

**Marquette National Corporation and Subsidiaries**  
**Consolidated Financial Statements**  
**(Unaudited)**  
**March 31, 2017**

**Marquette National Corporation and Subsidiaries**  
**Financial Highlights**  
**(Unaudited)**

*(in thousands, except share and per share data)*

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**Balance Sheet**

	<u>3/31/17</u>	<u>12/31/16</u>	<u>Percent Change</u>
Total assets	\$1,595,057	\$1,584,053	1%
Total loans, net	1,136,511	1,134,180	0%
Total deposits	1,345,444	1,333,549	1%
Total stockholders' equity	136,679	134,335	2%
Book value per share	\$122.14	\$120.31	2%
Tangible book value per share	\$90.55	\$88.65	2%

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**Operating Results**

	<u>Three Months Ended March 31,</u> <u>2017</u>	<u>2016</u>	<u>Percent Change</u>
Net interest income	\$12,239	\$11,976	2%
Provision for loan losses	674	588	15%
Net gain on sales of securities	248	96	*
Other income	3,730	3,821	-2%
Other expense	12,826	13,644	-6%
Net income	1,922	1,309	47%
Basic income per share	\$1.72	\$1.16	48%
Weighted average shares outstanding	1,117,047	1,123,616	-1%
Cash dividends declared per share	\$0.420	\$0.375	12%
Comprehensive income	\$2,554	\$3,592	-29%

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\* Not meaningful

**Marquette National Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**(Unaudited)**

*(in thousands, except share data)*

	<u>3/31/17</u>	<u>12/31/16</u>
<b>Assets</b>		
Cash and due from banks	\$ 29,113	\$ 34,091
Interest-bearing deposits with banks	35,047	10,254
Total cash and cash equivalents	64,160	44,345
Securities available for sale, at fair value	232,382	235,010
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	5,747	9,018
Loans held for sale	1,892	5,664
Loans	1,149,533	1,146,454
Less: Allowance for loan losses	(13,022)	(12,274)
Loans, net	1,136,511	1,134,180
Premises and equipment, net	51,907	51,814
Bank owned life insurance	41,545	41,187
Goodwill	35,348	35,348
Other real estate owned	6,387	7,157
Accrued interest receivable and other assets	19,178	20,330
<b>Total assets</b>	<u>\$ 1,595,057</u>	<u>\$ 1,584,053</u>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$ 251,886	\$ 247,542
Interest-bearing	1,093,558	1,086,007
Total deposits	1,345,444	1,333,549
Securities sold under agreements to repurchase	40,900	42,940
Junior subordinated notes issued to capital trusts	56,702	56,702
Accrued interest payable and other liabilities	15,332	16,527
<b>Total liabilities</b>	<u>1,458,378</u>	<u>1,449,718</u>
<b>Stockholders' Equity</b>		
Preferred stock: \$.01 par value; shares authorized: 150,000 at March 31, 2017 and December 31, 2016; shares issued: none at March 31, 2017 and December 31, 2016	-	-
Common stock: \$.01 par value; shares authorized: 2,000,000 at March 31, 2017 and December 31, 2016; shares issued: 1,119,001 at March 31, 2017 and 1,116,592 at December 31, 2016	11	11
Surplus	36,870	36,610
Retained earnings	98,601	97,149
Deferred compensation	1,639	1,379
Accumulated other comprehensive income, net of tax	1,197	565
Less: Treasury stock, at cost, 12,026 shares at March 31, 2017 and 9,617 shares at December 31, 2016	(1,639)	(1,379)
<b>Total stockholders' equity</b>	<u>136,679</u>	<u>134,335</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 1,595,057</u>	<u>\$ 1,584,053</u>

*See accompanying notes to unaudited consolidated financial statements.*

# Marquette National Corporation and Subsidiaries

## Consolidated Statements of Income

(Unaudited)

(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2017	2016
<b>Interest and Dividend Income</b>		
Loans, including fees:		
Taxable	\$ 11,651	\$ 11,107
Exempt from federal income tax	71	127
Securities available for sale:		
Taxable	1,146	1,251
Exempt from Federal income tax	39	60
Dividends	111	122
Federal Home Loan Bank and Federal Reserve Bank stock	57	53
Federal funds sold and interest-bearing deposits with banks	32	45
<b>Total interest income and dividends</b>	<u>13,107</u>	<u>12,765</u>
<b>Interest Expense</b>		
Deposits	488	482
Securities sold under agreements to repurchase	42	31
Subordinated notes issued to capital trusts	338	276
<b>Total interest expense</b>	<u>868</u>	<u>789</u>
<b>Net interest income</b>	12,239	11,976
Provision for loan losses	674	588
<b>Net interest income after provision for loan losses</b>	<u>11,565</u>	<u>11,388</u>
<b>Other Income</b>		
Service charges on deposit accounts	1,391	1,392
Income from trust services	442	460
Mortgage banking revenue, net	345	469
Wealth management product fees	380	304
Income from bank owned life insurance	358	363
Other operating income	814	833
Net gain on sales of securities	248	96
<b>Total other income</b>	<u>3,978</u>	<u>3,917</u>
<b>Other Expense</b>		
Salaries and employee benefits	6,408	6,953
Net occupancy expense	1,704	1,893
Equipment expense	317	321
Write down of premises transferred to other real estate owned	-	896
Other real estate owned (income) expense, net	423	(1,009)
Data processing expense	1,051	1,031
Professional and legal services	495	463
Advertising and promotion expenses	260	321
FDIC insurance premiums	262	315
Other operating expenses	1,906	2,460
<b>Total other expense</b>	<u>12,826</u>	<u>13,644</u>
<b>Income before income taxes</b>	2,717	1,661
Income tax expense	795	352
<b>Net income</b>	<u>\$ 1,922</u>	<u>\$ 1,309</u>
 Basic income per share	 \$ 1.72	 \$ 1.16
Weighted average shares outstanding	1,117,047	1,123,616

See accompanying notes to unaudited consolidated financial statements.

**Marquette National Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)  
*(in thousands)*

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Net income</b>	<u>\$ 1,922</u>	<u>\$ 1,309</u>
<b>Other comprehensive income:</b>		
Unrealized holding gains on available for sale securities arising during the period:		
Increase in net unrealized securities gains	1,286	3,845
Related income tax expense	<u>(503)</u>	<u>(1,504)</u>
Unrealized gains on available for sale securities, net of tax	<u>783</u>	<u>2,341</u>
Less: reclassification adjustment for net securities gains realized during the period:		
Net realized securities gains	248	96
Related income tax expense	<u>(97)</u>	<u>(38)</u>
Net after tax reclassification adjustment	<u>151</u>	<u>58</u>
 <b>Other comprehensive income, net of tax</b>	 <u>632</u>	 <u>2,283</u>
 <b>Comprehensive income</b>	 <u><u>\$ 2,554</u></u>	 <u><u>\$ 3,592</u></u>

*See accompanying notes to unaudited consolidated financial statements.*

**Marquette National Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
*(in thousands)*

	<b>Three Months Ended</b>	
	<b><u>March 31,</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Operating Activities</b>		
Net income	\$ 1,922	\$ 1,309
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred loan fees and costs, net	99	100
Premium amortization on securities, net	506	700
Provision for loan losses	674	588
Origination of loans for sale	(13,340)	(27,037)
Proceeds from sale of loans originated for sale	17,457	23,221
Gain on sale of loans originated for sale	(345)	(469)
Earnings on bank owned life insurance	(358)	(363)
Net gain on sale of securities	(248)	(96)
Write down of premises transferred to other real estate owned	-	896
Depreciation and amortization	760	785
Loss (gain) on sales of other real estate owned	21	(1,038)
Write down of other real estate owned	279	95
Deferred income tax expense (benefit)	569	(1,138)
Decrease in accrued interest receivable and other assets	418	1,802
(Decrease) increase in accrued interest payable and other liabilities	(1,505)	1,618
<b>Net cash provided by operating activities</b>	<b><u>6,909</u></b>	<b><u>973</u></b>
<b>Investing Activities</b>		
Securities available for sale:		
Proceeds from maturities, pay downs and calls	7,835	11,605
Proceeds from sales	602	4,876
Purchases	(5,031)	(1,000)
Redemption of Federal Home Loan Bank stock	3,271	-
Net increase in loans	(3,498)	(40,073)
Purchases of premises and equipment	(834)	(1,844)
Proceeds from sales of other real estate owned	864	2,370
<b>Net cash provided by (used in) investing activities</b>	<b><u>3,209</u></b>	<b><u>(24,066)</u></b>
<b>Financing Activities</b>		
Net increase in deposits	11,895	19,824
Net decrease in securities sold under agreements to repurchase	(2,040)	(239)
Cash dividends paid on common stock	(419)	(383)
Issuance of common stock	261	411
Cash paid for fractional shares	-	(37)
Repurchase of common stock	-	(122)
<b>Net cash provided by financing activities</b>	<b><u>9,697</u></b>	<b><u>19,454</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>19,815</b>	<b>(3,639)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>44,345</u></b>	<b><u>82,278</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 64,160</u></b>	<b><u>\$ 78,639</u></b>
<b>Supplemental disclosures:</b>		
Interest paid	\$ 864	\$ 786
Income taxes refunded	-	1,294
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Loans transferred to other real estate owned	\$ 394	\$ 787
Premises transferred to other real estate owned	-	470
Common stock cash dividends declared and unpaid	470	423

*See accompanying notes to unaudited consolidated financial statements.*

**Marquette National Corporation and Subsidiaries**  
**Notes to Unaudited Consolidated Financial Statements**

**NOTE 1 – GENERAL**

The unaudited consolidated financial statements of Marquette National Corporation and Subsidiaries (the "Company") have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for annual year-end financial statements.

All adjustments consisting of normal recurring accruals which are, in the opinion of management, necessary for fair presentation of the interim consolidated financial statements have been included and fairly and accurately present the financial position, results of operations and cash flows of the Company. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Consolidated Financial Statements for the year ended December 31, 2016. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

**NOTE 2 – COMMON STOCK**

On January 24, 2017, the Company's Board of Directors declared a four-for-one stock split of its common stock payable in the form of a stock dividend. The four-for-one stock split is payable on May 26, 2017 to shareholders of record on May 12, 2017.

On April 27, 2017, the Company's shareholders approved an increase in the authorized common shares from 2,000,000 to 6,000,000.