

# Bank Watch

## Northeast

## Old National: Repositioning via M&A While Many Others Sit Still

by Jeff K. Davis, CFA

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Sy Jacobs of Jacobs Asset Management was featured in this week's Barron's ("Bullish on Community Banks"). He was quoted as having a "slightly bullish bias" on small cap banks, primarily because credit trends are positive and pending M&A. Jacobs also noted the sector's revenue conundrum due to intensifying pressure on loan yields at a time when the country is over-banked and over-branched. Among his picks was Old National Bancorp, of which his fund held 2.0 million shares (2.0%) as of year-end 2012 per the 13F. Jacobs cited Old National as an active, accretive acquirer as the crux of his investment thesis.

I agree with Jacobs on the strategic positioning of Old National. CEO Robert Jones has moved on opportunities while many have sat on their hands; however, the shares, like most, are not a layup given the need to continue to execute on future deals, a liquid balance sheet at a time when loan demand is not robust, and a valuation that is middle of the road rather than inexpensive at 1.6x tangible book value and 13x full-year 2013 consensus EPS. Old National, like other acquirers, has one other hurdle that may limit its shares in the near-term: Street expectations. Old National has a wide gap between its GAAP net interest margin and NIM ex-accretion. I do not think the Street focuses on the issue until the narrowing of the differential is material to earnings. Old National's NIM in the first quarter was 4.04% compared to 4.20% a year earlier; ex-accretion for three deals it was 3.31% versus 3.52%. To Old National's credit and stated goal to be as transparent as possible, this is plainly laid-out for investors.

The same issue could be ascribed to many acquisitive banks. Both PNC Financial Services Group Inc. and Wells Fargo & Co. had to navigate this issue as accretion burned off from their respective late 2008 acquisitions of National City Corp. and Wachovia Corp. The same is true of BB&T Corp. as it relates to accretion from the 2009 acquisition of Colonial Bank. In the case of Wells Fargo, massive earnings generated from its market-leading mortgage banking unit eclipsed the issue — at

least through 2012. Most, including PNC, do not have such a lever. Hancock Holding Co. is a case in point. The Street recently decided that its estimates for the second half and 2014 were not achievable as purchase accounting accretion from the Whitney deal fades and NIM support from rising short rates is pushed further into the future. A year ago, the mean 2013 estimate for Hancock was \$2.75 per share; today it is \$2.25 per share. As shown in the accompanying table, Hancock has been a notable underperformer even though it has a better-than-average franchise in better-than-average markets, in my view.

I point this out because if there is a shortfall relative to expectations in 2014, I expect it to be the Street's fault rather than Old National's. Maybe that will not come to pass because Old National will add about \$750 million of earning assets, almost all of which will be bonds, later this year via its announced acquisition of 24 southeast Michigan and Indiana branches from Bank of America Corp. Another deal could occur, too.

Jones has a lot of credibility with institutional investors because he is a straight talker, doing what he said he would do. Old National's credit performance going into and coming out of the financial crisis was vastly superior to peers. During 2012, net charge-offs of 0.17% equated to the 20th percentile of Old National's regulatory peer group as reported in its Bank Holding Company Performance Report. Nevertheless, the shares have lagged the SNL U.S. Bank Index of banks with \$5 billion to \$10 billion of assets the past three and five years through May 8 via producing respective total returns of 12% versus 28% and negative 10% versus 2%. I believe the shortfall reflects Old National not falling as much as many banks did during the crisis, leaving less room for recovery. Also, Old National's footprint has not yet produced as much loan growth as other areas of the country as investors shift their focus to revenue growth.

In the asset management business, timing is everything. Being right on a stock but getting the timing wrong is tantamount to just being wrong. In a sense, Jones has had challenging timing in that he arrived at Old National in late 2004 rather than late 2008. Prior management tried to force Old National to grow at a rate which it could not do so given its footprint. In 2004, Old National reported earnings of 90 cents per share and year-end tangible book value of \$10.16 per share. The shares traded within an approximate band of \$20-25 per share, which equated to 2.6-3.3x TBVPS and 22-28x EPS. Where is the upside in those multiples? There was only downside. Jones' initial years of retooling Old National to reduce its credit risk profile, instill more management discipline and deliver higher-quality earnings was overlaid on a period in which

Old National's and the industry's valuations reset at a lower level. Thus, the shares seemingly have lagged when in a sense they have not; the starting point was too high.

## Where From Here?

Post-crisis, Old National has been a consolidator with limited competition in and around its core Indiana footprint. The pinnacle of this positioning was the July 2011 acquisition of Integra Bank NA via a failed-bank transaction. Integra was a crosstown rival that provided about \$1.3 billion of core deposits and \$1.9 billion of assets, of which \$1.2 billion were loss-protected. Cost saves were dramatic with all but a couple of Integra's 52 offices having been consolidated or sold. (Old National has closed or sold 122 of 151 offices acquired since 2004.)

Two other deals were accretive to franchise value, but not as substantive as Integra. The acquisition of Monroe Bancorp earlier in January 2011 moved Old National to the No. 1 market share position in Bloomington, which is where Indiana University is located. The September 2012 acquisition of Indiana Community Bancorp in Columbus added density in a part of the state where Old National had a thin presence following an election (I think) not to bid on the failed Irwin Union Bank and Trust Co. in September 2009.

Old National may get a shot at another transaction that may prove to be accretive to earnings and the franchise. Louisville, Ky.-based Porter Bancorp Inc. is struggling having posted \$140 million of net losses in 2011 and 2012. Although the tangible equity ratio was 4.0% at March 31, the vast majority of equity consisted of TARP. The balance of the parent company's capital includes \$25 million of trust preferred. Dividends on both have been deferred since December 2011. The subsidiary bank's leverage ratio of 6.0% was above the FDICIA 2.0% live/die threshold, but below 9.0% as mandated by a consent order with regulators. Further, NPAs represented 25.3% of loans and ORE and the Texas ratio was 200% at March 31.

It is unclear to me if Porter will (a) be recapitalized (again); (b) remain in a holding pattern until late 2016 when the fifth anniversary of the trust preferred deferral passes; (c) sell Porter Bank in a 363 transaction as part of a bankruptcy; or (d) lose Porter Bank to the FDIC. If the latter two occur, Old National presumably will be interested. Porter offers seven offices and about \$700 million of deposits in the Louisville MSA compared to just five offices with \$172 million of deposits for Old National. Porter's western Kentucky offices would fit well with Old National's

## 2013 Estimate and Price Change for Old National Bancorp and Other Selected Acquirers

Company (ticker)	Price (\$)	3-month price change (%)	1-year price change (%)	Current 2013 EPS estimate (\$)	Year ago 2013 EPS estimate (\$)	1-year change in EPS estimate (%) <sup>1</sup>	Price/EPS estimate (x) <sup>2</sup>	Price/TBVPS (%) <sup>3</sup>	Dividend Yield (%)
Ameris Bancorp (ABCB)	15.59	14.63	27.47	0.94	1.16	-19.40	16.7	147.51	0.00
Bank of the Ozarks (OZRK)	41.76	11.09	36.20	2.39	2.13	12.15	17.7	288.23	1.63
First Financial Bancorp (FFBC)	15.60	0.26	-6.98	1.04	1.26	-17.22	14.9	n/a	6.15
FirstMerit Corp. (FMER)	17.66	16.53	3.98	1.26	1.35	-6.38	14.0	162.99	3.63
Hancock Holding Co. (HBHC)	28.57	-7.15	-10.07	2.25	2.75	-18.28	12.6	142.25	3.36
Home BancShares Inc. (HOMB)	41.25	18.16	43.58	2.54	2.26	12.26	16.1	268.79	1.45
IBERIABANK Corp. (IBKC)	46.41	-10.18	-8.08	2.88	3.20	-10.09	16.1	n/a	2.93
<b>Old National Bancorp (ONB)</b>	<b>12.83</b>	<b>-6.49</b>	<b>1.99</b>	<b>0.99</b>	<b>1.08</b>	<b>-8.33</b>	<b>13.0</b>	<b>155.91</b>	<b>3.12</b>
Simmons First Natl. Corp (SFNC)	24.76	-2.79	-0.28	1.64	1.74	-5.75	15.0	119.45	3.39
State Bank Financial Corp. (STBZ)	15.31	-4.43	-8.32	0.49	1.22	-59.48	31.3	118.11	0.78
Wintrust Financial Corp. (WTFC)	36.63	-1.66	1.81	2.49	2.47	0.91	14.8	105.42	0.49
<b>Median</b>		<b>-1.66</b>	<b>1.81</b>			<b>-8.33</b>	<b>15.0</b>	<b>147.51</b>	<b>2.93</b>
<b>Average</b>		<b>2.54</b>	<b>7.39</b>			<b>-10.87</b>	<b>16.5</b>	<b>167.96</b>	<b>2.45</b>
<b>SNL U.S. Bank \$5B-\$10B<sup>4</sup></b>	<b>661.92</b>	<b>1.00</b>	<b>14.81</b>						
<b>S&amp;P 500</b>	<b>1,632.69</b>	<b>7.56</b>	<b>19.72</b>						

Data is as of May 8, 2013 // Source: SNL Financial

<sup>1</sup> FactSet Mean EPS estimate is used.

<sup>2</sup> FactSet EPS estimate of current year is used to calculate the price-to-earnings ratio.

<sup>3</sup> TBVPS = tangible book value per share

<sup>4</sup> Includes all major exchange-traded banks in SNL's coverage universe with \$5 billion to \$10 billion in assets of most recent financial data

franchise, too. Strategically, such a deal would push Old National into more metro markets that offer better lending and growth opportunities than its rural legacy markets. Even if Old National does not obtain Porter Bank, I think there are a lot of would be sellers knocking on Old National's door.

The cliff note for the accompanying chart says that even for well-managed and positioned banks, M&A is not a panacea for positive shareholder returns, at least in the short-run. Buying cheap, executing and avoiding credit issues drive returns over time, even if Street estimates imply the opposite has occurred over the short-run.



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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.

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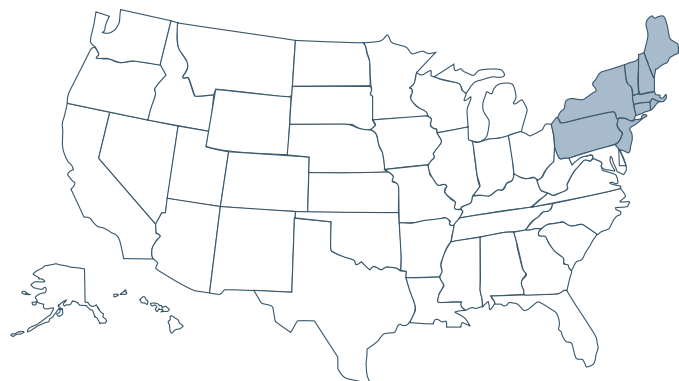
## Complimentary Whitepaper



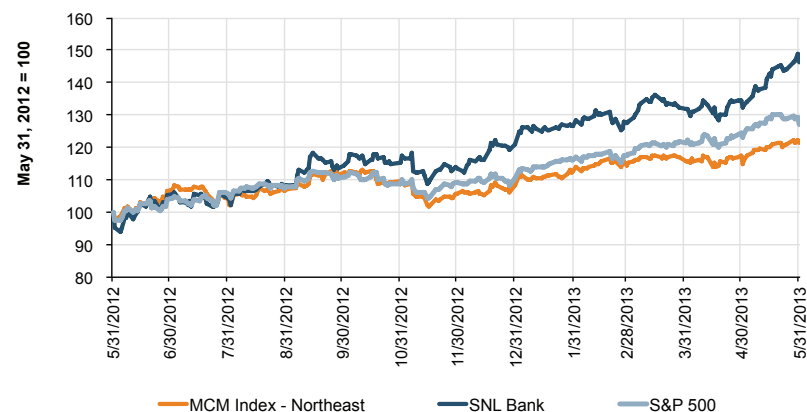
### Community Bank Mergers: Creating the Potential for Shared Upside

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



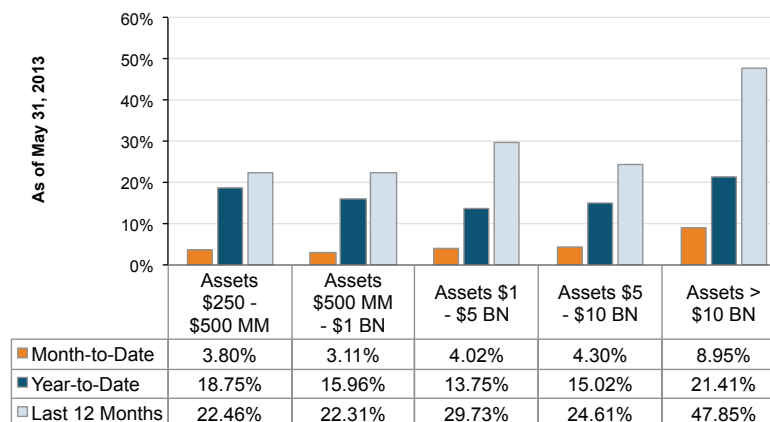
Median Valuation Multiples

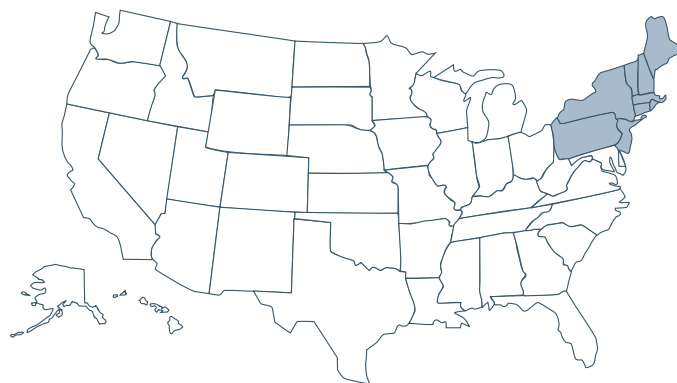
as of May 31, 2013

	Northeast Community Bank Index	National Community Bank Index
Price / LTM EPS	13.10	12.79
Price / 2013 (E) EPS	13.42	13.37
Price / 2014 (E) EPS	12.30	12.86
Price / Book Value	110.53%	104.75%
Price / Tangible Book Value	115.88%	112.25%
Dividend Yield	3.10%	2.55%

Return Stratification of U.S. Banks

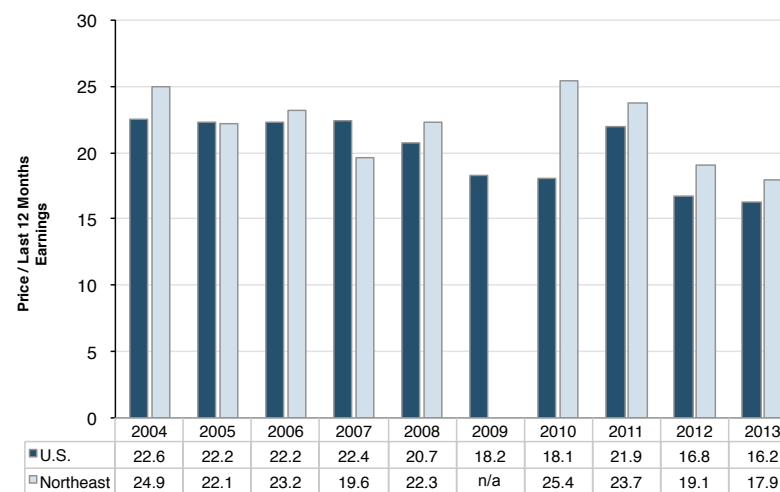
by Asset Size





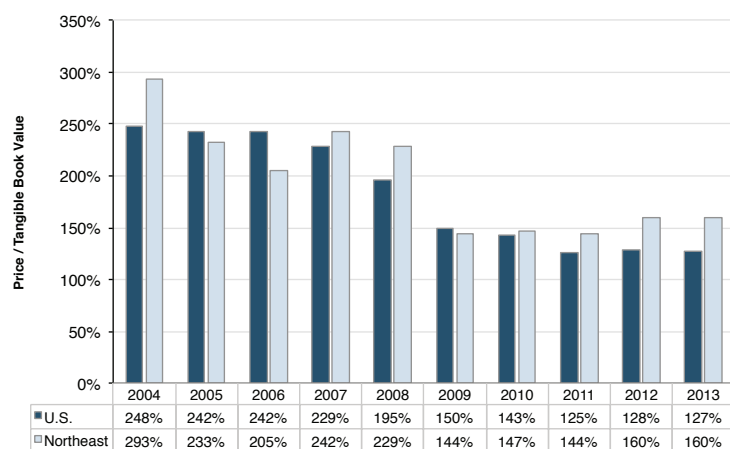
### Median Price/Earnings Multiples

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



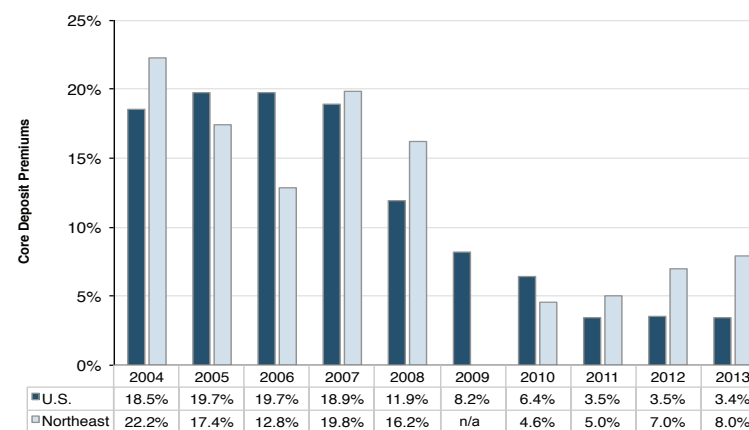
### Median Price/Tangible Book Value Multiples

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

June 6, 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)	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)
(18.24)	11.20	\$1.03	Patriot National Bancorp, Inc.	PNBK	CT	\$1.39	\$53	NM	NM	NM	NM	1.12	1.12	0.00	7.83	126.22	(6.02)	(0.49)	8.14	0.25	1.22	\$608,843
2.27	11.15	\$22.98	Salisbury Bancorp, Inc.	SAL	CT	\$25.94	\$44	12.24	10.14	NM	NM	0.79	0.97	4.32	7.78	69.34	5.34	0.62	3.89	0.20	1.14	\$597,343
188.46	89.39	\$0.92	Southern Connecticut Bancorp, Inc.	SSE	CT	\$3.75	\$11	NM	NM	NM	NM	0.92	0.92	nm	9.41	95.50	(1.72)	(0.16)	11.03	0.58	2.23	\$121,768
24.00	14.74	\$19.43	Webster Financial Corporation	WBS	CT	\$23.58	\$2,128	12.54	12.31	12.65	12.46	1.07	1.47	2.54	7.35	62.33	8.82	0.90	4.07	0.57	1.39	\$20,110,538
<b>13.13</b>	<b>12.97</b>		<b>Median - Connecticut</b>					<b>12.39</b>	<b>11.22</b>	<b>12.65</b>	<b>12.46</b>	<b>0.99</b>	<b>1.05</b>	<b>2.54</b>	<b>7.80</b>	<b>82.42</b>	<b>1.81</b>	<b>0.23</b>	<b>6.11</b>	<b>0.41</b>	<b>1.30</b>	<b>\$603,093</b>
26.01	11.21	\$7.99	Boston Private Financial Holdings, Inc.	BPFH	MA	\$10.02	\$799	15.18	NA	13.66	12.31	1.42	nm	2.00	NA	72.59	10.19	0.95	2.07	0.17	1.62	\$6,196,421
3.18	-	\$7.54	Brookline Bancorp, Inc.	BRKL	MA	\$8.50	\$598	14.91	14.33	15.76	14.37	0.97	1.31	4.00	9.20	57.95	6.69	0.82	0.99	0.16	1.02	\$5,110,378
24.89	5.68	\$27.16	Century Bancorp, Inc.	CNBKA	MA	\$34.82	\$124	9.81	10.71	NM	NM	1.07	1.09	1.38	5.64	63.90	11.18	0.65	NA	0.14	1.74	\$3,162,135
5.48	(0.12)	\$14.84	Enterprise Bancorp, Inc.	EBTC	MA	\$16.50	\$162	12.69	13.14	NM	NM	1.13	1.18	2.79	8.12	69.63	9.26	0.78	2.48	0.06	1.78	\$1,693,985
28.26	13.16	\$26.05	Independent Bank Corp.	INDB	MA	\$32.76	\$750	16.97	14.56	13.86	13.36	1.39	1.99	2.69	6.76	63.84	8.41	0.81	1.95	0.34	1.15	\$5,721,120
62.71	39.40	\$38.95	State Street Corporation	STT	MA	\$65.53	\$29,886	15.17	14.60	14.52	12.64	1.46	2.48	1.59	5.73	68.99	10.26	1.06	1.79	(0.02)	0.16	\$218,189,000
<b>25.45</b>	<b>8.44</b>		<b>Median - Massachusetts</b>					<b>15.04</b>	<b>14.33</b>	<b>14.19</b>	<b>13.00</b>	<b>1.26</b>	<b>1.31</b>	<b>2.34</b>	<b>6.76</b>	<b>66.45</b>	<b>9.72</b>	<b>0.81</b>	<b>1.95</b>	<b>0.15</b>	<b>1.38</b>	<b>\$5,415,749</b>
2.13	6.92	\$31.78	Bar Harbor Bankshares	BHB	ME	\$35.98	\$141	11.28	11.40	NM	10.80	1.10	1.15	3.45	9.40	55.20	9.82	0.98	1.41	0.23	0.99	\$1,307,252
14.95	11.07	\$30.80	Camden National Corporation	CAC	ME	\$37.73	\$288	12.83	12.73	NA	NM	1.22	1.58	2.86	7.19	60.84	9.76	0.91	1.83	0.20	1.48	\$2,590,817
13.82	(2.55)	\$14.32	First Bancorp, Inc.	FNLC	ME	\$16.05	\$171	13.26	14.19	NM	NM	1.11	1.39	4.86	8.87	50.91	8.05	0.89	6.33	0.85	1.47	\$1,416,787
15.09	3.97	\$8.04	Northeast Bancorp	NBN	ME	\$9.51	\$91	17.29	16.38	NA	NM	0.86	0.89	3.79	16.09	77.96	4.78	0.78	2.58	0.23	0.27	\$699,577
<b>14.38</b>	<b>5.45</b>		<b>Median - Maine</b>					<b>13.05</b>	<b>13.46</b>	<b>...</b>	<b>10.80</b>	<b>1.11</b>	<b>1.27</b>	<b>3.62</b>	<b>9.14</b>	<b>58.02</b>	<b>8.91</b>	<b>0.90</b>	<b>2.21</b>	<b>0.23</b>	<b>1.23</b>	<b>\$1,362,020</b>
9.15	10.27	\$5.62	1st Constitution Bancorp	FCCY	NJ	\$9.20	\$55	10.16	NA	9.69	8.77	0.83	0.90	nm	7.56	70.60	8.57	0.65	2.62	0.29	1.35	\$812,565
63.15	5.71	\$9.16	Bancorp of New Jersey, Inc.	BKJ	NJ	\$14.80	\$78	17.41	18.20	nm	NM	1.44	1.44	1.62	9.68	55.25	8.29	0.82	2.37	0.14	1.17	\$561,451
7.60	8.41	\$8.71	BCB Bancorp, Inc.	BCBP	NJ	\$10.25	\$86	NM	17.32	NM	NM	1.03	1.03	4.69	7.27	67.96	(1.38)	(0.11)	NA	0.34	1.41	\$1,158,190
25.54	11.40	\$10.13	Center Bancorp, Inc.	CNBC	NJ	\$12.90	\$211	11.73	12.67	11.35	10.61	1.37	1.54	2.33	8.58	49.51	11.72	1.16	1.24	(0.03)	1.16	\$1,609,795
13.36	18.07	\$5.25	Community Partners Bancorp	CPBC	NJ	\$6.60	\$53	12.00	12.26	NM	NM	0.65	0.85	1.21	8.74	64.92	5.30	0.68	4.81	0.01	1.42	\$735,618
11.67	(2.46)	\$8.31	Lakeland Bancorp, Inc.	LBAI	NJ	\$9.93	\$354	12.90	13.25	13.31	11.47	1.04	1.51	2.82	6.98	60.08	8.22	0.77	1.68	0.60	1.36	\$2,907,969
64.25	73.50	\$4.17	Parke Bancorp, Inc.	PKBK	NJ	\$7.84	\$47	7.13	7.97	7.13	6.81	0.67	0.67	nm	9.19	38.87	10.18	1.08	16.89	0.61	3.14	\$757,099
5.67	12.93	\$13.18	Peapack-Gladstone Financial Corporation	PGC	NJ	\$15.90	\$143	14.86	18.20	NM	NM	1.15	1.15	1.26	7.59	68.99	8.05	0.59	1.83	0.70	1.14	\$1,635,332
1.29	25.63	\$3.40	Stewardship Financial Corporation	SSFN	NJ	\$5.00	\$30	NM	NM	NM	NM	0.71	0.71	0.80	6.01	68.23	0.98	0.08	6.42	2.56	2.59	\$693,926
41.23	(9.04)	\$2.29	Sun Bancorp, Inc.	SNBC	NJ	\$3.22	\$278	NM	NM	57.00	33.41	1.05	1.24	nm	7.02	92.00	(7.09)	(0.63)	3.57	1.36	2.06	\$3,227,146
28.60	19.52	\$4.40	Sussex Bancorp	SBBX	NJ	\$6.43	\$22	20.74	NM	NM	NM	0.55	0.59	0.00	7.19	69.71	2.52	0.20	6.41	2.02	1.52	\$518,812
17.28	13.16	\$5.50	Unity Bancorp, Inc.	UNTY	NJ	\$7.06	\$53	19.08	21.59	NM	NM	0.92	0.95	0.57	6.83	69.58	5.98	0.56	4.99	0.91	2.40	\$827,182
(10.59)	(1.51)	\$8.65	Valley National Bancorp	VLY	NJ	\$9.16	\$1,825	12.72	12.52	14.75	15.49	1.21	1.71	7.10	6.84	60.57	9.31	0.89	2.87	0.26	1.11	\$16,028,703
<b>13.36</b>	<b>11.40</b>		<b>Median - New Jersey</b>					<b>12.81</b>	<b>13.25</b>	<b>12.33</b>	<b>11.04</b>	<b>1.03</b>	<b>1.03</b>	<b>1.44</b>	<b>7.27</b>	<b>67.96</b>	<b>8.05</b>	<b>0.65</b>	<b>3.22</b>	<b>0.60</b>	<b>1.41</b>	<b>\$827,182</b>

Mercer Capital's Northeast Public Bank Peer Report

June 6, 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)
8.39	-	\$22.86	Arrow Financial Corporation	AROW	NY	\$24.95	\$302	13.56	13.84	14.81	14.46	1.70	1.98	4.01	7.29	59.24	12.65	1.09	0.61	0.10	1.25	\$2,115,962
48.77	14.82	\$20.01	Bank of New York Mellon Corporation	BK	NY	\$29.51	\$33,926	22.70	18.91	13.09	11.59	0.99	2.85	2.03	3.60	73.88	4.57	0.51	0.67	0.06	0.48	\$355,942,000
(3.00)	(2.20)	\$7.60	Berkshire Bancorp Inc.	BERK	NY	\$8.02	\$116	10.28	10.31	NM	NM	0.84	0.84	2.00	17.17	73.36	8.56	1.32	1.52	0.01	3.60	\$799,687
15.21	8.46	\$18.75	Bridge Bancorp, Inc.	BDGE	NY	\$22.06	\$198	14.81	17.17	14.23	12.82	1.63	1.66	4.17	7.57	60.39	11.55	0.86	1.12	0.15	1.73	\$1,576,637
87.49	28.49	\$24.91	Citigroup Inc.	C	NY	\$50.83	\$154,670	18.76	13.66	10.66	9.35	0.81	0.96	0.08	8.70	67.55	4.55	0.45	6.37	2.05	3.60	\$1,881,734,000
38.75	11.88	\$23.51	Chemung Financial Corporation	CHMG	NY	\$33.44	\$154	15.77	14.81	15.13	14.36	1.16	1.45	3.11	8.47	73.00	7.42	0.78	1.88	0.03	1.17	\$1,279,972
16.64	7.31	\$25.50	Community Bank System, Inc.	CBU	NY	\$29.36	\$1,175	14.98	13.94	14.54	14.30	1.34	2.39	3.68	7.19	57.88	8.80	1.07	0.98	0.21	1.11	\$7,221,073
25.54	(2.02)	\$17.50	Elmira Savings Bank	ESBK	NY	\$22.28	\$54	14.75	14.81	NM	NM	1.23	1.73	4.13	6.18	61.03	7.93	0.99	1.01	0.06	0.99	\$510,915
14.30	13.55	\$15.00	Evans Bancorp, Inc.	EVBN	NY	\$17.60	\$74	9.72	9.47	10.50	9.28	0.96	1.08	2.73	8.36	70.58	10.21	0.95	2.52	0.22	1.73	\$823,714
22.30	5.05	\$15.77	Financial Institutions, Inc.	FISI	NY	\$19.57	\$270	12.31	11.35	10.81	10.03	1.14	1.44	3.68	6.74	58.27	9.29	0.89	0.73	0.39	1.50	\$2,827,658
25.15	21.06	\$7.08	First Niagara Financial Group, Inc.	FNFG	NY	\$9.60	\$3,398	23.41	NA	12.91	12.01	0.74	1.66	3.33	5.95	61.50	3.58	0.49	2.07	0.24	0.85	\$36,844,561
24.16	14.27	\$26.25	First of Long Island Corporation	FLIC	NY	\$32.36	\$294	14.01	13.88	13.24	12.80	1.42	1.43	3.09	9.62	51.80	10.33	1.01	0.50	0.09	1.59	\$2,140,671
6.36	15.16	\$13.23	Hudson Valley Holding Corp.	HVB	NY	\$17.93	\$356	23.91	23.23	24.95	22.58	1.22	1.33	1.34	9.56	71.29	5.08	0.52	4.01	0.90	1.84	\$2,828,809
71.85	63.24	\$3.51	Intervest Bancshares Corporation	IBCA	NY	\$6.35	\$139	12.45	11.90	NM	NM	0.73	0.73	0.00	11.71	37.09	6.21	0.73	7.47	(0.00)	2.61	\$1,627,787
66.49	21.68	\$32.51	JPMorgan Chase & Co.	JPM	NY	\$53.50	\$202,753	9.57	9.84	9.42	9.05	1.03	1.38	2.84	6.29	63.89	11.60	1.00	3.66	1.16	2.85	\$2,389,349,000
34.75	4.28	\$77.68	M&T Bank Corporation	MTB	NY	\$102.68	\$13,247	12.80	11.78	12.52	11.71	1.39	2.24	2.73	7.48	54.74	11.04	1.36	2.33	0.27	1.41	\$82,811,957
5.39	(0.25)	\$18.92	NBT Bancorp Inc.	NBTB	NY	\$20.22	\$886	14.14	11.87	12.92	12.70	1.10	NM	3.96	NA	63.51	8.28	0.80	NA	0.57	1.32	\$7,610,831
30.30	7.53	\$57.40	Signature Bank	SBNY	NY	\$76.71	\$3,625	18.85	19.06	17.50	16.05	2.11	2.11	nm	9.39	37.57	12.22	1.17	0.87	0.22	1.04	\$18,266,644
36.08	32.93	\$8.30	Sterling Bancorp	STL	NY	\$12.11	\$375	18.07	18.68	16.51	15.05	1.62	1.80	2.97	7.58	70.21	9.00	0.78	0.70	0.39	1.28	\$2,772,485
31.97	20.38	\$11.21	Suffolk Bancorp	SUBK	NY	\$15.77	\$182	NM	NM	NM	NM	1.10	1.11	0.00	10.34	82.76	(0.14)	(0.01)	3.03	3.66	2.16	\$1,593,926
18.38	5.83	\$35.92	Tompkins Financial Corporation	TMP	NY	\$41.95	\$606	16.58	12.69	12.23	12.11	1.36	1.80	3.62	6.89	63.21	8.53	0.79	1.86	0.42	0.82	\$4,987,280
2.86	7.85	\$9.65	VSB Bancorp, Inc.	VSBN	NY	\$10.72	\$19	17.02	17.02	NM	NM	0.69	0.69	2.24	10.02	77.30	4.04	0.42	14.93	0.51	1.66	\$276,677
<b>24.65</b>	<b>10.17</b>		<b>Median - New York</b>					<b>14.81</b>	<b>13.86</b>	<b>13.09</b>	<b>12.70</b>	<b>1.15</b>	<b>1.45</b>	<b>2.97</b>	<b>7.58</b>	<b>63.36</b>	<b>8.54</b>	<b>0.83</b>	<b>1.86</b>	<b>0.23</b>	<b>1.45</b>	<b>\$2,800,072</b>



Mercer Capital's Northeast Public Bank Peer Report

June 6, 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)
20.31	2.33	\$14.06	ACNB Corporation	ACNB	PA	\$16.56	\$99	10.89	10.46	NM	NM	0.97	1.05	4.59	9.12	64.17	8.99	0.87	2.90	0.18	2.47	\$1,036,039
14.66	3.65	\$2.57	AmeriServ Financial, Inc.	ASRV	PA	\$3.12	\$60	15.60	15.81	NM	NM	0.66	0.77	1.28	7.88	87.15	4.06	0.46	0.61	0.34	1.53	\$999,718
16.05	3.73	\$19.69	Bryn Mawr Bank Corporation	BMTC	PA	\$23.10	\$312	14.35	12.89	14.17	12.36	1.48	2.00	2.94	7.89	64.34	10.78	1.13	1.48	0.18	1.03	\$2,030,163
10.76	4.71	\$17.40	Citizens & Northern Corporation	CZNC	PA	\$19.79	\$244	11.18	11.42	12.06	12.36	1.33	1.43	5.05	13.93	49.65	12.19	1.69	1.67	0.13	1.07	\$1,240,321
17.83	0.24	\$14.24	CNB Financial Corporation	CCNE	PA	\$16.42	\$205	11.99	12.40	12.11	11.17	1.41	1.52	4.02	7.51	54.00	11.88	0.98	2.74	0.58	1.49	\$1,809,847
38.02	15.48	\$11.91	Codorus Valley Bancorp, Inc.	CVLY	PA	\$17.38	\$78	8.28	8.39	NM	NM	1.00	1.00	2.53	7.35	59.84	9.75	0.93	2.51	0.16	1.24	\$1,063,383
29.11	10.06	\$13.01	DNB Financial Corporation	DNBF	PA	\$17.06	\$47	9.27	9.79	NM	NM	1.04	1.04	1.64	6.94	66.32	9.56	0.84	NA	0.06	1.77	\$641,777
29.80	19.04	\$18.50	Emclairre Financial Corp.	EMCF	PA	\$24.82	\$44	14.60	16.78	NM	NM	1.04	1.18	3.22	7.27	67.22	6.68	0.67	NA	0.10	1.59	\$513,983
17.18	6.59	\$10.05	F.N.B. Corporation	FNB	PA	\$11.32	\$1,642	13.48	12.62	13.43	12.43	1.12	2.26	4.24	6.22	57.58	8.44	0.99	NA	0.33	1.31	\$1,997,990
28.98	6.01	\$5.75	First Commonwealth Financial Corporation	FCF	PA	\$7.23	\$708	17.63	16.91	15.28	13.85	0.96	1.23	3.32	9.87	65.45	5.42	0.69	2.22	0.47	1.48	\$6,099,039
21.85	16.65	\$8.75	Fulton Financial Corporation	FULT	PA	\$11.21	\$2,170	13.84	14.11	14.09	13.10	1.06	1.43	2.85	9.46	58.86	7.79	0.99	2.53	0.97	1.77	\$16,682,737
74.45	50.83	\$11.25	Metro Bancorp, Inc.	METR	PA	\$19.94	\$282	24.02	22.29	19.19	18.52	1.20	1.20	nm	9.01	73.35	5.12	0.47	3.66	0.41	1.74	\$2,614,559
3.21	(2.32)	\$8.97	Mid Penn Bancorp, Inc.	MPB	PA	\$10.93	\$38	9.42	9.83	NM	NM	0.80	0.82	1.83	6.40	71.53	8.25	0.63	2.61	0.40	1.19	\$726,430
21.85	6.33	\$8.37	National Penn Bancshares, Inc.	NPBC	PA	\$9.91	\$1,443	26.78	14.65	14.93	13.67	1.27	1.66	4.04	10.79	55.76	4.73	0.67	1.12	0.42	2.04	\$8,323,777
28.20	15.62	\$24.32	Norwood Financial Corp.	NWFL	PA	\$31.27	\$113	13.32	14.43	NM	NM	1.22	1.37	3.60	12.32	51.87	9.26	1.25	NA	0.58	1.20	\$680,753
84.35	47.82	\$7.50	Orstown Financial Services, Inc.	ORRF	PA	\$14.25	\$115	NM	NM	20.25	6.02	1.30	1.31	0.00	7.36	76.84	(28.71)	(2.22)	2.81	4.44	3.21	\$1,197,038
12.06	10.40	\$36.91	Penns Woods Bancorp, Inc.	PWOD	PA	\$41.30	\$159	11.44	12.21	NM	NM	1.70	1.76	4.55	10.59	51.48	14.94	1.65	3.15	0.27	1.72	\$852,997
22.88	20.51	\$53.36	PNC Financial Services Group, Inc.	PNC	PA	\$70.27	\$37,203	12.50	NA	10.55	10.24	1.03	1.41	2.50	9.04	65.60	7.78	1.06	2.89	0.76	2.02	\$300,812,000
57.79	51.69	\$1.77	Republic First Bancorp, Inc.	FRBK	PA	\$3.14	\$82	24.15	36.96	25.12	20.93	1.16	1.16	nm	7.61	86.17	4.81	0.34	4.80	0.57	1.49	\$926,084
(15.97)	18.35	\$0.95	Royal Bancshares of Pennsylvania, Inc.	RBPA	PA	\$1.42	\$18	NM	NM	NM	NM	0.72	0.72	0.00	3.39	130.59	(21.71)	(1.85)	10.14	1.83	4.28	\$751,378
20.50	9.52	\$15.68	S&T Bancorp, Inc.	STBA	PA	\$19.79	\$588	13.55	13.68	12.79	12.89	1.08	1.62	3.03	8.46	62.12	8.17	0.98	2.61	0.54	1.36	\$4,479,863
32.38	12.98	\$9.13	Susquehanna Bancshares, Inc.	SUSQ	PA	\$11.84	\$2,212	13.77	12.55	12.66	11.98	0.84	1.67	2.70	7.96	58.67	6.21	0.89	1.52	0.59	1.36	\$17,967,174
17.00	7.49	\$15.33	Univest Corporation of Pennsylvania	UVSP	PA	\$18.38	\$307	14.82	14.89	13.57	12.99	1.08	1.36	4.35	10.27	64.57	7.43	0.95	3.07	0.91	1.69	\$2,263,036
<b>21.85</b>	<b>10.23</b>		<b>Median - Pennsylvania</b>					<b>13.66</b>	<b>13.68</b>	<b>13.83</b>	<b>12.66</b>	<b>1.08</b>	<b>1.37</b>	<b>2.99</b>	<b>7.93</b>	<b>64.46</b>	<b>7.79</b>	<b>0.91</b>	<b>2.61</b>	<b>0.44</b>	<b>1.51</b>	<b>\$1,525,084</b>
25.92	6.04	\$22.61	Washington Trust Bancorp, Inc.	WASH	RI	\$27.90	\$459	13.48	13.17	12.76	12.28	1.52	1.93	4.35	7.94	64.68	11.48	1.12	1.98	0.06	1.32	\$3,051,848
<b>25.92</b>	<b>6.04</b>		<b>Median - Rhode Island</b>					<b>13.48</b>	<b>13.17</b>	<b>12.76</b>	<b>12.28</b>	<b>1.52</b>	<b>1.93</b>	<b>4.35</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>
12.54	7.40	\$25.80	Merchants Bancshares, Inc.	MBVT	VT	\$28.75	\$172	11.88	12.71	11.98	11.32	1.44	1.44	3.90	7.04	66.17	13.16	0.91	0.31	(0.00)	1.07	\$1,692,596
19.92	11.05	\$18.76	Union Bankshares, Inc.	UNB	VT	\$21.70	\$97	13.15	14.05	nm	nm	2.12	2.30	4.61	7.52	68.31	17.24	1.30	NA	0.05	1.05	\$562,738
<b>16.23</b>	<b>9.23</b>		<b>Median - Vermont</b>					<b>12.52</b>	<b>13.38</b>	<b>11.98</b>	<b>11.32</b>	<b>1.78</b>	<b>1.87</b>	<b>4.25</b>	<b>7.28</b>	<b>67.24</b>	<b>15.20</b>	<b>1.11</b>	<b>0.31</b>	<b>0.03</b>	<b>1.06</b>	<b>\$1,127,667</b>
<b>24.63</b>	<b>13.40</b>		<b>Average</b>					<b>14.73</b>	<b>14.50</b>	<b>14.93</b>	<b>13.15</b>	<b>1.15</b>	<b>1.41</b>	<b>2.73</b>	<b>8.25</b>	<b>65.96</b>	<b>6.76</b>	<b>0.71</b>	<b>3.18</b>	<b>0.56</b>	<b>1.59</b>	<b>\$78,182,662</b>
<b>21.17</b>	<b>10.34</b>		<b>Median</b>					<b>13.84</b>	<b>13.84</b>	<b>13.43</b>	<b>12.43</b>	<b>1.12</b>	<b>1.38</b>	<b>2.85</b>	<b>7.60</b>	<b>64.63</b>	<b>8.27</b>	<b>0.82</b>	<b>2.43</b>	<b>0.31</b>	<b>1.44</b>	<b>\$1,751,916</b>

# Mercer Capital

Financial Institutions Services

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