

July 14, 2017

Dear Shareholder,

I am pleased to report the Board of Directors declared the enclosed dividend of \$0.34 per share on June 13, 2017 for holders of record as of June 30, 2017. This quarterly dividend reflects an increase of 6.3% from the July 2016 payment and keeps us on track for a 27th consecutive year of increased dividends.

During the six months ended June 30, 2017, we earned a record \$10.6 million, an increase of \$2.7 million, or 34.7%, from the prior year. On a per share basis, 2017's year-to-date earnings were \$2.96 compared to \$2.20 for the first half of 2016. Approximately half of the increase in earnings was attributable to a \$2.2 million increase in net interest income. The combination of earning asset growth of 5.8% and a 9-basis point improvement in the net interest margin produced an 8.4% increase in net interest income. The balance sheet was well positioned to benefit from the higher term interest rates that followed the November 2016 elections and monetary policy actions by the Federal Reserve Bank between December 2016 and June 2017. Much of the remaining earnings improvement between years was due to the impact of M&A activity. The sale of the Bargersville branch in February 2017 added \$0.5 million to pre-tax earnings during the 2017 period, while net costs associated with the acquisition of Citizen's Exchange Bank reduced pre-tax earnings during the first half of 2016 by \$1.5M, a net improvement of \$2.0 million.

Steady growth over the past year was reflected in average assets, loans and deposits increasing by 5.9%, 6.2% and 4.0%, respectively between years. Operating revenues improved 7.2% while operating expenses, excluding the CEB-related costs, rose just 2.2% contributing to a year-to-date return on average equity of 15.07% through June 30, 2017. This is a 287 basis point improvement from 12.20% the prior year and compares favorably to recently released FDIC data that shows Indiana financial institutions averaged a 9.45% return on equity for first quarter of 2017 while the national average was slightly lower at 9.37%.

As always, we appreciate your business and support.

A handwritten signature in cursive script that reads "Gene Miles".

Gene Miles
President & CEO