

Bank Watch

Atlantic Coast

What We're Reading

Selected Links of Interest from Around the Web

Stress Testing

Grant Thornton weighs in on why a community bank should decide to conduct enterprise-wide stress testing:

Link: <http://mer.cr/bod-stress-test>

Promontory also weighs in on stress testing and its importance beyond regulatory compliance in an article here:

Link: <http://mer.cr/stress-test-compliance>

Jay Wilson of Mercer Capital writes on stress testing, specifically for community banks, in the February 2013 issue of BankWatch:

Link: <http://mer.cr/community-bank-stress-testing>

Basel III

The OCC recently issued two guides for community banks related to Basel III and the new capital rules:

Capital Rule Quick Reference Guide: **Link:** <http://mer.cr/occ-capital-rule-guide>

New Capital Rule Community Bank Guide: **Link:** <http://mer.cr/occ-comm-bnk-guide>

Employee Stock Ownership Plans

Josh Patrick discusses employee stock ownership plans (and even references Mercer Capital's ESOP as a case study) in a New York Times article titled: "The Questions to Ask Before Adopting an ESOP"

Link: <http://mer.cr/ny-times-esop>

Mercer Capital's Resources for Depository Institutions

The Financial Institutions Group of Mercer Capital works with hundreds of depository institutions annually providing a broad range of specialized resources for the financial services industry.

Webinars Available for Replay

The Outlook for M&A in 2013

Our expectations for bank M&A in 2013, which follows a modest pick-up in activity in 2012 vis-à-vis 2011, are presented. Investors are anxious for M&A to increase given the earnings outlook, but seller expectations and regulatory actions are acting as a governor—at least for the now.

View replay at <http://mer.cr/bnkweb1>

Understanding Deal Considerations

Key issues that we see when banks combine as it relates to valuing and evaluating a combination are reviewed. This is particularly critical when the consideration consists of shares issued by a buyer (or senior merger partner) whose shares are either privately held or are thinly traded.

View replay at <http://mer.cr/bnkweb2>

How to Profit on a Distressed Transaction

Buyers have been leery of acquiring troubled banks in non-assisted deals. With a slowly recovering economy, we take a look at the opportunities and pitfalls or making an acquisition of a “turnaround” bank.

View replay at <http://mer.cr/bnkweb3>

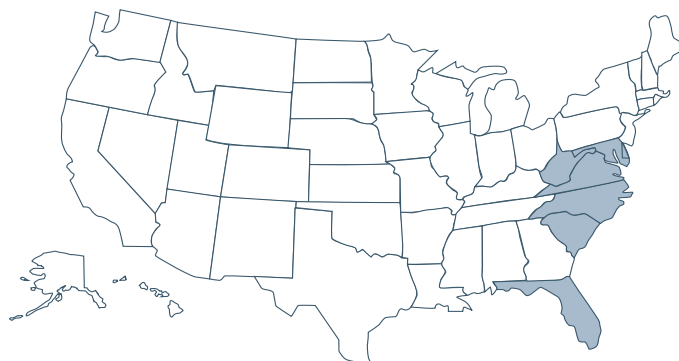
Complimentary Whitepaper



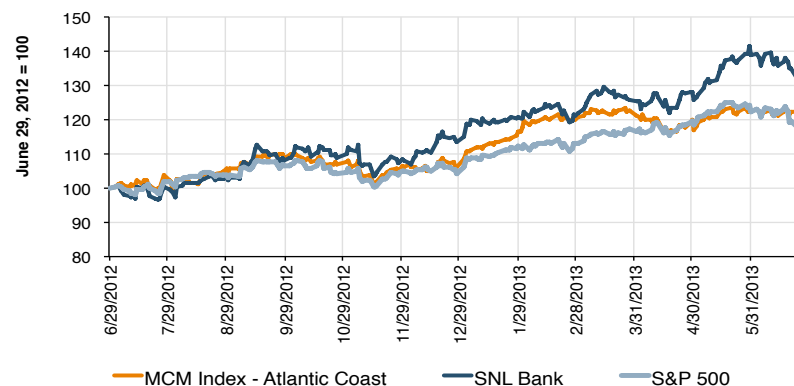
Community Bank Mergers: Creating the Potential for Shared Upside

In this 2013 whitepaper we review financial issues arising when community banks merge or sell to a larger, public institution. It is not intended to answer every question and, in some instances, our intention is to raise questions for directors and managers to evaluate. In a series of follow-up papers and webinars we will address specific topics that merit further scrutiny.

Download whitepaper at <http://mer.cr/community-bank-mergers>



Community Bank Group Index Overview



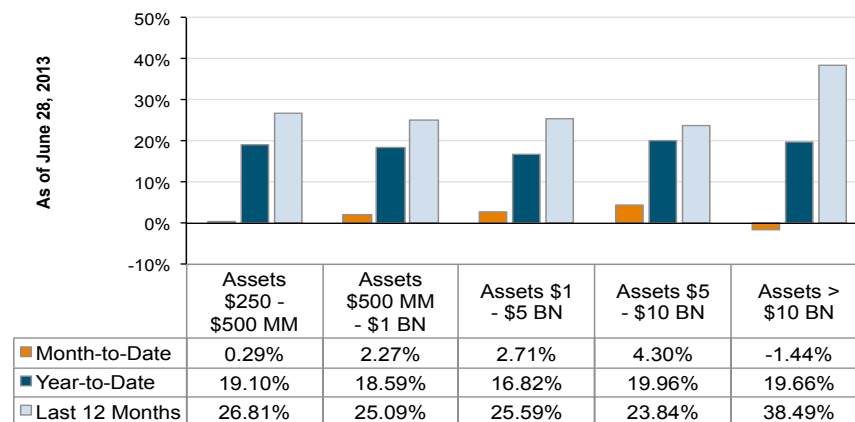
Median Valuation Multiples

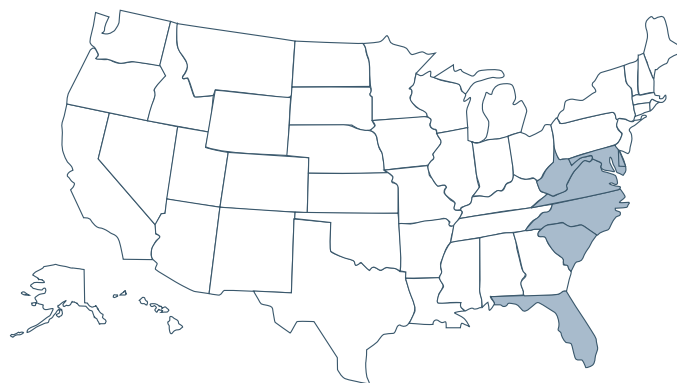
as of June 28, 2013

	Atlantic Coast Community Bank Index	National Community Bank Index
Price / LTM EPS	13.77	13.18
Price / 2013 (E) EPS	14.25	13.83
Price / 2014 (E) EPS	14.47	13.19
Price / Book Value	99.13%	106.10%
Price / Tangible Book Value	116.46%	115.12%
Dividend Yield	2.22%	2.39%

Return Stratification of U.S. Banks

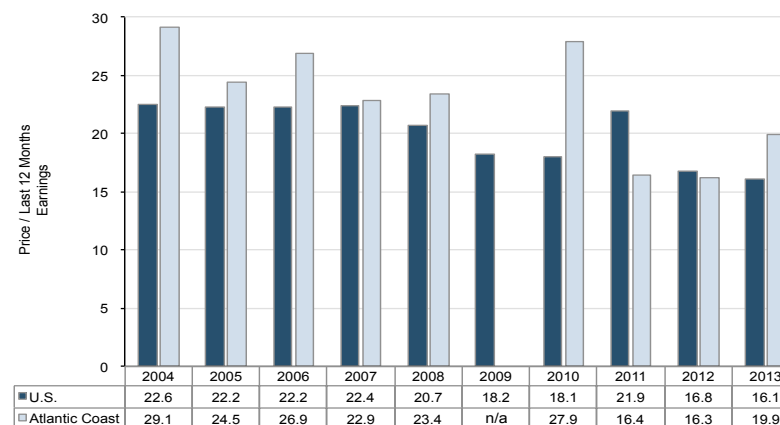
by Asset Size





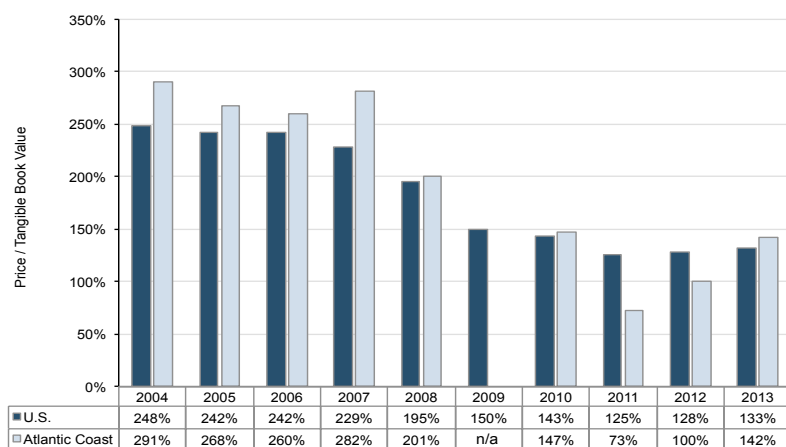
Median Price/Earnings Multiples

Target Banks Assets <\$5BN and LTM ROE >5%



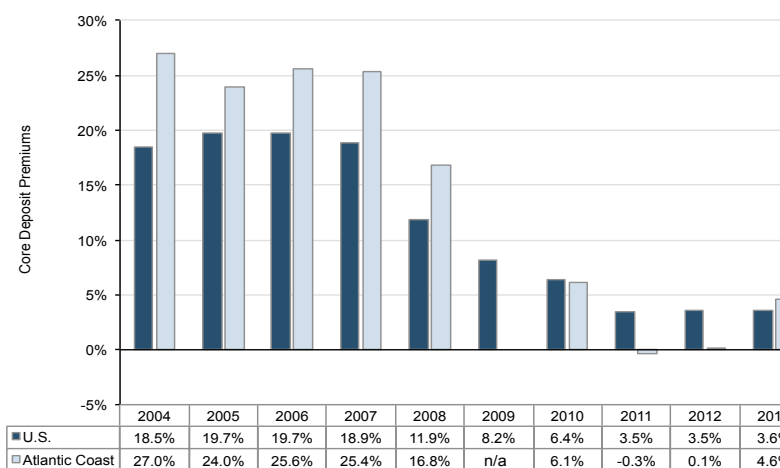
Median Price/Tangible Book Value Multiples

Target Banks Assets <\$5BN and LTM ROE >5%



Median Core Deposit Multiples

Target Banks Assets <\$5BN and LTM ROE >5%



Mercer Capital's Atlantic Coast Public Bank Peer Report

July 12, 2013

Price / Earnings																						
52 Wk Perf (%)	52 Wk High (\$)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Core LTM (x)	FY 13	FY 14	Price/BVPS(x)	Price/Tang. BVPS (x)	Div. Yield(%)	Tang. Eq./Assets (%)	Eff. Ratio (%)	LTM ROE (%)	LTM ROA (%)	NPA's/Loans + OREO (%)	NCO's/Avg. Loans(%)	Loan Loss Res./Loans (%)	Assets (\$M)
78.44	16.35	8.61	Bancorp, Inc.	TBBK	DE	\$16.22	\$606	27.97	27.67	22.22	14.66	1.11	1.78	nm	8.23	60.83	6.68	0.57	1.99	1.03	1.75	4,132,095.00
78.44			Median - Delaware					27.97	27.67	22.22	14.66	1.11	1.78	...	8.23	60.83	6.68	0.57	1.99	1.03	1.75	\$4,132,095
21.81	\$7.60	\$5.30	1st United Bancorp, Inc.	FUBC	FL	\$7.41	\$254	43.59	40.07	28.87	20.21	1.07	1.44	0.54%	11.77	78.05	2.34	0.35	5.98	1.44	1.03	\$1,561,449
23.26	\$28.69	\$22.01	BankUnited, Inc.	BKU	FL	\$27.71	\$2,784	13.58	14.35	16.13	16.29	1.51	1.57	3.03%	14.00	44.67	11.90	1.66	0.59	0.32	1.04	\$12,745,930
NA	\$20.05	\$15.14	Capital Bank Financial Corp.	CBF	FL	\$19.54	\$629	18.26	18.26	22.93	16.18	0.94	1.10	nm	14.28	68.84	5.05	0.81	10.13	0.20	1.22	\$7,083,880
60.86	\$12.94	\$7.00	Capital City Bank Group, Inc.	CCBG	FL	\$12.37	\$214	NM	85.22	48.32	34.36	0.86	1.31	0.00%	6.49	88.73	0.84	0.08	10.30	1.04	1.90	\$2,605,313
25.83	\$9.75	\$7.00	CenterState Banks, Inc.	CSFL	FL	\$9.68	\$291	22.51	22.13	17.95	16.58	1.05	1.30	0.41%	9.60	73.56	4.84	0.54	3.57	0.61	1.78	\$2,389,239
(66.21)	\$3.60	\$0.43	Jacksonville Bancorp, Inc.	JAXB	FL	\$0.49	\$26	NM	NM	NM	NM	1.55	1.61	nm	6.21	95.13	(184.71)	(7.85)	8.80	7.28	5.04	\$520,898
(29.16)	\$3.52	\$1.26	OptimumBank Holdings, Inc.	OPHC	FL	\$1.42	\$11	NM	NM	NM	NM	2.36	2.36	nm	3.49	161.18	(83.32)	(4.23)	NA	2.74	2.87	\$136,602
50.34	\$2.30	\$1.32	Seacoast Banking Corporation of Florida	SBCF	FL	\$2.24	\$212	NM	NM	36.32	22.40	1.81	1.83	0.00%	5.29	89.18	0.24	0.02	6.97	1.00	1.73	\$2,202,049
23.26			Median - Florida					20.39	22.13	25.90	18.39	1.29	1.50	0.41%	8.04	83.39	1.59	0.22	6.97	1.02	1.75	\$2,295,644
81.24	\$25.15	\$12.83	BCSB Bancorp, Inc.	BCSB	MD	\$25.03	\$80	48.13	40.96	NM	NM	1.43	1.43	0.00%	8.67	78.93	3.13	0.27	5.68	0.41	1.72	\$642,295
(3.64)	\$5.94	\$4.52	Carrollton Bancorp	CRRB	MD	\$4.77	\$45	NM	NM	NM	NM	0.54	0.54	0.00%	6.32	82.00	0.36	0.03	5.24	0.38	2.01	\$363,766
58.10	\$25.17	\$15.13	Eagle Bancorp, Inc.	EGBN	MD	\$24.16	\$622	15.45	15.37	14.28	13.57	2.04	2.06	0.00%	9.08	49.28	12.13	1.25	1.94	0.34	1.45	\$3,324,865
55.40	\$9.00	\$4.61	First United Corporation	FUNC	MD	\$7.77	\$48	6.37	7.09	nm	NM	0.67	0.79	0.00%	4.65	75.37	9.46	0.69	5.84	0.37	1.86	\$1,322,767
22.96	\$12.95	\$10.00	Glen Burnie Bancorp	GLBZ	MD	\$12.21	\$33	13.56	14.08	NM	NM	1.00	1.00	3.28%	8.60	77.61	7.47	0.65	2.39	0.31	1.29	\$388,867
9.25	\$9.55	\$6.01	Howard Bancorp, Inc.	HBMD	MD	\$7.32	\$30	22.88	23.77	nm	NM	0.86	0.86	nm	8.49	74.21	3.89	0.46	1.55	0.49	0.90	\$407,321
33.15	\$13.35	\$9.81	Old Line Bancshares, Inc.	OLBK	MD	\$13.07	\$128	12.81	11.87	13.83	9.86	1.20	1.27	1.22%	8.16	62.43	10.08	0.82	1.51	0.19	0.66	\$868,986
32.27	\$23.93	\$16.75	Sandy Spring Bancorp, Inc.	SASR	MD	\$23.88	\$596	15.31	14.41	14.80	14.82	1.22	1.48	2.68%	10.44	59.94	8.14	1.00	2.09	0.28	1.58	\$3,932,026
37.57	\$7.75	\$4.65	Shore Bancshares, Inc.	SHBI	MD	\$7.36	\$62	NM	NM	64.94	25.67	0.54	0.63	0.00%	9.02	73.46	(5.43)	(0.55)	11.68	2.41	2.00	\$1,104,611
33.15			Median - Maryland					15.31	14.41	14.54	14.19	1.00	1.00	0.00%	8.60	74.21	7.47	0.65	2.39	0.37	1.58	\$868,986
84.94	\$13.99	\$6.90	Bank of America Corporation	BAC	NC	\$13.78	\$148,554	43.06	34.53	15.22	10.49	0.68	1.04	0.29%	6.85	82.91	2.12	0.23	4.23	1.46	2.41	\$2,174,819,000
16.19	\$35.23	\$26.86	BB&T Corporation	BBT	NC	\$34.80	\$24,419	14.62	14.20	13.15	11.18	1.28	2.11	2.64%	6.68	55.32	9.04	1.02	2.45	1.07	1.68	\$180,837,000
80.15	\$13.86	\$7.34	BNC Bancorp	BNCN	NC	\$13.64	\$279	27.28	99.46	19.28	13.41	1.43	1.63	1.47%	7.64	66.47	5.31	0.48	3.70	1.74	1.84	\$2,929,191
128.47	\$14.26	\$4.60	Carolina Bank Holdings, Inc.	CLBH	NC	\$12.68	\$43	6.37	6.41	nm	NM	1.08	1.08	nm	5.89	63.94	15.43	1.18	6.34	0.65	2.01	\$674,764
(3.82)	\$3.28	\$2.05	Carolina Trust Bank	CART	NC	\$2.82	\$13	NM	NM	NM	NM	0.58	0.60	nm	7.98	68.37	(1.11)	(0.10)	6.87	0.97	2.24	\$275,600
2.65	\$5.59	\$3.51	Crescent Financial Bancshares, Inc.	CRFN	NC	\$4.65	\$214	NM	NA	33.21	12.92	1.13	1.40	nm	10.96	84.84	1.70	0.27	2.12	0.31	0.69	\$1,116,042
84.51	\$15.77	\$7.68	First Bancorp	FBNC	NC	\$15.57	\$306	NM	NM	19.10	16.83	1.07	1.41	2.06%	6.76	56.78	(4.34)	(0.46)	3.87	2.78	2.07	\$3,280,945
20.77	\$206.75	\$155.00	First Citizens BancShares, Inc.	FCNCA	NC	\$200.32	\$1,912	12.97	13.15	NM	NM	1.00	1.06	0.60%	8.53	66.96	8.04	0.73	1.94	0.30	2.07	\$21,351,012
63.67	\$6.88	\$3.96	First South Bancorp, Inc.	FSBK	NC	\$6.55	\$64	NM	NM	nm	NM	0.85	0.90	0.00%	10.37	66.77	(11.74)	(1.37)	4.33	5.69	1.95	\$690,958
(28.36)	\$12.88	\$5.91	CommunityOne Bancorp	COB	NC	\$8.41	\$183	NM	NM	nm	NM	2.04	2.35	0.00%	3.73	99.16	(31.48)	(1.52)	12.11	1.73	2.65	\$2,093,311
30.83	\$6.65	\$4.25	New Century Bancorp, Inc.	NCBC	NC	\$6.28	\$43	12.82	13.33	NM	NM	0.79	0.80	nm	9.62	73.49	6.15	0.58	3.72	0.32	2.15	\$567,517
74.60	\$7.62	\$3.74	NewBridge Bancorp	NBCC	NC	\$7.56	\$191	NM	NM	12.14	12.24	1.45	1.48	0.00%	8.48	68.43	(12.66)	(1.28)	2.17	3.01	2.22	\$1,712,079
(5.73)	\$4.90	\$2.56	Oak Ridge Financial Services, Inc.	BKOR	NC	\$4.28	\$8	NM	NM	NM	NM	0.42	0.42	nm	5.27	80.89	(7.01)	(0.54)	4.98	1.83	2.07	\$348,625
27.18	\$6.06	\$4.33	Park Sterling Corporation	PSTB	NC	\$5.99	\$268	42.79	27.35	17.88	15.56	1.03	1.19	nm	11.51	72.39	2.59	0.40	2.43	0.10	0.80	\$1,983,571
65.82	\$13.80	\$8.15	Peoples Bancorp of North Carolina, Inc.	PEBK	NC	\$13.49	\$76	14.82	16.91	nm	NM	0.88	0.88	0.89%	8.42	73.15	5.87	0.58	5.39	0.96	2.35	\$1,018,280
86.13	\$15.52	\$7.50	Yadkin Financial Corporation	YDKN	NC	\$15.30	\$210	NM	NM	15.90	14.01	1.50	1.52	0.00%	7.83	70.66	(4.50)	(0.39)	3.45	3.19	1.85	\$1,846,592
47.25			Median - North Carolina					14.72	15.55	16.89	13.16	1.05	1.14	0.44%	7.90	69.55	1.91	0.25	3.79	1.27	2.07	\$1,779,336

Mercer Capital

Financial Institutions Services

Mercer Capital assists banks, thrifts, and credit unions with significant corporate valuation requirements, transactional advisory services, and other strategic decisions.

Mercer Capital pairs analytical rigor with industry knowledge to deliver unique insight into issues facing banks. These insights underpin the valuation analyses that are at the heart of Mercer Capital's services to depository institutions.

Mercer Capital is a thought-leader among valuation firms in the banking industry. In addition to scores of articles and books, *The ESOP Handbook for Banks* (2011), *Acquiring a Failed Bank* (2010), *The Bank Director's Valuation Handbook* (2009), and *Valuing Financial Institutions* (1992), Mercer Capital professionals speak at industry and educational conferences.

The Financial Institutions Group of Mercer Capital publishes *Bank Watch*, a monthly e-mail newsletter covering five U.S. regions. In addition, Jeff Davis, Managing Director, is a regular contributor to SNL Financial.

For more information about Mercer Capital, visit www.mercercapital.com.

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