,783.9	0.8%	8.0%	15.8x	1.8x	1.4x
Great Southern Bancorp, Inc.	Missouri	49.70	692.2	4,442.0	1.1%	10.4%	15.5x	1.7x	1.6x
Guaranty Bancorp	Colorado	21.30	591.8	3,346.3	0.8%	8.0%	20.3x	2.1x	1.7x
Heartland Financial USA, Inc.	Iowa	42.50	1,107.7	8,202.2	1.0%	11.7%	13.4x	1.9x	1.5x
Independent Bank Corporation	Michigan	18.70	397.3	2,538.3	0.9%	8.9%	18.3x	1.6x	1.6x
Macatawa Bank Corporation	Michigan	9.20	312.1	1,653.7	0.9%	9.9%	20.3x	1.9x	1.9x
Mercantile Bank Corporation	Michigan	33.73	549.9	3,064.0	1.0%	8.9%	18.2x	1.9x	1.6x
MidWestOne Financial Group, Inc.	Iowa	34.36	392.9	3,002.0	0.8%	8.2%	15.9x	1.7x	1.3x
Old Second Bancorp, Inc.	Illinois	9.30	274.9	2,112.8	0.7%	8.9%	19.0x	1.6x	1.6x
QCR Holdings, Inc.	Illinois	37.75	493.6	3,281.0	0.9%	10.3%	18.1x	1.9x	1.8x
Southwest Bancorp, Inc.	Oklahoma	22.30	416.6	2,468.0	0.7%	5.7%	26.8x	1.6x	1.5x
West Bancorporation, Inc.	Iowa	23.65	381.7	1,824.8	1.3%	14.6%	16.7x	2.3x	2.3x
High			5,344.7	32,779.2	1.3%	14.6%	26.8x	2.3x	2.3x
Mean			765.7	4,683.5	0.9%	9.4%	18.1x	1.8x	1.6x
Median			407.0	2,893.0	0.9%	9.2%	18.2x	1.8x	1.6x
Low			149.6	1,217.1	0.7%	5.7%	12.9x	1.3x	1.2x

- Sustained low interest rates, an increased regulatory burden, higher capital requirements and a sluggish economy have all contributed to an environment in which banks are barely earning above their cost of capital. The Midwest Regionals median LTM ROE and LTM ROA is 9.1% and 1.0%, respectively.

Sources: Bridgepoint Merchant Banking, Capital IQ

Selected Midwestern Transactions

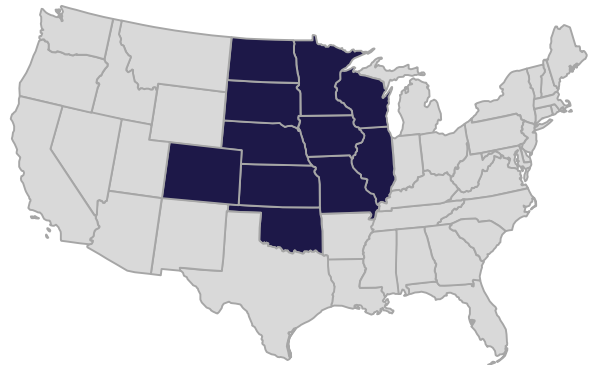
Announced Date	Target	State	Acquiror	State
09/30/2016	Prospect Federal Savings Bank	Illinois	Hoyne Savings Bank	Illinois
09/28/2016	Murray State Bank	Nebraska	Cornerstone Bank	Nebraska
09/27/2016	Financial Services Inc.	Kansas	Big Mac Bancshares Inc.	Kansas
09/26/2016	Independent Alliance Banks, Inc. (OTCPK:IALB)	Indiana	First Merchants Corporation (NasdaqGS:FRME)	Indiana
09/17/2016	Adbanc, Inc.	Nebraska	Adage, LLC	Nebraska
09/09/2016	First National Bank of Davenport	Iowa	First American State Bank of Oldham	Colorado
09/07/2016	Montgomery Bank, N.A.	Missouri	First State Bank & Trust Co. Inc.	Texas
08/20/2016	Republic Corporation	Nebraska	Citizens National Corporation	Nebraska
07/27/2016	Wilburton State Bank	Oklahoma	First National Bank & Trust Company of McAlester	Oklahoma
07/20/2016	Birmingham Bloomfield Bancshares Inc. (OTCPK:BBBI)	Michigan	Arbor Bancorp, Inc.	Michigan
07/19/2016	The State Bank of Hildreth	Nebraska	Cornerstone Bank	Nebraska
07/13/2016	The Peabody State Bank	Kansas	Vintage Bank Kansas	Kansas
07/06/2016	First Community Financial Corporation	Illinois	Wintrust Financial Corporation (NasdaqGS:WTFC)	Illinois
07/01/2016	Layton Park Financial Group, Inc.	Wisconsin	North Shore Bank	Massachusetts

Sources: Bridgepoint Merchant Banking, Capital IQ

About Us

- 65+ years of cumulative community bank management and counsel experience
- \$110+ billion of M&A and capital raising experience
- 43 completed M&A assignments spanning more than \$36 billion
- 75 completed corporate finance transactions, raising more than \$74 billion in capital
- 94+ years cumulative investment banking & private equity experience
- Principals currently sit on 11 Boards

Geographic Focus Area



Contact Us



Matt Plooster
Managing Principal
 402.817.7900
 mplooster@bridgepointmb.com



Adam Claypool
Managing Principal
 515.325.7615
 aclaypool@bridgepointmb.com



Wm. Lee Merritt
Managing Principal
 402.817.7904
 wmerritt@bridgepointmb.com



Gary Grote
Managing Principal
 402.817.7940
 ggrote@bridgepointmb.com



James Mackay
Managing Principal
 515.325.7616
 jmackay@bridgepointmb.com



Mike Anderson
Managing Principal
 402.817.7902
 manderson@bridgepointmb.com

Omaha Office
 10250 Regency Circle
 Suite 110
 Omaha, NE 68114

Lincoln Office
 816 P Street
 Suite 200
 Lincoln, NE 68508

Des Moines Office
 700 Locust Street
 Suite 203
 Des Moines, IA 50309

Denver Office
 1010 Depot Hill Road
 Suite 206
 Broomfield, CO 80020