



SOUTHEAST BANK QUARTERLY 4Q17 REVIEW

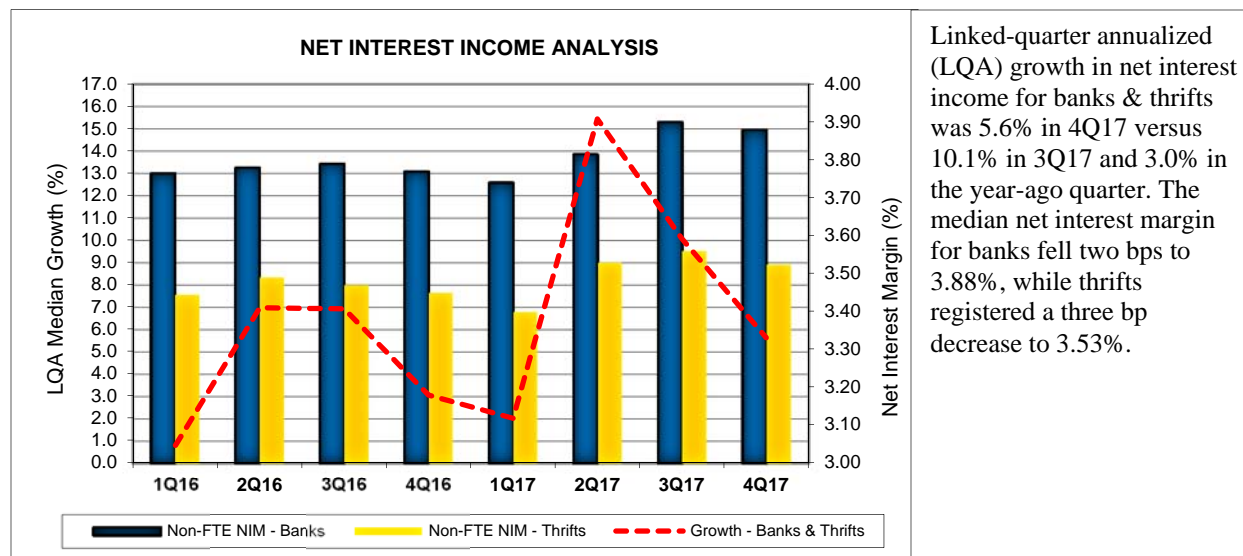
Banks

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FINANCIAL REVIEW

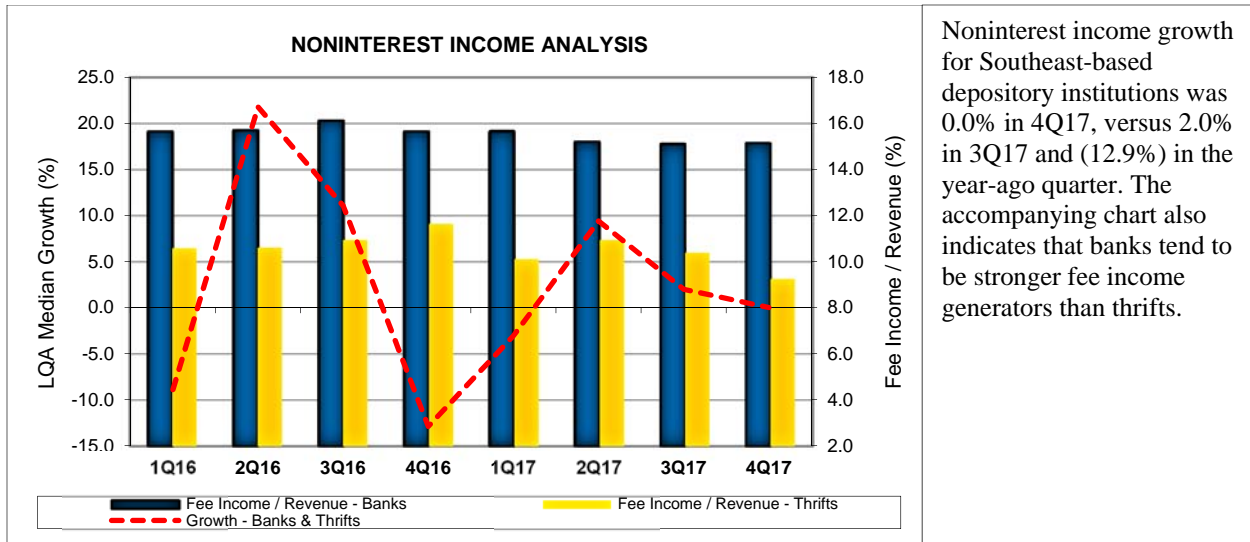
This section presents financial trends realized by the 1,025 financial institutions (915 banks and 110 thrifts) headquartered in the Southeast based on regulatory data provided by SNL Financial. States included in the Southeast region according to SNL’s definition are Alabama, Arkansas, Florida, Georgia, 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

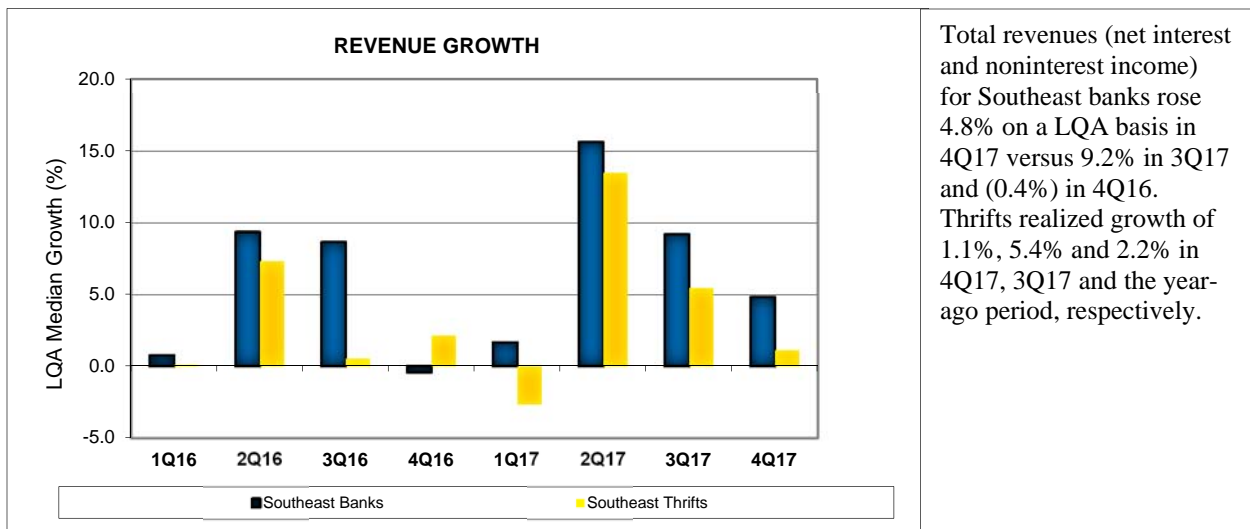


To obtain important disclosure information regarding Hilliard Lyons’ rating system, valuation methods, risk factors and potential conflicts of interest with respect to the companies covered in this report, please call (800) 444-1854 ext. 8820, send a request via e-mail to RsLib@hilliard.com, or go online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

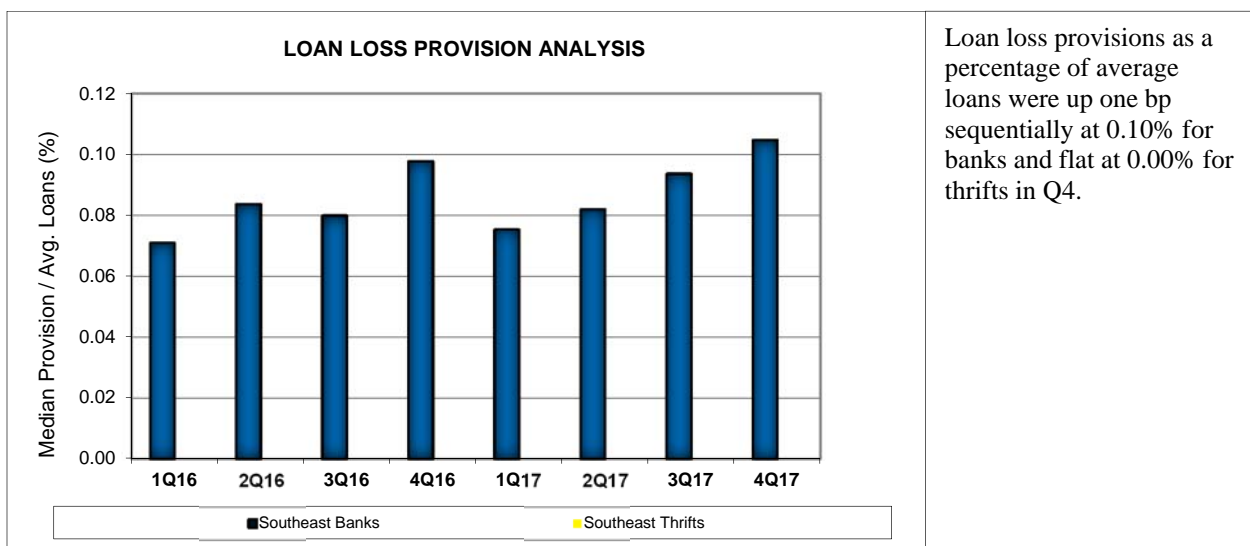
Note Important Disclosures on page 10
Note Analyst Certification on page 10



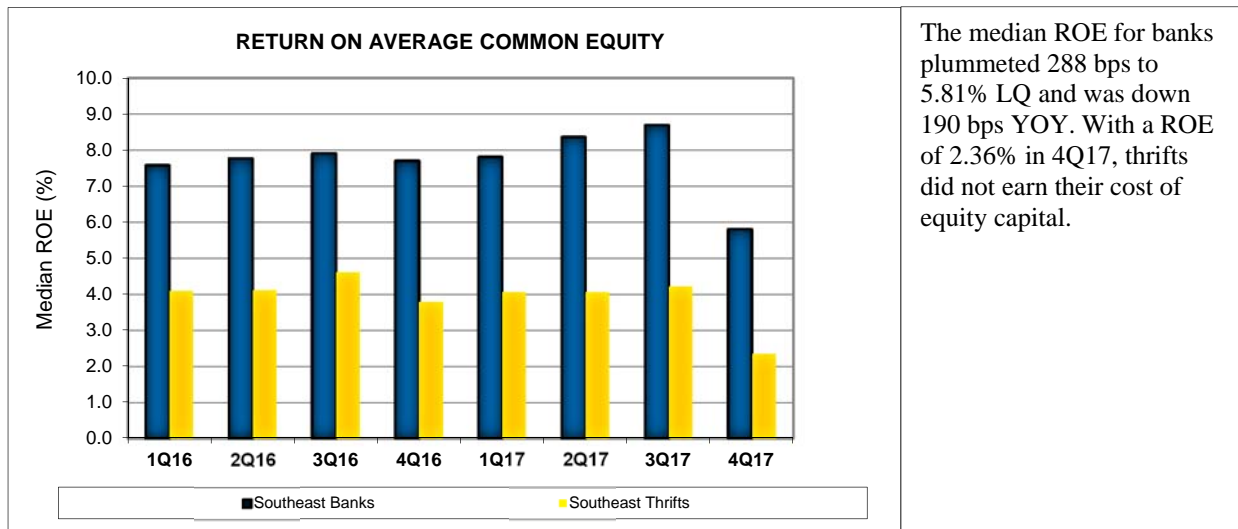
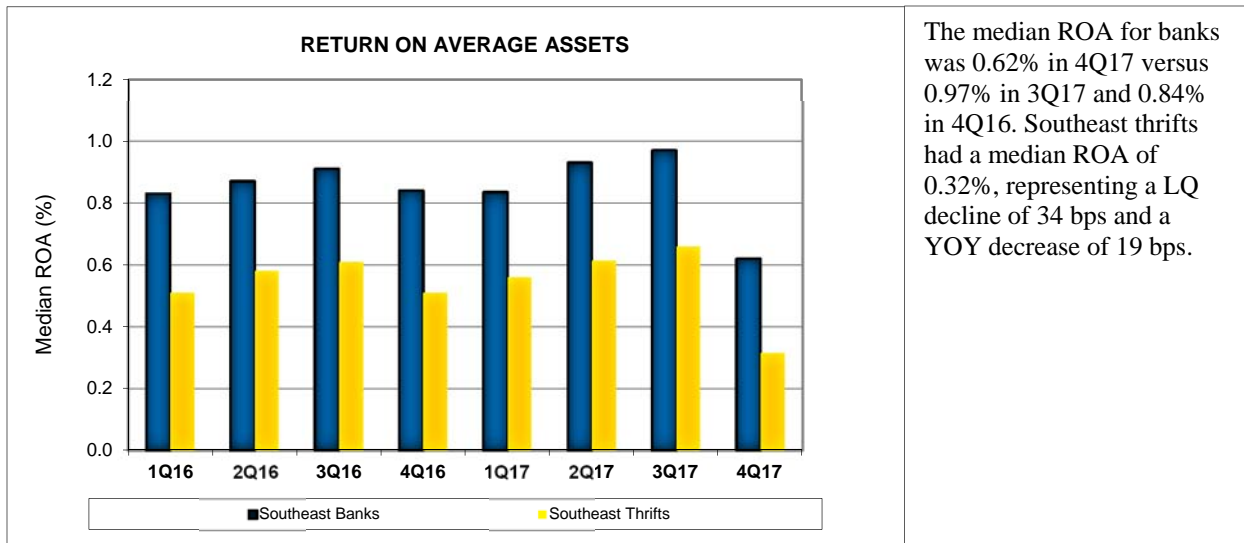
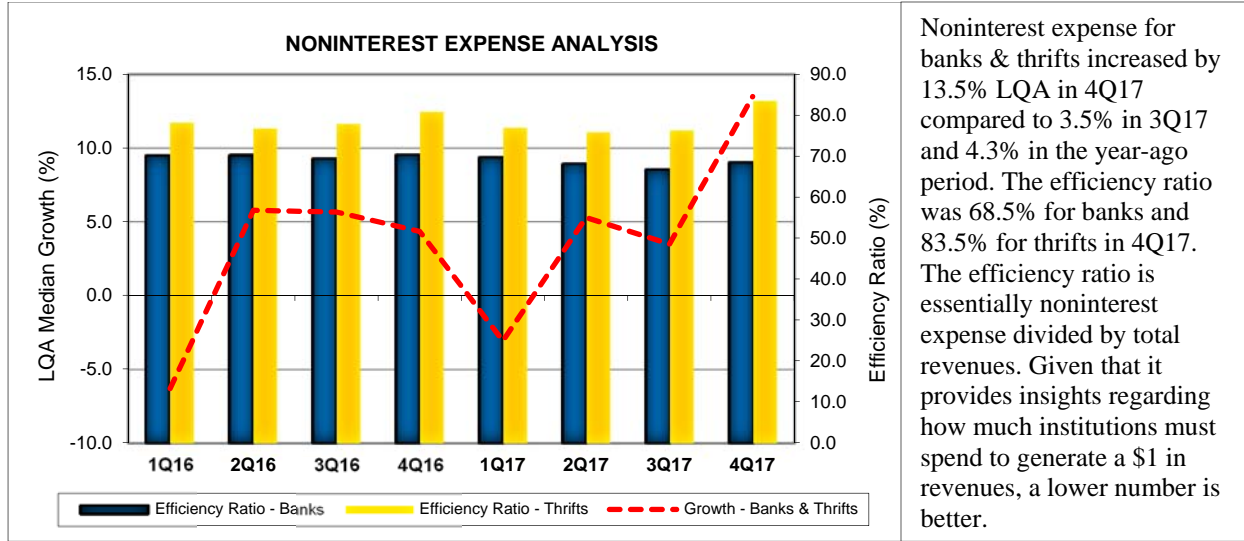
Noninterest income growth for Southeast-based depository institutions was 0.0% in 4Q17, versus 2.0% in 3Q17 and (12.9%) in the year-ago quarter. The accompanying chart also indicates that banks tend to be stronger fee income generators than thrifts.



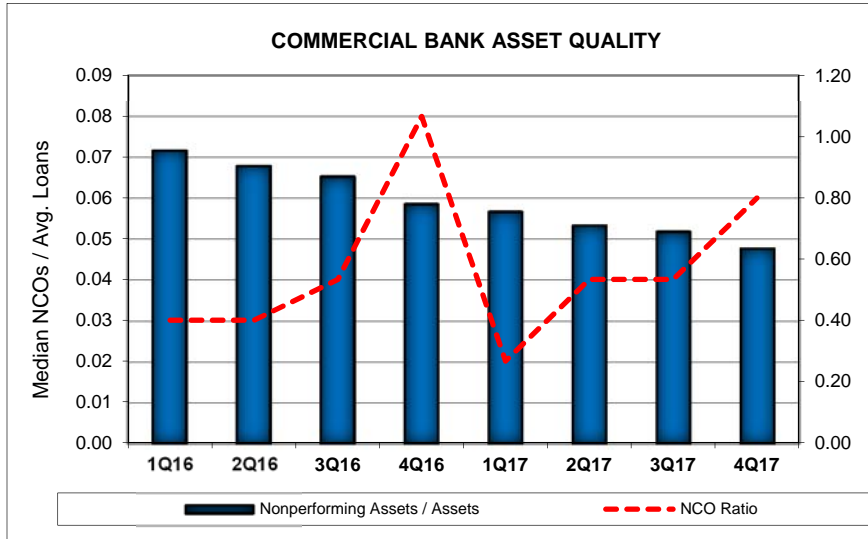
Total revenues (net interest and noninterest income) for Southeast banks rose 4.8% on a LQA basis in 4Q17 versus 9.2% in 3Q17 and (0.4%) in 4Q16. Thrifts realized growth of 1.1%, 5.4% and 2.2% in 4Q17, 3Q17 and the year-ago period, respectively.



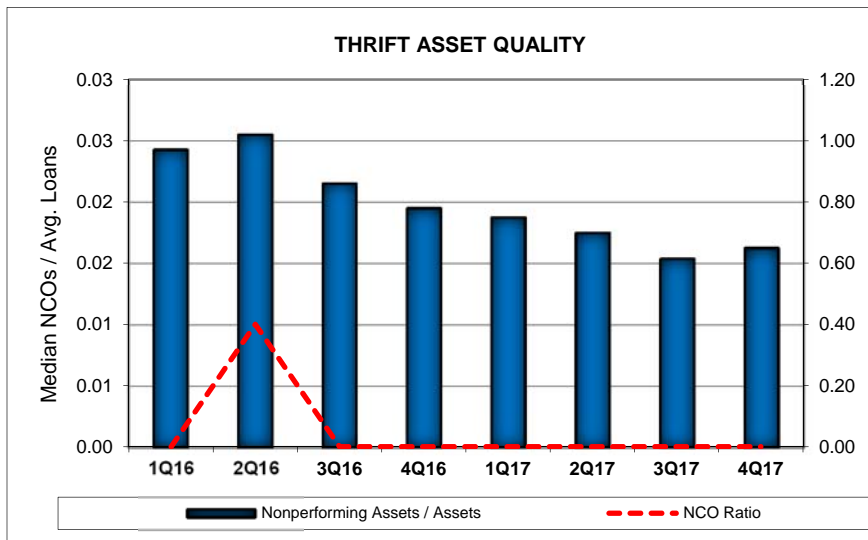
Loan loss provisions as a percentage of average loans were up one bp sequentially at 0.10% for banks and flat at 0.00% for thrifts in Q4.



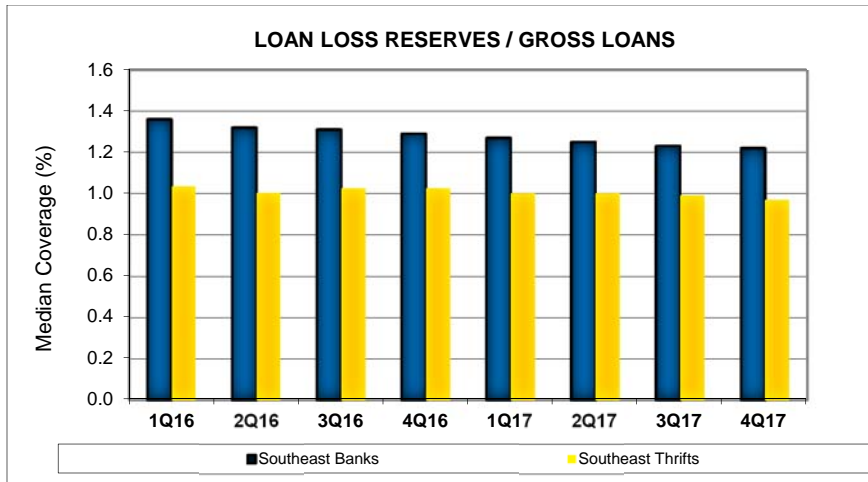
Asset Quality Trends



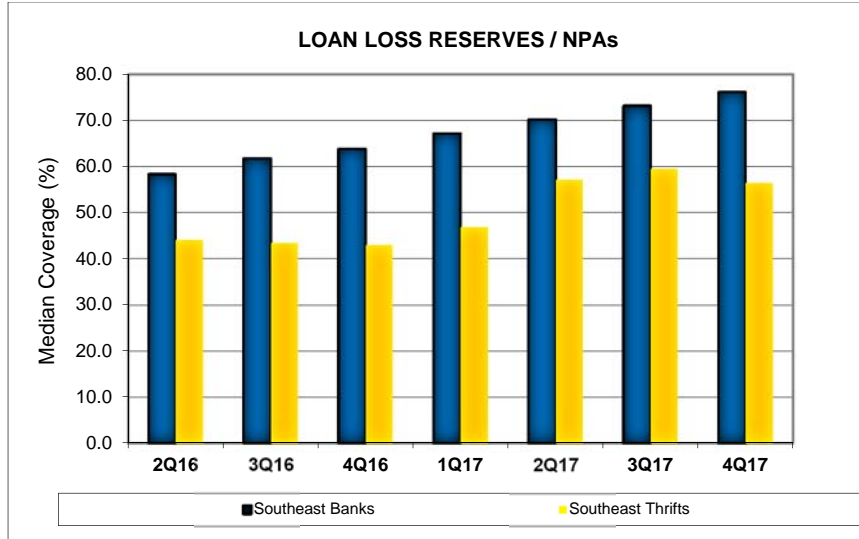
Commercial bank nonperforming assets (NPAs) fell five bps LQ to 0.64% of assets at December 31, 2017. The median net charge-off (NCO) ratio was up two bps to 0.06%.



Thrift NPAs were 0.65% of assets at December 31, 2017, up from 0.62% at the end of 3Q17. The median net charge-off ratio for the group was flat sequentially at 0.00%.

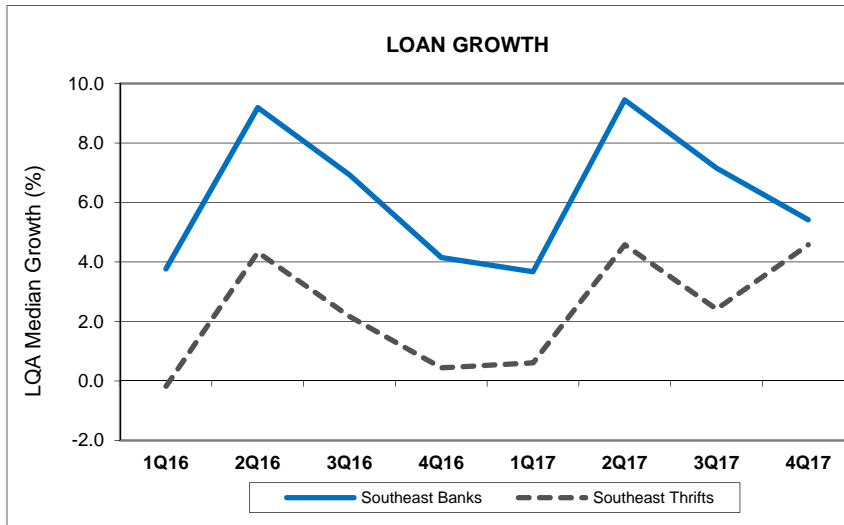


The reserve coverage of loans fell one bp LQ to 1.22% and declined two bps to 0.97% for banks and thrifts, respectively, at December 31, 2017.

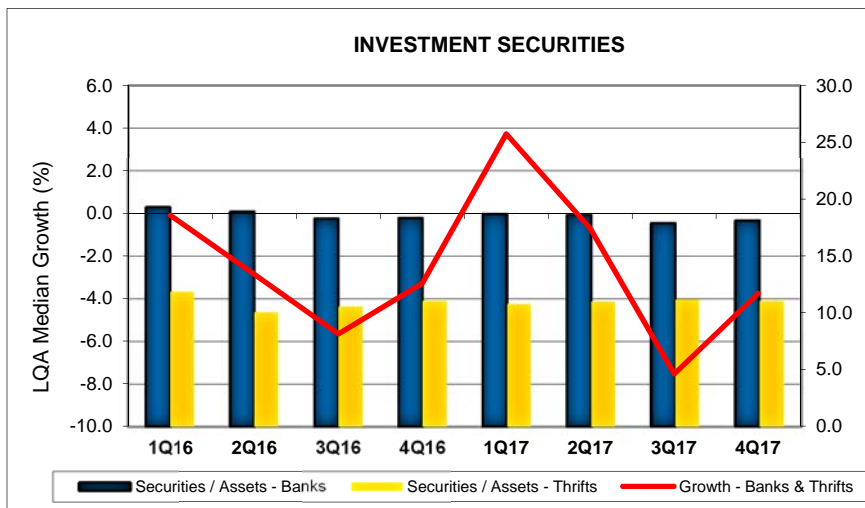


The reserve coverage of NPAs continued its ascent for Southeast banks, rising to 76.1% at the end of 4Q17 from 73.2% at September 30, 2017. The NPA coverage for thrifts fell to 56.4% at December 31, 2017 from 59.6% at the end of Q3.

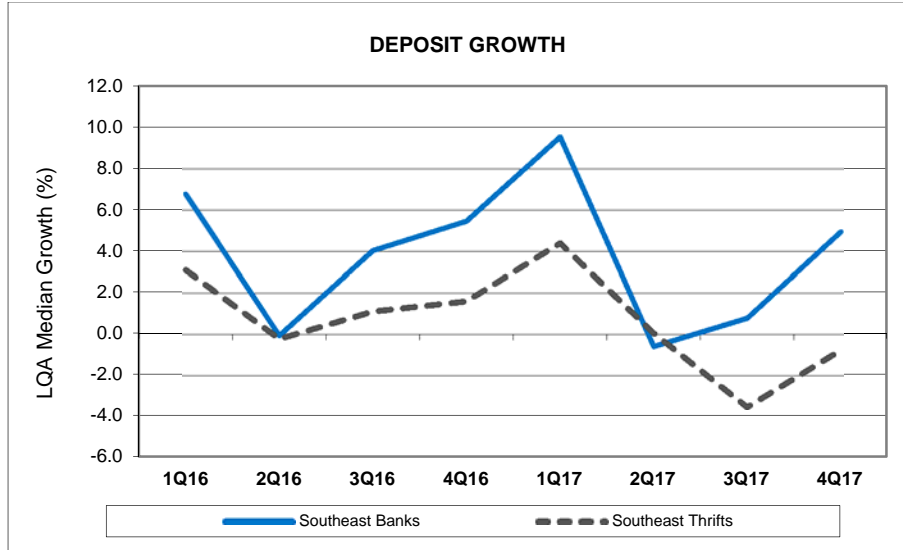
Balance Sheet Trends



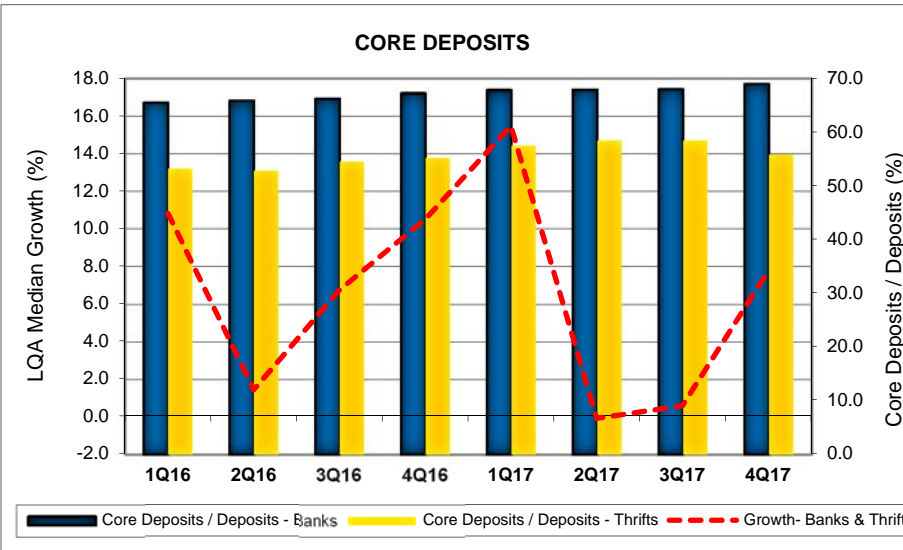
Southeast banks realized a LQA increase in loans of 5.4% in 4Q17 versus growth of 7.2% in 3Q17 and 4.2% in 4Q16. Loan growth for thrifts was 4.6%, 2.4% and 0.5%, respectively, during these periods.



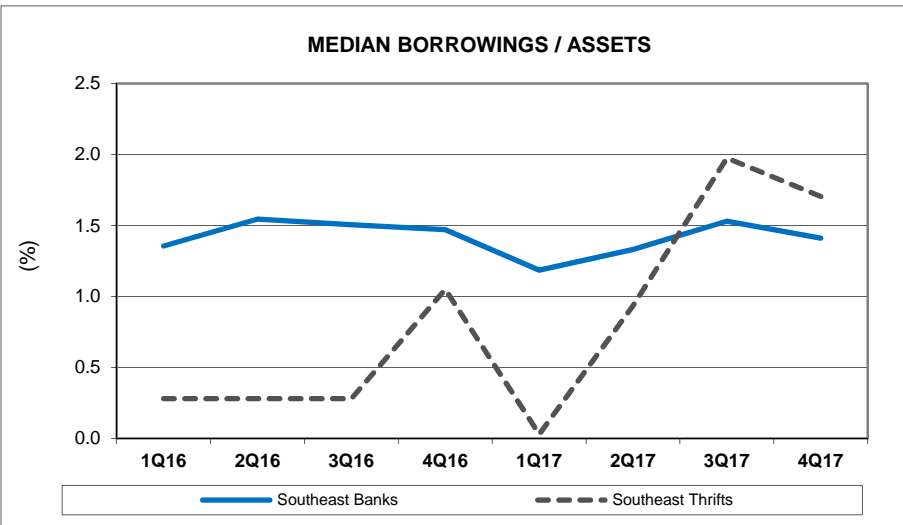
Total securities of Southeast banks & thrifts were down (3.8%) in 4Q17 versus (7.6%) in 3Q17 and (3.3%) in the year-ago period. Securities comprised 18.1% of bank assets and 11.1% of thrift assets at December 31, 2017.



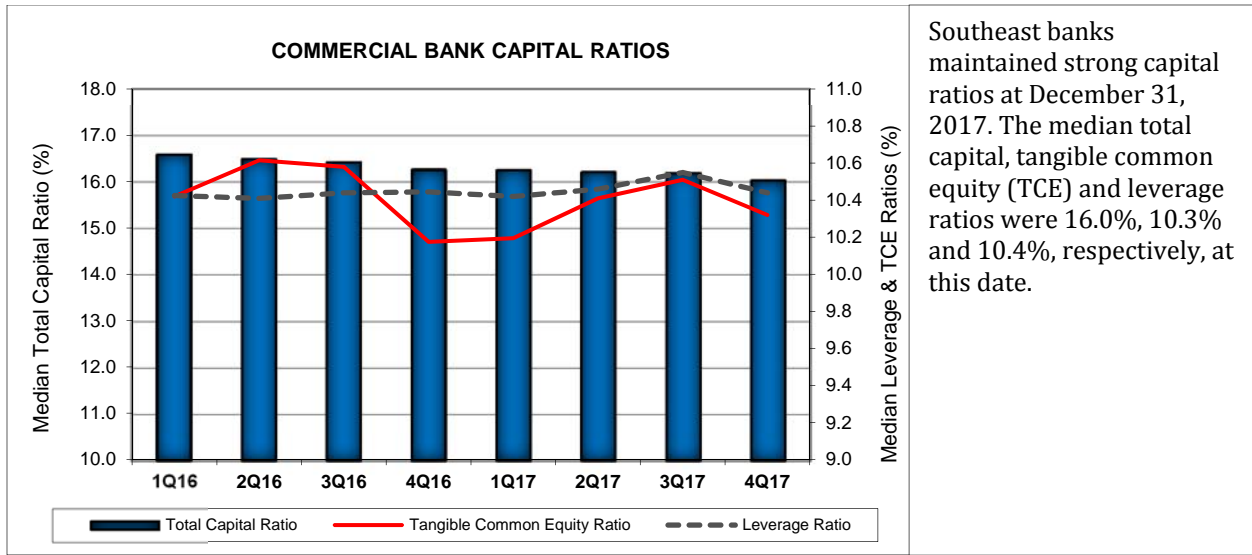
Total deposits of banks rose 5.0% on a LQA basis in 4Q17, versus 0.8% in 3Q17 and 5.5% in the year-ago quarter. Thrifts realized growth of (0.8%), (3.5%) and 1.6%, respectively, in these periods.



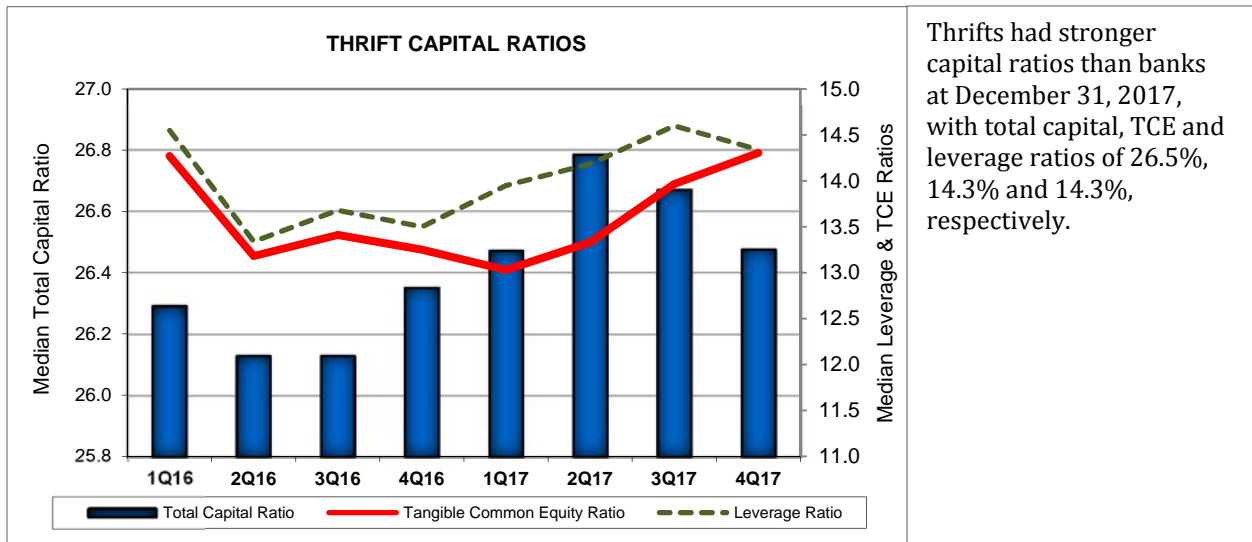
Core deposits (total deposits less time deposits) increased 7.7% for banks and thrifts on a LQA basis in 4Q17. They accounted for 69.0% of bank deposits and 55.9% of thrift deposits at December 31, 2017.



Total outside borrowings as a percentage of assets were 1.4% for banks and 1.7% for thrifts at December 31, 2017 compared to 1.5% and 2.0%, respectively, at September 30, 2017.



Southeast banks maintained strong capital ratios at December 31, 2017. The median total capital, tangible common equity (TCE) and leverage ratios were 16.0%, 10.3% and 10.4%, respectively, at this date.



Thrifts had stronger capital ratios than banks at December 31, 2017, with total capital, TCE and leverage ratios of 26.5%, 14.3% and 14.3%, respectively.

MERGER & ACQUISITION ACTIVITY

There were 20 whole bank acquisitions announced since 3Q17 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 SEPTEMBER 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 (%)
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	165.9
Old Point Financial Corporation/ Citizens National Bank	10/30/2017	VA	VA	8.0	9.8	100.7
First Federal Bancorp, MHC/ Coastal Banking Company, Inc.	11/7/2017	FL	SC	83.3	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	97.8	NA	NA
CB Financial Services, Inc./ First West Virginia Bancorp, Inc.	11/16/2017	PA	WV	49.9	NM	156.0
Ameris Bancorp/ Atlantic Coast Financial Corporation	11/17/2017	GA	FL	146.7	24.8	160.5
FCB Financial Holdings, Inc./ Floridian Community Holdings, Inc.	11/27/2017	FL	FL	89.2	35.0	185.3
SRP Federal Credit Union/ Southern Bank	11/29/2017	SC	GA	NA	NA	NA
Banco de Credito e Inversiones SA/ TotalBank	12/1/2017		FL	528.0	22.6	155.6
First Bancshares, Inc./ Sunshine Financial, Inc.	12/6/2017	MS	FL	32.9	49.9	139.1
SmartFinancial, Inc./ Tennessee Bancshares, Inc.	12/12/2017	TN	TN	31.8	14.8	153.2
South Atlantic Bancshares, Inc./ Atlantic Bancshares, Inc.	12/13/2017	SC	SC	18.1	NA	157.4
First Citizens BancShares, Inc./ HomeBancorp, Inc.	12/18/2017	NC	FL	116.7	NA	NA
Commerce Bancorp, Inc./ Tallahatchie Holding Company	12/21/2017	MS	MS	NA	NA	NA
Capital Bancorp, Inc./ Evergreen Bancshares, Inc.	1/10/2018	LA	AR	NA	NA	NA
Park National Corporation/ NewDominion Bank	1/23/2018	OH	NC	76.5	65.8	235.1
Ameris Bancorp/ Hamilton State Bancshares, Inc.	1/26/2018	GA	GA	386.7	20.1	204.1
Median Multiple					23.1	158.2

Source: S&P Global Market Intelligence

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 FEBRUARY 9, 2017**

Market Capitalization	Median Statistics				
	Price/ TTM EPS (X)	Price/ 2018 EPS Est (X)	Price/ 2019 EPS Est (X)	Price/ Tang. Book (%)	Dividend Yield (%)
Large	19.1	13.3	12.3	195.8	2.0
Mid	21.8	13.9	12.6	222.0	1.8
Small	21.2	14.5	12.8	179.4	1.4
Micro	17.6	16.9	14.8	125.5	1.6

Source: S&P Global Market Intelligence

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 FEBRUARY 9, 2017**

Company	City	State	Ticker	Closing Price
Ameris Bancorp	Moultrie	GA	ABCB	52.70
Atlantic Coast Financial Corporation	Jacksonville	FL	ACFC	10.19
Atlantic Bancshares, Inc.	Bluffton	SC	ATBA	3.84
Banco de Credito e Inversiones SA	Las Condes		SGO: BCI	CL\$ 44027
Coastal Banking Company, Inc.	Beaufort	SC	CBCO	21.15
CB Financial Services, Inc.	Carmichaels	PA	CBFV	31.13
Citizens National Bank	Windsor	VA	CNBV	4.81
First Bancshares, Inc.	Hattiesburg	MS	FBMS	31.70
FCB Financial Holdings, Inc.	Weston	FL	FCB	53.25
First Citizens BancShares, Inc.	Raleigh	NC	FCNCA	418.68
First Sentry Bancshares, Inc.	Huntington	WV	FTSB	64.26
First West Virginia Bancorp, Inc.	Wheeling	WV	FWVB	27.85
Hamilton State Bancshares, Inc.	Hoschton	GA	HMBH	9.15
IBERIABANK Corporation	Lafayette	LA	IBKC	80.95
NewDominion Bank	Charlotte	NC	NDMN	1.06
Old Point Financial Corporation	Hampton	VA	OPOF	24.90
Park National Corporation	Newark	OH	PRK	100.83
South Atlantic Bancshares, Inc.	Myrtle Beach	SC	SABK	15.90
SmartFinancial, Inc.	Knoxville	TN	SMBK	21.64
Sunshine Financial, Inc.	Tallahassee	FL	SSNF	28.40
WesBanco, Inc.	Wheeling	WV	WSBC	41.82

Source: S&P Global Market Intelligence

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 <u>Stocks Covered</u>	% of <u>Stocks Covered</u>	<u>Banking</u>	<u>No Banking</u>
Rating				
Buy	31	28%	10%	90%
Hold/Neutral	74	66%	9%	91%
Sell	7	6%	0%	100%

As of 7 February 2018

Other Disclosures

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