

# Bank Watch

## Northeast

## Cain't Be

by Jeff K. Davis, CFA

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I doubt most of you have heard of the rural Southern idiom “cain't be.” The Urban Dictionary — which admittedly can be raw — defines cain't as “a cross between the Standard English contractions ‘can't’ (cannot) and non-standard English contraction ‘ain't’ (am not). This combination of contraction forms a powerful word encompassing ‘cannot,’ ‘am not,’ ‘is not,’ ‘are not,’ and ‘have not.’” “Hell no” is the short version.

Peter Tchir of TF Market Advisors described the early bank releasers' results as a “yawn” on Twitter this weekend. Profitability is good for the large banks, but investors own equities due to growth prospects or a compelling valuation. Much of the sell-side is spinning explaining changes in the current quarter versus prior quarters due to seasonal items: first quarter 2012 entailed 29 days in February, loan growth was pulled forward into fourth quarter 2012, etc. The trend is and has been clear for some time: Revenue growth is close to nil and will turn negative for many smaller banks, while declining credit costs as a net income driver is about over and has been priced into the stocks for a while.

We are now in our fifth year of the Fed's zero interest rate policies (ZIRP) and the sixth since the Fed began cutting rates in 2007. One day the environment will change. Until then, competitive pressures are increasingly weighing on loan yields and are thereby creating a second element of NIM pressure beyond that of reinvesting bond and mortgage cash flows at much lower yields. There will be exceptions that hold the line on pricing (maybe M&T Bank Corp.) and sacrifice volume even though ZIRP promises very low credit costs for some time. Also, some markets such as South Louisiana, Texas, and other areas of the energy- and ag-belts, are poised for very good multi-year loan growth that may entail better-than-average pricing.

What results show from the early releasers — I think — is that the yield story is going to intensify in the second half of 2013 and 2014. As shown in the table, JPMorgan Chase & Co., Wells Fargo & Co. and Commerce Bancshares Inc. all saw year-over-year reductions in loan yields that exceeded the reduction in 30-day LIBOR and the five-year swap rate. Yet, these results do not reflect the increasing story of “high” 2-handle C&I and CRE pricing for quality credits that I am hearing about around the country. So far, low credit costs and still strong — albeit easing — mortgage banking mask the impact of NIM pressure in terms of earnings, but that increasingly will not be the case unless loan growth accelerates. And faster loan growth may require more pricing (and term/structure) concessions. Investors should focus on yields, not the second derivative NIM, in assessing how the revenue and earnings trajectory for a given institution will evolve this year.

## Yield/Cost of Funds at Big Banks (%)

	JPMorgan Chase			Wells Fargo & Co.			Commerce Bancshares			M&T Bank Corp.		
	Q1'13	Q1'12	Change (bps)	Q1'13	Q1'12	Change (bps)	Q1'13	Q1'12	Change (bps)	Q1'13	Q1'12	Change (bps)
Commercial & Industrial	n/a	n/a	n/a	3.73	4.18	-45	3.17	3.52	-35	3.66	3.71	-5
Commercial Real Estate	n/a	n/a	n/a	3.84	4.07	-23	4.17	4.57	-40	4.41	4.42	-1
1-4 Residential Mortgage	n/a	n/a	n/a	4.29	4.69	-40	4.08	4.58	-50	4.09	4.60	-51
Total Loans	4.78	5.14	-36	4.49	4.81	-32	4.49	4.95	-46	4.24	4.35	-11
Total Securities (TE)	2.19	2.60	-41	3.70	4.19	-49	2.12	2.56	-44	3.33	3.54	-21
COF - IB Deposits	0.28	0.38	-10	0.21	0.27	-6	0.25	0.32	-7	0.22	0.33	-11
<b>Net Interest Margin (TE)</b>	<b>2.37</b>	<b>2.61</b>	<b>-24</b>	<b>3.48</b>	<b>3.91</b>	<b>-43</b>	<b>3.07</b>	<b>3.45</b>	<b>-38</b>	<b>3.71</b>	<b>3.69</b>	<b>2</b>
30-day LIBOR (Q1 Avg.)	0.24	0.34	-10	<> base for C&I loans								
5-year Swap (Q1 Avg.)	0.97	1.17	-20	<> base for 5-year CRE loans								

n/a = Not Available, TE = Tax Equivalent, COF = Cost of Funds

Sources: Company quarterly reports and the Federal Reserve's H.15 (selected interest rates - daily)

Most investors view banks as early cyclical stocks — i.e., the shares tend to under- and outperform the market before the economy turns given the business model's leverage to change in asset quality. Overlaid is an aspect of an interest rate play whereby some banks are heavily levered to the rate cycle. Focused-commercial lenders, such as Comerica Inc., benefit from rising short rates given a preponderance of loans that price off 30-day LIBOR and are funded with non-interest bearing deposits. Lenders that focus on CRE and multifamily loans, such as New York Community Bancorp Inc., are levered to a steeper curve because much of the asset base is priced off five-year U.S. Treasuries or five-year swap rate.

I think the group is now transitioning to one of a broad trading range as long as credit remains benign. Valuations are cheap enough to protect against a hard sell-off, but valuation is not overly compelling absent a catalyst as was the case in fourth quarter 2011. Investors face the same issue that banks do in terms of yield. That need may lead to notably better performance by banks with stronger dividends. JPMorgan has been a great trade since mid-2012 when "Whale" concerns drove the shares into the mid-\$30s. The March CCAR process culminated with a 27% hike in the quarterly dividend to 38 cents per share.

Where from here? Think Commerce (2.3% yield; \$35-\$40 range) and Trustmark Corp. (3.8%; \$21-\$25), which sailed through the panic and recession compared to peers, but have tended to underperform as the credit recovery gained traction. Trustmark's recent acquisition of Mobile, Ala.-based BancTrust Financial Group Inc. may reinvigorate growth, however.

Periodic market breaks as occurred in third quarter 2011 will create the opportunity to build positions that entail good capital appreciation potential that the lack of revenue and earnings growth precludes. This outlook may pigeonhole most bank stocks as income plays, but income in a ZIRP world will become increasingly valuable. It also may mean that some bank investors will migrate to business development companies (BDCs) and perhaps commercial-focused mortgage REITs. Unlike banks, these entities do not have (stable) deposit funding and access to the Fed's discount window. But they make money and have some investment attributes that advantage them versus traditional banks as ZIRP and Washington's regulatory apparatus wreaks havoc on the bank business model.



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# 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>

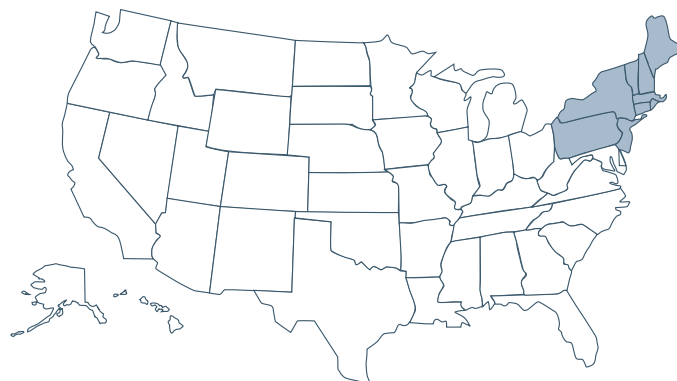
## Complimentary Whitepaper



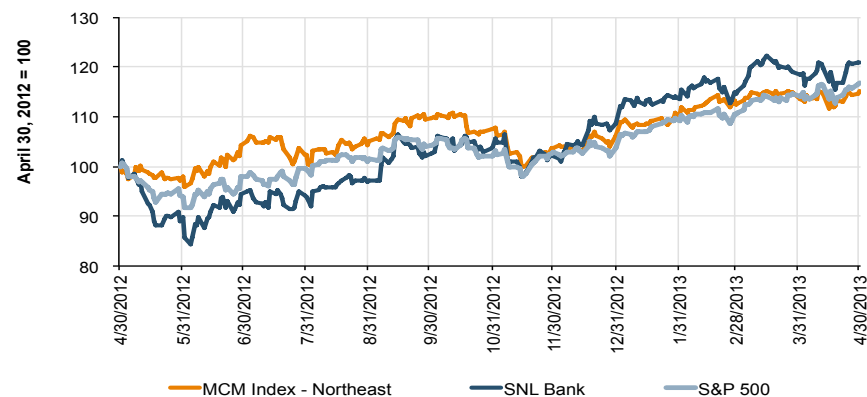
### Community Bank Mergers: Creating the Potential for Shared Upside

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



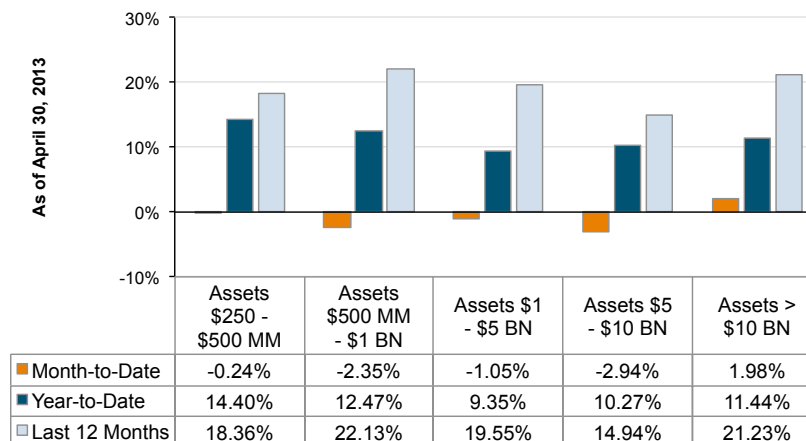
Median Valuation Multiples

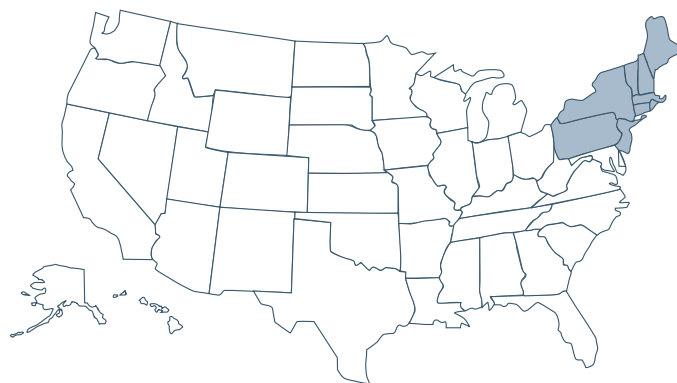
as of April 30, 2013

	Northeast Community Bank Index	National Community Bank Index
Price / LTM EPS	12.93	12.41
Price / 2013 (E) EPS	13.08	12.75
Price / 2014 (E) EPS	12.15	12.39
Price / Book Value	106.52%	103.18%
Price / Tangible Book Value	114.45%	110.77%
Dividend Yield	3.27%	2.75%

Return Stratification of U.S. Banks

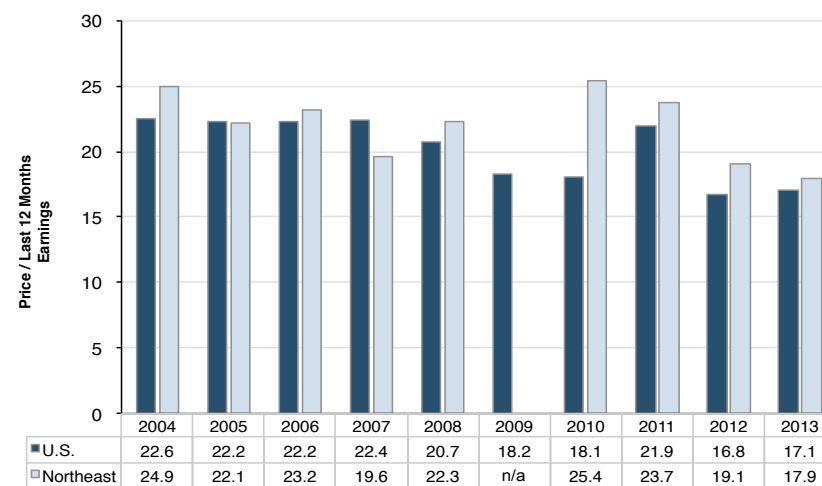
by Asset Size





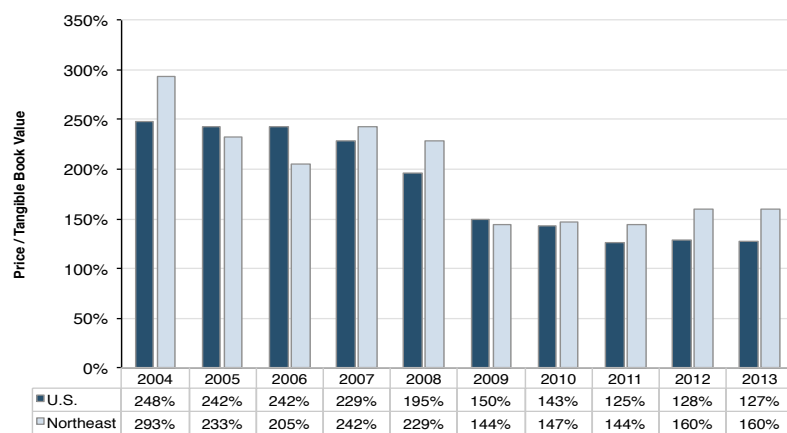
**Median Price/Earnings Multiples**

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



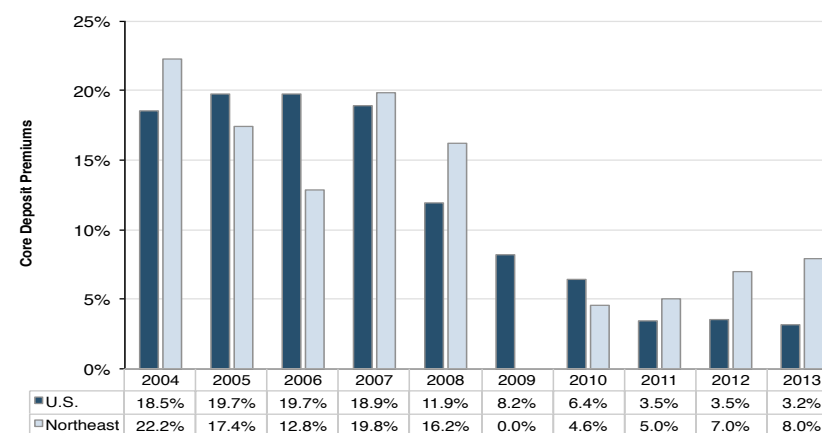
**Median Price/Tangible Book Value Multiples**

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



**Median Core Deposit Multiples**

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



Mercer Capital's Northeast Public Bank Peer Report

May 9, 2013

52 Wk Perf (%)	YTD Perf (%)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Price / Core (x)	Earnings FY 13 (x)	Earnings FY 14 (x)	Price/ BVPS (x)	Price/ Tang. BVPS (x)	Div. Yield (%)	Tangible Equity / Assets (%)	Efficiency Ratio (%)	LTM ROE (%)	LTM ROA (%)	NPAs/ Loans + OREO (%)	NCOs/ Avg. Loans (%)	Loan Loss Reserv/ Loans (%)	Assets (\$M)
(24.25)	-	\$1.03	Patriot National Bancorp, Inc.	PNBK	CT	\$1.25	\$48	NM	NM	NM	NM	0.97	0.97	0.00	8.02	114.57	(1.05)	(0.08)	6.68	0.20	1.29	\$617,855
12.54	13.54	\$22.75	Salisbury Bancorp, Inc.	SAL	CT	\$26.50	\$45	12.50	10.36	NM	NM	0.81	0.99	4.23	7.78	69.34	5.35	0.62	NA	0.20	1.14	\$597,343
102.17	87.88	\$0.92	Southern Connecticut Bancorp, Inc.	SSE	CT	\$3.72	\$10	NM	NM	NM	NM	0.89	0.89	nm	9.51	94.61	(1.45)	(0.13)	10.23	0.50	2.11	\$121,447
10.57	12.02	\$18.88	Webster Financial Corporation	WBS	CT	\$23.02	\$2,078	12.24	12.02	12.29	12.11	1.04	1.43	2.61	7.35	62.33	8.82	0.90	4.07	0.57	1.39	\$20,110,538
<b>11.56</b>	<b>12.78</b>		<b>Median - Connecticut</b>					<b>12.37</b>	<b>11.19</b>	<b>12.29</b>	<b>12.11</b>	<b>0.93</b>	<b>0.98</b>	<b>2.61</b>	<b>7.90</b>	<b>81.97</b>	<b>2.15</b>	<b>0.27</b>	<b>6.68</b>	<b>0.35</b>	<b>1.34</b>	<b>\$607,599</b>
7.94	6.44	\$7.65	Boston Private Financial Holdings, Inc.	BPFH	MA	\$9.59	\$758	14.53	NA	13.67	12.21	1.36	nm	2.09	NA	72.59	10.19	0.95	2.07	0.17	1.62	\$6,196,421
(2.00)	(0.59)	\$7.54	Brookline Bancorp, Inc.	BRKL	MA	\$8.45	\$595	14.82	14.25	15.62	14.31	0.97	1.30	4.02	9.20	57.95	6.69	0.82	NA	0.16	1.02	\$5,110,378
9.48	(2.12)	\$25.00	Century Bancorp, Inc.	CNBKA	MA	\$32.25	\$115	9.08	9.92	NM	NM	0.99	1.01	1.49	5.64	63.90	11.18	0.65	NA	0.14	1.74	\$3,162,135
4.40	(1.63)	\$14.77	Enterprise Bancorp, Inc.	EBTC	MA	\$16.25	\$159	12.50	12.94	NM	NM	1.12	1.16	2.83	8.12	69.91	9.25	0.78	NA	0.06	1.78	\$1,693,985
17.02	10.12	\$25.85	Independent Bank Corp.	INDB	MA	\$31.88	\$729	16.52	14.17	13.56	13.10	1.36	1.94	2.76	6.76	63.84	8.41	0.81	1.95	0.34	1.15	\$5,721,120
40.83	28.10	\$38.95	State Street Corporation	STT	MA	\$60.22	\$27,465	13.94	13.41	13.47	11.76	1.35	2.28	1.73	5.73	68.99	10.26	1.06	NA	(0.02)	0.16	\$218,189,000
<b>8.71</b>	<b>2.92</b>		<b>Median - Massachusetts</b>					<b>14.24</b>	<b>13.41</b>	<b>13.62</b>	<b>12.65</b>	<b>1.23</b>	<b>1.30</b>	<b>2.42</b>	<b>6.76</b>	<b>66.45</b>	<b>9.72</b>	<b>0.81</b>	<b>NM</b>	<b>0.15</b>	<b>1.38</b>	<b>\$5,415,749</b>
4.27	6.81	\$31.78	Bar Harbor Bankshares	BHB	ME	\$35.94	\$141	11.27	11.40	NM	10.82	1.10	NM	3.45	NA	55.25	9.82	0.98	NA	0.23	0.99	\$1,307,252
9.48	2.65	\$30.80	Camden National Corporation	CAC	ME	\$34.87	\$266	11.86	11.76	NA	NM	1.13	1.46	3.10	7.19	60.84	9.76	0.91	1.83	0.20	1.48	\$2,590,817
23.47	1.28	\$13.51	First Bancorp, Inc.	FNLC	ME	\$16.68	\$178	13.79	NA	NM	NM	1.16	1.44	4.68	8.87	51.02	8.05	0.89	NA	0.85	1.47	\$1,416,787
(11.95)	2.01	\$8.00	Northeast Bancorp	NBN	ME	\$9.33	\$89	16.96	NA	NA	NM	0.84	0.87	3.86	16.09	77.96	4.78	0.78	NA	0.23	0.27	\$699,577
<b>6.88</b>	<b>2.33</b>		<b>Median - Maine</b>					<b>12.82</b>	<b>11.58</b>	<b>...</b>	<b>10.82</b>	<b>1.12</b>	<b>1.44</b>	<b>3.65</b>	<b>8.87</b>	<b>58.05</b>	<b>8.91</b>	<b>0.90</b>	<b>1.83</b>	<b>0.23</b>	<b>1.23</b>	<b>\$1,362,020</b>
7.63	7.51	\$5.62	1st Constitution Bancorp	FCCY	NJ	\$8.97	\$54	9.90	NA	9.41	8.51	0.81	0.88	nm	7.56	71.83	8.57	0.65	NA	0.28	1.35	\$812,565
48.99	(4.29)	\$9.06	Bancorp of New Jersey, Inc.	BKJ	NJ	\$13.40	\$70	15.76	NA	nm	NM	1.28	1.28	1.79	9.68	NA	8.29	0.82	NA	0.14	1.17	\$561,452
4.42	12.91	\$8.71	BCB Bancorp, Inc.	BCBP	NJ	\$10.67	\$90	NM	18.04	NM	NM	1.07	1.07	4.50	7.27	67.96	(1.38)	(0.11)	NA	0.35	1.41	\$1,158,190
21.07	6.30	\$9.96	Center Bancorp, Inc.	CNBC	NJ	\$12.31	\$201	11.19	12.09	10.89	10.17	1.31	1.47	2.44	8.58	49.51	11.72	1.16	1.24	(0.03)	1.16	\$1,609,795
10.09	19.57	\$5.25	Community Partners Bancorp	CPBC	NJ	\$6.68	\$54	12.15	12.42	NM	NM	0.66	0.86	1.20	8.74	64.67	5.31	0.68	4.81	0.01	1.42	\$735,643
9.24	(3.63)	\$8.31	Lakeland Bancorp, Inc.	LBAI	NJ	\$9.81	\$293	12.74	13.09	12.97	11.60	1.03	1.49	2.85	6.98	60.08	8.22	0.77	1.68	0.60	1.36	\$2,907,969
42.23	84.59	\$4.17	Parke Bancorp, Inc.	PKBK	NJ	\$8.34	\$50	7.58	8.48	7.72	7.38	nm	nm	nm	9.23	40.98	NA	1.08	NA	0.61	3.14	\$757,099
(3.18)	4.76	\$13.18	Peapack-Gladstone Financial Corporation	PGC	NJ	\$14.75	\$133	13.79	16.19	NM	NM	1.05	1.05	1.36	7.59	68.51	8.05	0.59	1.83	0.70	1.14	\$1,635,332
45.17	31.83	\$8.19	Somerset Hills Bancorp	SOMH	NJ	\$11.85	\$64	21.55	22.11	NM	NM	1.52	1.52	2.70	11.74	64.51	7.10	0.83	1.38	0.02	1.29	\$355,927
(7.40)	12.56	\$3.40	Stewardship Financial Corporation	SSFN	NJ	\$4.48	\$27	NM	NM	NM	NM	0.64	0.64	0.89	6.01	66.21	0.89	0.07	6.71	2.44	2.41	\$688,388
27.67	(8.76)	\$2.21	Sun Bancorp, Inc.	SNBC	NJ	\$3.23	\$279	NM	NM	57.71	33.83	1.05	1.25	nm	7.02	92.00	(7.09)	(0.63)	3.57	1.36	2.06	\$3,227,146
17.76	17.10	\$4.40	Sussex Bancorp	SBBX	NJ	\$6.30	\$22	20.32	NM	NM	NM	0.54	0.58	0.00	7.19	69.71	2.52	0.20	6.41	2.02	1.52	\$518,812
17.02	13.48	\$5.50	Unity Bancorp, Inc.	UNTY	NJ	\$7.08	\$53	19.14	21.65	NM	NM	0.92	0.95	0.00	6.83	69.58	5.98	0.56	4.99	0.91	2.40	\$827,182
(16.52)	(2.47)	\$8.65	Valley National Bancorp	VLY	NJ	\$9.07	\$1,807	12.60	12.39	14.83	15.57	1.20	1.69	7.17	6.84	60.57	9.31	0.89	2.87	0.26	1.11	\$16,028,703
<b>13.56</b>	<b>10.03</b>		<b>Median - New Jersey</b>					<b>12.74</b>	<b>13.09</b>	<b>11.93</b>	<b>10.89</b>	<b>1.05</b>	<b>1.07</b>	<b>1.79</b>	<b>7.41</b>	<b>66.21</b>	<b>7.10</b>	<b>0.67</b>	<b>3.22</b>	<b>0.47</b>	<b>1.39</b>	<b>\$819,874</b>

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May 9, 2013

52 Wk Perf (%)	YTD Perf (%)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Price / Earnings Core LTM (x)	FY 13 (x)	FY 14 (x)	Price/ BVPS (x)	Price/ Tang. BVPS (x)	Div. Yield (%)	Tangible Equity / Assets (%)	Efficiency Ratio (%)	LTM ROE (%)	LTM ROA (%)	NPAs/ Loans + OREO (%)	NCOs/ Avg. Loans (%)	Loan Loss Reserve/ Loans (%)	Assets (\$M)
9.40	(1.84)	\$22.79	Arrow Financial Corporation	AROW	NY	\$24.49	\$297	13.31	13.58	14.67	14.33	1.67	1.95	4.08	7.29	59.24	12.65	1.09	0.61	0.10	1.25	\$2,115,962
29.77	9.65	\$19.30	Bank of New York Mellon Corporation	BK	NY	\$28.18	\$32,707	21.68	18.06	12.49	11.10	0.94	2.72	2.13	3.60	73.88	4.57	0.51	NA	0.06	0.48	\$355,942,000
20.93	3.54	\$7.11	Berkshire Bancorp Inc.	BERK	NY	\$8.49	\$122	9.87	10.00	NM	NM	0.91	0.91	1.88	16.22	71.67	9.72	1.44	1.51	0.01	3.73	\$828,045
11.04	2.80	\$18.75	Bridge Bancorp, Inc.	BDGE	NY	\$20.91	\$188	14.03	16.27	14.17	12.35	NM	NM	4.40	7.57	60.39	11.55	0.86	NA	0.15	1.73	\$1,576,637
59.84	22.85	\$24.61	Citigroup Inc.	C	NY	\$48.60	\$147,884	17.93	13.06	10.20	8.91	0.78	0.92	0.08	8.70	67.55	4.55	0.45	6.50	2.05	3.67	\$1,881,734,000
35.61	11.31	\$23.51	Chemung Financial Corporation	CHMG	NY	\$33.27	\$155	15.69	14.73	14.78	14.03	1.17	1.46	3.13	8.47	73.00	7.42	0.78	1.88	0.03	1.17	\$1,279,972
8.93	5.85	\$25.38	Community Bank System, Inc.	CBU	NY	\$28.96	\$1,158	14.78	13.75	14.59	14.29	1.32	2.36	3.73	7.19	57.88	8.80	1.07	NA	0.21	1.11	\$7,221,073
32.39	1.14	\$17.50	Elmira Savings Bank	ESBK	NY	\$23.00	\$55	15.23	15.29	NM	NM	1.27	1.79	4.00	6.18	60.99	7.93	0.99	NA	0.06	0.99	\$510,915
17.69	13.23	\$15.00	Evans Bancorp, Inc.	EVBN	NY	\$17.55	\$74	9.70	9.45	10.42	9.21	0.96	1.08	2.74	8.36	70.58	10.21	0.95	2.52	0.22	1.73	\$823,714
22.10	6.01	\$15.71	Financial Institutions, Inc.	FISI	NY	\$19.75	\$272	12.42	11.46	10.98	10.19	1.15	1.46	3.65	6.74	58.27	9.29	0.89	0.73	0.39	1.50	\$2,827,658
17.86	21.94	\$7.08	First Niagara Financial Group, Inc.	FNFG	NY	\$9.67	\$3,423	23.59	NA	12.97	12.07	0.74	1.67	3.31	5.95	61.50	3.58	0.49	2.09	0.24	0.85	\$36,844,561
13.08	5.61	\$26.25	First of Long Island Corporation	FLIC	NY	\$29.91	\$271	12.95	12.83	12.40	11.99	1.32	1.32	3.34	9.62	51.80	10.33	1.01	0.50	0.09	1.59	\$2,140,671
(1.70)	9.12	\$13.23	Hudson Valley Holding Corp.	HVB	NY	\$16.99	\$338	22.65	22.01	23.92	21.66	1.15	1.26	1.41	9.56	71.25	5.08	0.52	NA	0.90	1.84	\$2,828,809
51.51	55.01	\$3.51	Intervest Bancshares Corporation	IBCA	NY	\$6.03	\$132	11.82	11.30	NM	NM	0.69	0.69	0.00	11.71	37.09	6.21	0.73	7.47	(0.00)	2.61	\$1,627,787
24.19	11.53	\$30.83	JPMorgan Chase & Co.	JPM	NY	\$49.04	\$185,851	8.77	9.02	8.68	8.30	0.94	1.26	3.10	6.29	63.89	11.60	1.00	3.66	1.16	2.85	\$2,389,349,000
25.71	4.67	\$76.92	M&T Bank Corporation	MTB	NY	\$103.07	\$13,296	12.85	11.83	12.60	11.80	1.39	2.25	2.72	7.48	54.74	11.04	1.36	NA	0.27	1.41	\$82,811,957
4.58	(0.49)	\$18.92	NBT Bancorp Inc.	NBTB	NY	\$20.17	\$882	14.10	11.84	13.13	12.92	1.10	NM	3.97	NA	63.51	8.28	0.80	NA	0.57	1.32	\$7,610,831
22.29	7.36	\$57.40	Signature Bank	SBNY	NY	\$76.59	\$3,620	18.82	19.03	17.49	16.08	2.11	2.11	nm	9.39	37.57	12.22	1.17	NA	0.22	1.04	\$18,266,644
28.74	28.21	\$8.30	Sterling Bancorp	STL	NY	\$11.68	\$362	17.43	18.02	16.15	14.73	1.56	1.74	3.08	7.58	70.21	9.00	0.78	NA	0.39	1.28	\$2,772,485
30.33	19.39	\$11.03	Suffolk Bancorp	SUBK	NY	\$15.64	\$181	NM	NM	NM	NM	1.09	1.10	0.00	10.34	82.76	(0.14)	(0.01)	3.03	3.66	2.16	\$1,593,926
17.89	4.44	\$35.82	Tompkins Financial Corporation	TMP	NY	\$41.40	\$598	16.36	12.51	12.25	12.12	1.34	1.78	3.67	6.89	63.21	8.53	0.79	1.86	0.42	0.82	\$4,987,280
4.13	7.55	\$9.65	VSB Bancorp, Inc.	VSBN	NY	\$10.69	\$19	16.97	16.97	NM	NM	0.69	0.69	2.25	10.02	77.30	4.04	0.42	NA	0.51	1.66	\$276,677
<b>21.52</b>	<b>7.45</b>		<b>Median - New York</b>					<b>14.78</b>	<b>13.32</b>	<b>12.97</b>	<b>12.12</b>	<b>1.15</b>	<b>1.46</b>	<b>3.10</b>	<b>7.58</b>	<b>63.36</b>	<b>8.66</b>	<b>0.83</b>	<b>1.98</b>	<b>0.23</b>	<b>1.45</b>	<b>\$2,800,072</b>

Mercer Capital's Northeast Public Bank Peer Report

May 9, 2013

52 Wk Perf (%)	YTD Perf (%)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Price / Core LTM (x)	Earnings FY 13 (x)	FY 14 (x)	Price/ BVPS (x)	Price/ Tang. BVPS (x)	Div. Yield (%)	Tangible Equity / Assets (%)	Efficiency Ratio (%)	LTM ROE (%)	LTM ROA (%)	NPAs/ Loans + OREO (%)	NCOs/ Avg. Loans (%)	Loan Loss Reserve/ Loans (%)	Assets (\$M)
17.34	2.16	\$14.06	ACNB Corporation	ACNB	PA	\$16.53	\$99	10.88	NA	NM	NM	NM	NM	4.60	9.09	NA	8.99	0.87	NA	NA	NA	\$1,040,000
(2.96)	(1.99)	\$2.57	AmeriServ Financial, Inc.	ASRV	PA	\$2.95	\$57	14.75	14.95	NM	NM	0.63	0.73	1.36	7.88	87.16	4.06	0.46	NA	0.34	1.53	\$999,718
13.11	0.72	\$19.69	Bryn Mawr Bank Corporation	BMTC	PA	\$22.43	\$303	13.93	12.52	13.91	12.14	1.44	1.94	3.03	7.89	64.34	10.78	1.13	1.48	0.18	1.03	\$2,030,163
17.17	3.23	\$16.80	Citizens & Northern Corporation	CZNC	PA	\$19.51	\$241	11.02	11.25	12.04	12.34	1.31	1.41	5.13	13.93	50.28	12.19	1.69	1.67	0.13	1.07	\$1,240,321
10.31	1.10	\$14.24	CNB Financial Corporation	CCNE	PA	\$16.56	\$207	12.09	12.51	12.26	11.30	1.42	NM	3.99	NA	54.51	11.88	0.98	2.74	0.58	1.49	\$1,809,847
35.64	13.16	\$11.91	Codorus Valley Bancorp, Inc.	CVLY	PA	\$17.03	\$76	8.11	NA	NM	NM	0.98	0.98	2.58	7.35	60.44	9.75	0.93	NA	0.16	1.24	\$1,063,383
25.43	9.68	\$13.00	DNB Financial Corporation	DNBF	PA	\$17.00	\$46	9.24	9.78	NM	NM	1.04	NM	1.65	NA	66.39	9.56	0.84	NA	0.06	1.77	\$641,777
30.54	15.06	\$18.10	Emclairie Financial Corp.	EMCF	PA	\$23.99	\$42	14.11	16.21	NM	NM	1.01	1.14	3.33	7.27	67.78	6.68	0.67	NA	0.10	1.59	\$513,983
11.66	10.73	\$9.89	F.N.B. Corporation	FNB	PA	\$11.76	\$1,705	14.00	13.24	14.25	13.19	1.17	NM	4.08	NA	57.95	8.44	0.99	NA	0.33	1.31	\$11,997,990
15.20	4.84	\$5.66	First Commonwealth Financial Corporation	FCF	PA	\$7.15	\$700	17.44	16.72	15.56	14.10	0.95	1.21	3.36	9.87	65.45	5.42	0.69	2.22	0.47	1.48	\$6,099,039
13.94	18.63	\$8.75	Fulton Financial Corporation	FULT	PA	\$11.40	\$2,226	14.07	14.35	14.45	13.42	1.08	1.46	2.81	9.46	58.87	7.79	0.99	NA	0.97	1.77	\$16,682,737
57.11	36.31	\$10.56	Metro Bancorp, Inc.	METR	PA	\$18.02	\$255	21.71	NA	17.97	17.34	1.08	1.08	nm	9.01	73.35	5.12	0.47	3.66	0.41	1.74	\$2,614,559
6.53	(7.86)	\$8.97	Mid Penn Bancorp, Inc.	MPB	PA	\$10.31	\$36	8.89	NA	NM	NM	NM	NM	1.94	NA	72.31	NA	NA	NA	NA	NA	\$726,430
11.62	4.29	\$8.18	National Penn Bancshares, Inc.	NPBC	PA	\$9.72	\$1,415	26.27	14.37	15.43	13.43	1.24	1.63	4.12	10.79	55.74	4.73	0.67	1.12	0.42	2.04	\$8,323,777
17.60	5.04	\$26.75	Norwood Financial Corp.	NWFL	PA	\$31.25	\$103	12.11	13.12	NM	NM	1.11	1.25	3.97	12.32	51.87	9.28	1.25	NA	0.58	1.20	\$680,753
100.64	62.55	\$7.50	Orstown Financial Services, Inc.	ORRF	PA	\$15.67	\$127	NM	NM	22.36	6.65	1.43	1.44	0.00	7.36	77.09	(28.71)	(2.22)	2.81	4.44	3.21	\$1,197,038
12.37	8.34	\$36.91	Penns Woods Bancorp, Inc.	PWOD	PA	\$40.53	\$156	11.23	11.98	NM	NM	1.66	1.71	4.64	10.70	51.48	14.93	1.65	NA	0.27	1.72	\$852,997
9.15	17.85	\$53.36	PNC Financial Services Group, Inc.	PNC	PA	\$68.72	\$36,353	12.23	NA	10.33	10.00	1.01	NM	2.56	NA	65.84	7.78	1.06	NA	0.76	2.02	\$300,812,000
44.61	42.51	\$1.77	Republic First Bancorp, Inc.	FRBK	PA	\$2.95	\$77	22.69	NA	23.76	19.80	1.09	1.09	nm	7.61	84.20	4.81	0.34	NA	0.57	1.49	\$926,084
(10.56)	20.01	\$0.95	Royal Bancshares of Pennsylvania, Inc.	RBPA	PA	\$1.44	\$18	NM	NA	NM	NM	0.74	0.74	0.00	3.39	130.97	(21.71)	(1.85)	NA	NA	NA	\$751,378
8.61	4.87	\$15.68	S&T Bancorp, Inc.	STBA	PA	\$18.95	\$563	12.98	13.10	12.54	12.74	1.03	1.55	3.17	8.46	62.12	8.17	0.98	2.61	0.54	1.36	\$4,479,863
19.51	11.55	\$8.87	Susquehanna Bancshares, Inc.	SUSQ	PA	\$11.69	\$2,184	13.59	12.39	12.58	12.00	0.83	1.65	2.74	7.96	58.67	6.21	0.89	1.52	0.59	1.36	\$17,967,174
15.82	3.98	\$15.17	Univest Corporation of Pennsylvania	UVSP	PA	\$17.78	\$297	14.34	14.49	13.28	12.71	1.05	NM	4.50	NA	64.74	7.43	0.95	3.07	0.91	1.69	\$2,263,036
<b>14.57</b>	<b>9.01</b>		<b>Median - Pennsylvania</b>					<b>13.76</b>	<b>13.12</b>	<b>14.08</b>	<b>12.73</b>	<b>1.08</b>	<b>1.33</b>	<b>3.10</b>	<b>8.21</b>	<b>64.54</b>	<b>7.78</b>	<b>0.93</b>	<b>2.41</b>	<b>0.44</b>	<b>1.51</b>	<b>\$1,525,084</b>
22.08	6.39	\$22.53	Washington Trust Bancorp, Inc.	WASH	RI	\$27.99	\$460	13.52	13.21	12.75	12.27	1.53	1.94	4.50	7.94	64.68	11.48	1.12	1.98	0.06	1.32	\$3,051,848
<b>22.08</b>	<b>6.39</b>		<b>Median - Rhode Island</b>					<b>13.52</b>	<b>13.21</b>	<b>12.75</b>	<b>12.27</b>	<b>1.53</b>	<b>1.94</b>	<b>4.50</b>	<b>7.94</b>	<b>64.68</b>	<b>11.48</b>	<b>1.12</b>	<b>1.98</b>	<b>0.06</b>	<b>1.32</b>	<b>3,051,848</b>
16.75	9.23	\$25.52	Merchants Bancshares, Inc.	MBVT	VT	\$29.24	\$175	12.08	12.92	12.37	11.69	1.47	1.47	3.83	7.04	66.17	13.16	0.91	0.31	(0.00)	1.07	\$1,692,596
18.08	9.63	\$18.76	Union Bankshares, Inc.	UNB	VT	\$21.42	\$96	12.98	NA	nm	nm	2.09	2.27	4.67	NA	NA	17.22	NA	NA	NA	NA	NA
<b>17.41</b>	<b>9.43</b>		<b>Median - Vermont</b>					<b>12.53</b>	<b>12.92</b>	<b>12.37</b>	<b>11.69</b>	<b>1.78</b>	<b>1.87</b>	<b>4.25</b>	<b>7.04</b>	<b>66.17</b>	<b>15.19</b>	<b>0.91</b>	<b>0.31</b>	<b>(0.00)</b>	<b>1.07</b>	<b>\$1,692,596</b>
<b>18.38</b>	<b>11.22</b>		<b>Average</b>					<b>14.45</b>	<b>13.87</b>	<b>14.83</b>	<b>13.01</b>	<b>1.13</b>	<b>1.38</b>	<b>2.77</b>	<b>8.36</b>	<b>65.92</b>	<b>6.78</b>	<b>0.71</b>	<b>2.78</b>	<b>0.54</b>	<b>1.56</b>	<b>\$78,180,162</b>
<b>17.02</b>	<b>7.36</b>		<b>Median</b>					<b>13.86</b>	<b>13.11</b>	<b>13.28</b>	<b>12.27</b>	<b>1.09</b>	<b>1.32</b>	<b>2.85</b>	<b>7.89</b>	<b>64.67</b>	<b>8.22</b>	<b>0.82</b>	<b>2.08</b>	<b>0.28</b>	<b>1.44</b>	<b>\$1,751,916</b>



# Mercer Capital

Financial Institutions Services

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