STRATEGIC PLANNING: KEYS TO A GREAT PLAN

May 3, 2018

John C. Donnelly
WHY DO STRATEGIC PLANNING?
“On the bright side, we can stop planning our exit strategy.”
People in any organization are always attached to the obsolete - the things that should have worked but did not, the things that once were productive and no longer are.”
— Peter F. Drucker
Vision is Power
PERSONAL STRATEGIC PLANNING

Life’s journey:
At each stage of life, there are needs and wants. Both are important and both require good planning plus clever execution.

Walking / Talking
↓
Education
↓
Occupation
↓
Marriage
↓
Family
↓
Retirement
↓
Estate Planning

Life’s needs
Planning + making the right choices
= achieving “wants” is more likely

Life’s choices (wants)
Achieving these requires capital
(which means some forward planning)

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Forces of Change

OLD

WORLD TRAVEL AGENCY

BORDERS

CLASSIFIED

NEW

travelocity

ORBITZ

Expedia

amazon

google

careerbuilder

ZipRecruiter

Instagram

Twitter

Facebook
<table>
<thead>
<tr>
<th>OLD</th>
<th>NEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kodak</td>
<td>Google</td>
</tr>
<tr>
<td>Yellow Pages</td>
<td>Netflix</td>
</tr>
<tr>
<td>Blockbuster</td>
<td>Uber</td>
</tr>
<tr>
<td>Taxi</td>
<td>Venmo</td>
</tr>
<tr>
<td>Check</td>
<td>Zelle</td>
</tr>
<tr>
<td>Year Est.</td>
<td># of Users</td>
</tr>
<tr>
<td>----------</td>
<td>---------------</td>
</tr>
<tr>
<td>2011</td>
<td>158 million(^4)</td>
</tr>
<tr>
<td>2009</td>
<td>40 million(^1)</td>
</tr>
<tr>
<td>2008</td>
<td>50 million(^2)</td>
</tr>
<tr>
<td>2006</td>
<td>330 million(^2)</td>
</tr>
<tr>
<td>2007</td>
<td>700 million(^3)</td>
</tr>
<tr>
<td>2004</td>
<td>2.2 billion(^2)</td>
</tr>
</tbody>
</table>

**Companies that did not exist a few years ago**

Source:
1) Forbes
2) Statista
3) BMO
4) Business Intelligence
CORPORATE STRATEGIC PLANNING – THE PROCESS
Lead, follow, or get out of the way.

(Thomas Paine)

*And made popular by Lee Iaccoca*
Use an outside facilitator (be wary of investment bankers!)

Go off-site

Plan overnight with dinner / golf / recreation

Bring in outside speakers

Have a very focused agenda
Full Board planning session in Washington D.C.

Tour and visit Federal Reserve, Deputy Director in the Board of Governors Room

Visit with American Bankers Association – EVP

Cam Fine of ICBA presented to the Board (at hotel)

Tour of new branch office

Guest speakers:

- Technology expert
- Economist
- Investment banker
- Student loan expert
This is not just a budgeting meeting

30,000 ft. issues:

- Independence vs. consolidation
- Capital planning (more on this later)
- Financial objectives – ROAE, efficiency ratio
- Regulatory issues
- Technology (Mobile; P2P)
- New products and markets

Succession planning

Review progress of last years plan

Executive session (no management in room!)

CEO cannot dominate the meeting!
10 Reasons Strategic Plans Fail

1. Having a plan simply to have one.
2. Not understanding the environment.
3. Partial commitment.
4. Not having the right people involved.
5. Putting the plan on the shelf.
6. Inability to change old habits.
7. Wrong people in leadership.
8. Ignoring marketplace reality.
9. No accountability.
10. Unrealistic goals.

Source: Forbes Magazine
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respected in community</td>
<td>Regulatory restrictions</td>
<td>Acquire or merge</td>
<td>Regulation</td>
</tr>
<tr>
<td>Well capitalized</td>
<td>Low capital</td>
<td>Higher interest rates</td>
<td>Predatory pricing</td>
</tr>
<tr>
<td>High valuation</td>
<td>Little or no liquidity in stock</td>
<td>Dodd Frank reform</td>
<td>Technology/cyberspace security</td>
</tr>
<tr>
<td>Diversified revenue stream</td>
<td>No succession plan</td>
<td>Establish new divisions</td>
<td>Millennials</td>
</tr>
<tr>
<td>Strong core deposits</td>
<td>No strategic plan</td>
<td>Republican Congress/White House</td>
<td>Lack of succession</td>
</tr>
<tr>
<td>Strong management</td>
<td>High employee turnover</td>
<td>Hire talent from M&amp;A displacement</td>
<td>Fintech</td>
</tr>
</tbody>
</table>
Constituents

2
Customers

1
Employees

3
Shareholders

STRATEGIC PLANNING CONSTITUENTS
Review performance of:

- Key managers (by CEO)
- CEO (by Board in executive session)
- Board of Directors (360°):
  - Attendance record
  - Preparedness at meeting
  - Participation at meeting
  - Equity ownership
  - Business referrals

- Review org. chart
- Review depth chart at each senior position
- Review compensation incentive plans
**Strategic Planning: Employees**

**Establish Hiring Criteria**
- Community college
- Non-bank experience
- College degree
- MBA, CPA
- Previous bank experience

**Require Continuing Ed.**
- Banking school
- Professional certifications
  - CPA, CFA, CFP, etc.
- MBA or graduate degree
- Continuing ed. Programs

**Attracting/Retaining**
- Hire from within
- “Lift” from outside
- Have a “Culture Statement”
- Establish loyalty programs
- Stock ownership programs
- Employee perks:
  - Vacation package
  - Maternity leave
  - Work from home
  - 401-K Match
  - Sabbatical
  - Dress code
  - Wellness programs
WHAT CAN WE LEARN?

- Strong leader
- Clear reporting channels
- Clear goals
- Accountability
- Reward accomplishments
- Camaraderie
- Relaxed dress code
- Wellness program
- Money, Money, Money

Source: Fortune Magazine
STRATEGIC PLANNING: CUSTOMERS

2 Customers

2 Customers

Constituents

1 Employees

3 Shareholders
Do we have a specific game plan to attract customers?

Target criteria:

- Geographic area
- Customers by revenue
- Industry types
- Calling program and monitoring
- Trade convention schedule
- Marketing plan (print, email, LinkedIn, sponsored events)
- Annual / semi-annual customer event (i.e. golf outing)
<table>
<thead>
<tr>
<th><strong>LOANS</strong></th>
<th><strong>DEPOSITS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Pricing models/disciplines</td>
<td>➢ Chief Deposit Officer</td>
</tr>
<tr>
<td>➢ Transactions vs. relationships</td>
<td>➢ Treasury management</td>
</tr>
<tr>
<td>➢ Industry specializations</td>
<td>➢ Remote capture</td>
</tr>
<tr>
<td>➢ Flexible lending policies</td>
<td>➢ Mobile banking / app</td>
</tr>
<tr>
<td>➢ Creativity</td>
<td>➢ Courier services</td>
</tr>
<tr>
<td>➢ Service, Service, Service!</td>
<td>➢ P2P Capability</td>
</tr>
</tbody>
</table>
STRATEGIC PLANNING: SHAREHOLDERS

Constituents

1. Employees
2. Customers
3. Shareholders

3 Shareholders

26
<table>
<thead>
<tr>
<th><strong>SHAREHOLDER OBJECTIVES</strong></th>
<th><strong>REGULATOR OBJECTIVES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximize earnings</td>
<td>Conservative lending</td>
</tr>
<tr>
<td>Maximize ROE</td>
<td>Maintain “well-capitalized” status</td>
</tr>
<tr>
<td>Pay cash dividends</td>
<td>Preserve capital for “a rainy day”</td>
</tr>
<tr>
<td>Grow assets</td>
<td>Reduce reliance on C&amp;D and CRE</td>
</tr>
<tr>
<td>Maximize shareholder value</td>
<td>Run a safe and sound organization</td>
</tr>
</tbody>
</table>
## Shareholders - Financial Measurement - What are your Goals?

### Ali vs. Sonny Liston

<table>
<thead>
<tr>
<th>Age</th>
<th>ROAA</th>
<th>1.0 – 1.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Height</td>
<td>ROAE</td>
<td>10 – 12.0%</td>
</tr>
<tr>
<td>Reach</td>
<td>Classified Assets / Equity + ALLL</td>
<td>Under 30%</td>
</tr>
<tr>
<td>Weight</td>
<td>Fee Income / Total Income</td>
<td>25% - 40%</td>
</tr>
<tr>
<td>Record</td>
<td>Efficiency Ratio</td>
<td>55% - 65%</td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6’3”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>210</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 – 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders - What Type of Bank are you?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th></th>
<th><strong>Bond Bank</strong></th>
<th><strong>Equity Bank</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Started</td>
<td>Older</td>
<td>Newer</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Legacy</td>
<td>First generation</td>
</tr>
<tr>
<td>Inside Ownership</td>
<td>Low to Moderate</td>
<td>Moderate to High</td>
</tr>
<tr>
<td>Loan to Deposit</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Last Equity Raise</td>
<td>Never, distant past</td>
<td>During or after Credit Crisis</td>
</tr>
<tr>
<td>Succession Plan</td>
<td>Limited or None</td>
<td>Yes with recent change</td>
</tr>
<tr>
<td>Dividend</td>
<td>Likely</td>
<td>Maybe</td>
</tr>
<tr>
<td>ROAE</td>
<td>Under 8%</td>
<td>Greater than 8%</td>
</tr>
<tr>
<td>ROAA</td>
<td>Under 1.0%</td>
<td>Greater than 1.0%</td>
</tr>
<tr>
<td>Board Composition</td>
<td>Older, unitary</td>
<td>Younger, diversified</td>
</tr>
<tr>
<td>Risk Profile</td>
<td>Low</td>
<td>Low to Moderate</td>
</tr>
<tr>
<td>Valuation – non control</td>
<td>Book Value or slight discount</td>
<td>At or above Book Value</td>
</tr>
</tbody>
</table>
Indiana Bank Ownership Summary (as % of Total Shares Outstanding)

<table>
<thead>
<tr>
<th></th>
<th>Board Ownership</th>
<th>CEO Ownership</th>
<th>Shareholder Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>100.00%</td>
<td>60.90%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Median</td>
<td>21.28%</td>
<td>0.42%</td>
<td>25.02%</td>
</tr>
<tr>
<td>Average</td>
<td>30.76%</td>
<td>3.94%</td>
<td>31.77%</td>
</tr>
</tbody>
</table>

Source: S&P Market Intelligence and Federal Reserve Form Y-6 (as of December 31, 2016)
Includes all Banks headquartered in Indiana
SHAREHOLDERS – STOCK MARKET CONSIDERATIONS

1. Stock Valuation
2. Liquidity
3. Information/Transparency
4. Dividend Policy

Higher Stock Price
Stock Valuation

1. Stock Valuation

- TBV / Internal Valuation
- Formal Market or Exchange
- Independent Valuation
Stock Valuation - Why is this so Important?

- Creates shareholder wealth
- Utilized for employee benefits such as:
  - Stock options
  - Stock grants
- Used as a medium of exchange in mergers
 STOCK VALUATION - LIQUIDITY

Private Transactions
Three levels, depending on size and financial strength

10,000 Companies traded

Transparent and efficient trading

Diversifies shareholders

Form 211 filed by registered B/D with FINRA

Web based access to bank financial data
- Annual & quarterly reports (PDF)
- Management and Board pictures, bios
- Links to press releases, SEC filings
- *S&P Market Intelligence* link
- Branch listing / map
- Investor presentations
Financial overview (with items just discussed)
What is our market and demographics?
What are our growth plans?
Organic vs. acquisition growth strategy
What is our core deposit or funding strategy
What do we want to be when we grow up?
Why invest in my stock?

The Investment Presentation can make or break whether someone will buy your stock
### Stock Valuation - Financial Disclosures - Hot Buttons

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>P &amp; L</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>BV/Share</td>
<td>Pre, Pre ROAA</td>
<td>Classifieds/Equity + ALLL</td>
</tr>
<tr>
<td>TBV/Share</td>
<td>Pre, Pre ROAE</td>
<td>NPA’s/Assets</td>
</tr>
<tr>
<td>Goodwill</td>
<td>NIM</td>
<td>Reserves/NPA’s</td>
</tr>
<tr>
<td>CRE/Capital</td>
<td>Efficiency Ratio</td>
<td>Cum. NCO/Peak NPA’s</td>
</tr>
<tr>
<td>TCE/Assets</td>
<td>Fee Income/Total Income</td>
<td>Texas Ratio</td>
</tr>
</tbody>
</table>

Don’t make analysts ask “Where’s Waldo?”
DIVIDENDS: ARE THEY IMPORTANT?

4 Dividend Policy

- Reward Shareholders
- Manage Capital Levels
- Attract certain investors that require dividend (i.e. pension funds)
- Return capital from special event
- Impacts Value of the Stock

Attract certain investors that require dividend (i.e. pension funds)
Sub S banks (1/3 of all banks) generally pay tax dividends to shareholders.

- Dividends can mitigate excess capital.
- Can be used as part of cash consideration in sale (paid pre deal).
- Special dividends reward shareholders.
- Investors will be looking for dividends in rising rate environment.
STRATEGIC PLANNING CASE STUDY: TALMER BANCORP, INC.

Total Assets ($000s)

$0

$2,500,000

$5,000,000

$7,500,000

$10,000,000

$12,500,000

$15,000,000

$17,500,000

$20,000,000


$10,650,000 in assets

$19,281,000,000 in assets

Founded as First of Michigan Bancorp, Inc.

$400mm capital raise; Completes 2 FDIC-assisted deals; CFO, COO, CCO Hired

Mortgage Banking Dept. started; FDIC approves business plan; $12mm capital raise

Completes 2 FDIC-assisted deals; Completes first unassisted acquisition

Completes First Place Bank acquisition via 363 Sale in Bankruptcy Court

Completes Michigan Commerce acquisition via 363 Sale in Bankruptcy Court

Completes First of Huron Corp. acquisition

Sells 13 branches in WI and NV

Chemical Financial Corp. pro forma with Talmer Bancorp, Inc. as of December 31, 2017

Sale to Chemical Financial Corp.

Source: S&P Market Intelligence
STRATEGIC PLANNING – SUMMARY AND TRACKING
However beautiful the strategy, you should occasionally look at the results.

(Winston Churchill)
FOCUS TOPICS OF YOUR STRATEGIC PLAN

How Does Our Bank Achieve Its Best Results – “Buy”, “Hold” or “Sell”? 

➢ “Buy”
  ▪ Considerations:
    ✔ Geography
    ✔ Target Size
    ✔ Shareholder base
    ✔ Social issues
    ✔ Credit quality
  ▪ Structure:
    ✔ Cash vs. stock vs. mix
    ✔ Pro forma capital position
    ✔ Ability to Pay
    ✔ Regulatory “hall pass” to proceed
CAPITAL PLANNING FOR AN ACQUISITION

“Buy” - Planning Tips and Key Considerations

- Practice make perfect
  - Make a list of top 5 target institutions
  - Create merger models for each (this is where the Investment Banker can help)
    - Sensitize inputs:
      - Deal size
      - Purchase price
      - Stock vs. cash
      - Cost saving and synergies
      - Transaction expenses
- Analyze outputs
  - Accretion/dilution to EPS and TBV
  - Earn Back Period
  - Capital Ratios
  - Geographic footprint
- Consider capital options, if necessary
  - Common Stock issued as part of deal
  - BHC Debt (Stock Loan)
  - Subordinated Debt
“Hold” - How Does Our Bank Achieve Its Best Results?

- Organic growth opportunities (key hires, new locations)
- New business lines (ABL, Wealth Management, etc.)
- Capital planning
- Create forecast (detailed 3-5 yrs.) that can be tracked
- Manage return on equity (ROE) compared to the cost of capital
- The present value of our plan vs. control value should be monitored

“The Best Defense is a Good Offense”
### YOUR BANK vs. Peer Group

#### Profitability: (data as of LTM, except where noted)

<table>
<thead>
<tr>
<th>Metric</th>
<th>YOUR BANK</th>
<th>Peer Group</th>
<th>Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core ROAA</td>
<td>1.54%</td>
<td>1.31%</td>
<td>YOUR BANK</td>
</tr>
<tr>
<td>ROAA</td>
<td>1.22%</td>
<td>0.86%</td>
<td>YOUR BANK</td>
</tr>
<tr>
<td>ROACE</td>
<td>8.71%</td>
<td>8.32%</td>
<td>YOUR BANK</td>
</tr>
<tr>
<td>NIM (MRQ)</td>
<td>4.20%</td>
<td>3.57%</td>
<td>YOUR BANK</td>
</tr>
<tr>
<td>Cost of Deposits (MRQ)</td>
<td>0.60%</td>
<td>0.50%</td>
<td>Peer</td>
</tr>
<tr>
<td>Noninterest Income/Total Revenue</td>
<td>12.19%</td>
<td>17.37%</td>
<td>Peer</td>
</tr>
<tr>
<td>Noninterest Income/Avg. Assets</td>
<td>0.55%</td>
<td>0.81%</td>
<td>Peer</td>
</tr>
<tr>
<td>Noninterest Expense/Avg. assets</td>
<td>2.49%</td>
<td>2.87%</td>
<td>YOUR BANK</td>
</tr>
</tbody>
</table>

#### Growth:

<table>
<thead>
<tr>
<th>Metric</th>
<th>YOUR BANK</th>
<th>Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan growth (MRQ)</td>
<td>-4.15%</td>
<td>5.92%</td>
</tr>
<tr>
<td>Loan growth (LTM)</td>
<td>4.54%</td>
<td>6.56%</td>
</tr>
</tbody>
</table>

#### Asset Quality: (data as of MRQ)

<table>
<thead>
<tr>
<th>Metric</th>
<th>YOUR BANK</th>
<th>Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPAs/Loans</td>
<td>2.05%</td>
<td>1.11%</td>
</tr>
<tr>
<td>Reserves/NPAs</td>
<td>65.53%</td>
<td>117.21%</td>
</tr>
</tbody>
</table>

#### Balance Sheet: (data as of MRQ)

<table>
<thead>
<tr>
<th>Metric</th>
<th>YOUR BANK</th>
<th>Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noninterest Bearing Deposits/Total Deposits</td>
<td>25.10%</td>
<td>19.91%</td>
</tr>
<tr>
<td>Core Deposits/Total Funding</td>
<td>90.31%</td>
<td>87.16%</td>
</tr>
<tr>
<td>Gross Loans/Core Deposits</td>
<td>76.06%</td>
<td>89.92%</td>
</tr>
<tr>
<td>Assets/FTE</td>
<td>$4,730</td>
<td>$4,271</td>
</tr>
</tbody>
</table>

Notes:
1. All metrics listed, unless otherwise noted, are for the LTM as of the most recent quarter financial results available.
2. Peer Group includes all regulated depositories in Indiana with total assets between $250 and $750 million.
3. “YOUR BANK” an actual IN-based bank picked at random.
4. Dollars in thousands
5. Source: S&P Market Intelligence
### Profitability: (data as of LTM, except noted)

<table>
<thead>
<tr>
<th></th>
<th>YOUR BANK</th>
<th>All Indiana Banks</th>
<th>Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core ROAA</td>
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<td>NIM (MRQ)</td>
<td>4.20%</td>
<td>3.64%</td>
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<td>Cost of Deposits (MRQ)</td>
<td>0.60%</td>
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<td>12.19%</td>
<td>15.21%</td>
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</tr>
<tr>
<td>Noninterest Income/Avg. Assets</td>
<td>0.55%</td>
<td>0.70%</td>
<td>Peer</td>
</tr>
<tr>
<td>Noninterest Expense/Avg. assets</td>
<td>2.49%</td>
<td>2.84%</td>
<td>YOUR BANK</td>
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### Growth:

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<td>Peer</td>
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<tr>
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<td>106.64%</td>
<td>Peer</td>
</tr>
</tbody>
</table>

### Balance Sheet: (data as of MRQ)

<table>
<thead>
<tr>
<th></th>
<th>YOUR BANK</th>
<th>All Indiana Banks</th>
<th>Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noninterest Bearing Deposits/Total Deposits</td>
<td>25.10%</td>
<td>17.96%</td>
<td>YOUR BANK</td>
</tr>
<tr>
<td>Core Deposits/Total Funding</td>
<td>90.31%</td>
<td>88.36%</td>
<td>YOUR BANK</td>
</tr>
<tr>
<td>Gross Loans/Core Deposits</td>
<td>76.06%</td>
<td>88.36%</td>
<td>Peer</td>
</tr>
<tr>
<td>Assets/FTE</td>
<td>$4,730</td>
<td>$4,450</td>
<td>YOUR BANK</td>
</tr>
</tbody>
</table>

**Notes:**

1. All metrics listed above, unless otherwise noted, are for the LTM as of the most recent quarter financial results available.
2. Indiana Bank Peer Group is the median of all regulated depositories headquartered in the state of Indiana.
3. “YOUR BANK” an actual IN-based bank picked at random.
4. Dollars in thousands
5. Source: S&P Market Intelligence
Net Interest Margin - Tracking

Source: S&P Market Intelligence; includes all Banks headquartered in Indiana
EXPENSE CONTROLS - TRACKING

Source: S&P Market Intelligence; includes all Banks headquartered in Indiana
EXPENSE CONTROLS - TRACKING

Efficiency Ratio

Source: S&P Market Intelligence; includes all Banks headquartered in Indiana
Return on Avg. Assets and Return on Avg. Common Equity

<table>
<thead>
<tr>
<th>Year</th>
<th>ROAA</th>
<th>ROACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>0.84%</td>
<td>7.98%</td>
</tr>
<tr>
<td>2009</td>
<td>0.83%</td>
<td>7.57%</td>
</tr>
<tr>
<td>2010</td>
<td>0.79%</td>
<td>7.49%</td>
</tr>
<tr>
<td>2011</td>
<td>0.69%</td>
<td>6.37%</td>
</tr>
<tr>
<td>2012</td>
<td>0.54%</td>
<td>4.97%</td>
</tr>
<tr>
<td>2013</td>
<td>0.64%</td>
<td>6.13%</td>
</tr>
<tr>
<td>2014</td>
<td>0.74%</td>
<td>7.11%</td>
</tr>
<tr>
<td>2015</td>
<td>0.88%</td>
<td>7.96%</td>
</tr>
<tr>
<td>2016</td>
<td>0.84%</td>
<td>7.73%</td>
</tr>
<tr>
<td>2017</td>
<td>0.86%</td>
<td>8.30%</td>
</tr>
</tbody>
</table>

Source: S&P Market Intelligence; includes all Banks headquartered in Indiana
FOCUS TOPICS OF YOUR STRATEGIC PLAN

“Sell” - How Does Our Bank Achieve Its Best Results?

- “Sell”
  - Considerations:
    - CEO succession
    - Liquidity needs of shareholders
    - Capital needs, if any (and dilutive effects)
    - Negotiated sale (one party) vs. managed sale (multiple parties)
    - Impact on employees and customers
    - Analysis of buyer currency

A sale can often be the best way to maximize shareholder value
Change is coming at a record pace

Banks need a great strategic plan to succeed

The planning process should be rigorous

All constituents must be committed to the plan

The plan should be monitored on a continuous basis

Employees, customers, and shareholders will be rewarded by a good strategic plan
John C. Donnelly - Managing Director

Mr. Donnelly is a Managing Director for Donnelly Penman & Partners (DP&P) which was formed in 2000. DP&P is an investment banking firm specializing in raising capital and advising on mergers and acquisitions in the banking industry. Mr. Donnelly is also the founder and Managing Member of the Donnelly Penman Financial Services Fund, LP (the “Fund”) a private equity fund that has invested in community banks throughout the country. Prior to co-founding DP&P in 2000, Mr. Donnelly was a Managing Director in the investment banking department of Raymond James & Associates, Inc. where he focused on the financial services industries. Mr. Donnelly joined Raymond James in 1999 effective with its acquisition of Roney & Co., a Midwest based investment banking and brokerage firm where Mr. Donnelly a Partner and member of the Executive Committee. Earlier in his career Mr. Donnelly was a commercial banker with two regional banks in Michigan.

Mr. Donnelly is a Trustee of the Beaumont Health System, a Partner with Cornerstone Schools in Detroit, Michigan and a former director of Carolina Premier Bank in Charlotte, North Carolina.

Mr. Donnelly graduated from Georgetown University with a degree in Economics and holds a M.B.A. degree from the University of Detroit Mercy where he is also an honorary member of the Beta Gamma Sigma business fraternity. Mr. Donnelly also holds the Series 7, 24, 27, 55 and 63 licenses with FINRA.

Andrew C. Christians, CFA – Managing Director

Joining DP&P in 2006, Mr. Christians specializes in mergers and acquisitions (buy side and sell side), business valuations, financial advisory, strategic analysis, and raising capital for financial institutions. Mr. Christians has also rendered sell-side and valuation services for the automotive, manufacturing, and service industries. Additionally, Mr. Christians has been the Portfolio Manager for the Donnelly Penman Financial Services Fund ($28 million private equity fund dedicated to investing in community bank equities across the nation) since March 2009, in addition to managing accounting, investor relation, and administrative activities. He also sits on the Advisory Board and Investment Committee for the Fund. Prior to joining DP&P, Mr. Christians was an Analyst in Stout Risius Ross’ Transaction Advisory Group. At Stout Risius Ross, he specialized in performing financial opinions and consulting services primarily related to mergers and acquisitions, goodwill impairment analyses, and corporate strategic planning. Mr. Christians has earned the right to use the Chartered Financial Analyst (CFA) designation and graduated from the University of Michigan's Ross School of Business with a B.B.A. degree with concentrations in Finance and Accounting. Mr. Christians also has the Series 7 and 63 licenses with FINRA.
Gregory H. Cunningham – Vice President

Mr. Cunningham joined DP&P in 2011. At DP&P, Mr. Cunningham specializes in merger and acquisition transactions, valuations, financial advisory, fairness opinions, and due diligence services for financial institutions. Prior to joining DP&P, Mr. Cunningham was a Turnaround Consultant at Kenneth J. Dalto & Associates, where he provided advisory services to middle market companies requiring debt restructuring and refinancing, as well as corporate finance. Mr. Cunningham graduated from Western Michigan University’s Haworth College of Business with a B.B.A. degree with a major in Finance and minor in Accounting. Additionally, Mr. Cunningham earned an M.B.A. from the University of Detroit Mercy. Mr. Cunningham also has the Series 7 and 63 licenses with FINRA.
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