

# Bank Watch

## Northeast

## Specialty Finance Sector Shows Signs of M&A Life

The M&A market for banks remains steady relative to Street expectations for a quicker pace, given well-documented earnings and regulatory challenges that smaller institutions face. Year-to-date through August 19, 2013, there were 137 announced bank and thrift transactions, which equates to about 210 deals on an annualized basis. This compares to 251 announced deals in 2012 and 178 in 2011. Pricing, as measured by the average price/tangible book multiple of 117%, is comparable to median pricing observed the past few years; however, P/E ratios have declined as earnings have recovered. The median P/E for 2013 was 23.2x, compared to 33.0x in 2012.

In particular, the specialty finance sector has seen a steady pace of transactions. According to *SNL Financial*, there have been 43 acquisitions of specialty finance companies year-to-date by banks and non-banks, for an aggregate value of \$7.4 billion. There were 80 deals valued at \$10.8 billion in 2012 and 70 deals valued at \$36.0 billion in 2011. Since 2008, the average price/book multiple has ranged between 187% (2011) and 78% (2010). The median year-to-date price/book multiple was 124%, while the median P/E was 7.8x. Sector pricing averages should be taken with a grain of salt as the homogeneity in the banking sector does not apply to the same degree in specialty finance.

While interest in mortgage banking may be waning with rising rates, other specialty finance sectors, such as commercial real estate (CRE), are receiving more attention as banks and non-banks return to the sector. As an example, Capital One Financial Corporation (COF) announced on August 16, 2013 that it would acquire Beech Street Capital for an undisclosed price. Beech Street was founded in 2009 by long-time banking executive Alan Fishman along with employees from Fannie Mae, Freddie Mac, and other lenders. Beech Street focuses on multi-family lending as a Fannie Mae "Delegated Underwriting and Servicing" ("DUS") lender. Such firms are approved to underwrite, close, and deliver most loans without a prior review by Fannie Mae. Capital One is acquiring one of the 24 designated DUS firms and will presumably gain a competitive advantage in underwriting multi-family loans at a time when the sector is benefiting from a resurgence of apartment construction.

Another transaction of note is the July 22, 2013 announcement that PacWest Bancorp (PACW) will acquire CapitalSource Inc. (CSE) for \$2.3 billion of stock and cash. Pricing equated to 169% of June 30 tangible book value and 19x consensus 2013 EPS. Although CapitalSource's primary subsidiary operated as a bank via its California industrial loan charter, the Company is more akin to a commercial finance company in a bank wrapper. PacWest will obtain a prodigious asset generator that will be funded with its core deposits.

Acquisitions of specialty finance companies by banks are not a panacea for challenges that face the industry; however, in some instances a transaction that is thoroughly vetted, well-structured, and attractively priced can provide the buyer a new growth channel while also obtaining revenue and earnings diversification. At Mercer Capital we have three decades of experience in valuing and evaluating a range of financial service companies for banks, private equity, and other investors. We would be happy to assist you in evaluating an opportunity that your institution may be considering.

  
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# Evaporating Gains

by Madeleine G. Davis

Comments by Federal Reserve Board Chairman Ben Bernanke in the second quarter of 2013 resulted in significant increases in Treasury rates during the quarter, particularly for longer-term securities. In May, Bernanke testified before Congress and outlined the Fed's eventual approach for exiting its accommodative monetary policy, which has included very low interest rates as well as purchases of mortgage-backed securities and Treasuries. Bernanke noted that the Fed would likely begin its exit strategy by gradually reducing asset purchases, prior to a focus on increasing interest rates. Prior releases by the Federal Open Market Committee indicated that rate increases likely will not begin until the unemployment rate has fallen below 6.5%, assuming inflation projections remain in line with longer-term goals. Bernanke's comments before Congress suggest, however, that some tightening of monetary policy could come earlier, through the reduction in asset purchases. In response to Bernanke's comments, longer-term interest rates began to tick up through May and into June.

On June 19th, Bernanke said in a press conference that the Fed could begin to reduce its asset purchases as early as the end of 2013 and could potentially cease such purchases in mid-2014. The near-term timeline for reducing asset purchases spurred a spike in interest rates that compounded the effect of the already-increasing trend in rates observed through May. Rates continued to exhibit volatility throughout the rest of June as markets reacted to Bernanke's comments.

## Treasury Rates



The interest rate increases in the latter part of second quarter resulted in the evaporation of unrealized gains in banks' bond portfolios, which had been at very high levels given the persistently low rate environment. The table below summarizes the extent of losses in unrealized bond gains for banks in the second quarter. The number of banks with assets over \$250 million reporting unrealized gains embedded in their bond portfolios fell from 1,985 at March 31, 2013 to 1,018, or 49% fewer, while the number of banks reporting embedded losses tripled from 477 to 1,427.

Asset Size	Avg. Δ Unrealized Gains* (\$000s)	Avg. Δ Unrealized Gains* (%)	Avg. Δ Accum. OCI (%)	Avg. Δ Equity Capital (%)	Avg. Tang. Equity / Tang. Assets 3/31/13	Avg. Tang. Equity / Tang. Assets 6/30/13	Δ Avg. Tang. Equity / Tang. Assets
\$250 Mil - \$500 Mil	-1,275	-444%	-398%	-2.0%	10.8%	10.6%	-0.2%
\$500 Mil - \$1 Bil	-2,250	-316%	-347%	-1.2%	10.8%	10.6%	-0.2%
\$1 Bil - \$5 Bil	-5,654	-246%	-286%	1.2%	10.5%	10.3%	-0.2%
\$5 Bil - \$10 Bil	-16,382	-143%	-134%	1.9%	10.7%	10.8%	0.1%
\$10 Bil - \$250 Bil	-99,041	-227%	-738%	0.7%	10.2%	10.1%	-0.1%
More than \$250 Bil	-1,962,240	-93%	-64%	-0.6%	8.0%	7.9%	-0.1%
<b>Average - All</b>	<b>-11,974</b>	<b>-355%</b>	<b>-368%</b>	<b>-1.0%</b>	<b>10.7%</b>	<b>10.5%</b>	<b>-0.2%</b>

\* Unrealized Gains/(Losses) shown after tax

Source: Call Report data compiled by SNL Financial

At March 31, 2013, banks reported unrealized gains representing an average of 1.97% of their total Available for Sale ("AFS") portfolios. That figure declined to 0.84% at June 30, a decline in unrealized gains of 1.13% of total AFS. On average, banks lost more than 350% of reported amounts of unrealized gains embedded in bond portfolios, resulting in commensurate reductions in accumulated other comprehensive income. The impact of the lost AOCI on tangible equity, however, was moderated by the trend of improving earnings in the industry, and on average, equity capital declined by just 1%, while the average tangible equity/tangible assets ratio fell from 10.7% at March 31, 2013 to 10.5% at the end of second quarter.

The effect of volatility in unrealized bond gains may create fluctuations in tangible equity capital, but its effect on regulatory will be much more modest, given the recent issuance of the final Basel III capital rules, which require only banks with more than \$250 billion in assets to include such gains in regulatory capital measures beginning in 2014. Most smaller banks will not be required to include unrealized gains in regulatory capital calculations, with the exception of banks with foreign exposures exceeding \$10 billion.

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## UPCOMING WEBINAR

# U.S. Basel III Capital Rules: Finally Final

## What Does It Mean for Community Banks?



Thursday, August 29, 2013

1:00pm - 2:00pm Eastern

12:00pm - 1:00pm Central

11:00am - 12:00pm Mountain

10:00am - 11:00am Pacific

Register at

<http://mer.cr/webinar-0813>

Much of the financial rulemaking following the financial crisis set its sights on the largest banks with the community and smaller regional banking sector unaffected or impacted indirectly. However, the new rules regarding capital represent some of the most consequential post-financial crisis rulemakings, affecting banks large and small. Finalized at last, the regulations provide direction for bank capital management decisions.

This webinar, co-sponsored by Mercer Capital and Jones Day, reviews the final rules and assesses their impact on community banks.

### Who Should Attend This Webinar?

- CFOs, CEOs, controllers, and treasurers of financial institutions with assets up to \$15 billion
- In-house counsel of financial institutions
- Asset managers, investment managers and portfolio managers with exposure to the financial services industry
- Investment bankers, research analysts
- Regulators, accountants and consultants

### Learning Objectives

After attending this webinar, you will:

- Understand how the final rules define "capital"
- Appreciate changes to existing concepts, such as risk-weighted assets, and be introduced to new concepts, such as capital buffers
- Learn how investors in the public markets view the effect of Basel on the attractiveness of community banks as investments
- Be able to assess the impact of the new rules on different business lines and banking strategies
- Identify the significance of the new regulations to merger and acquisition strategies

### Webinar Presenters

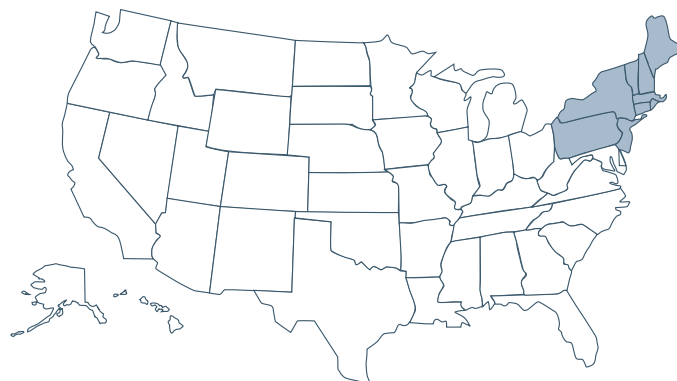
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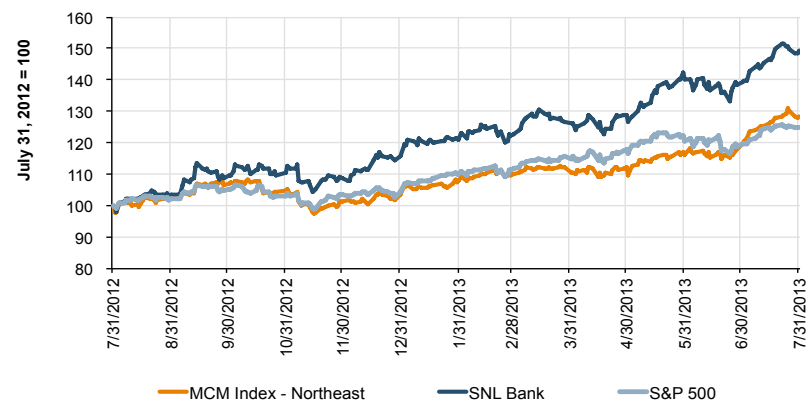
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Community Bank Group Index Overview



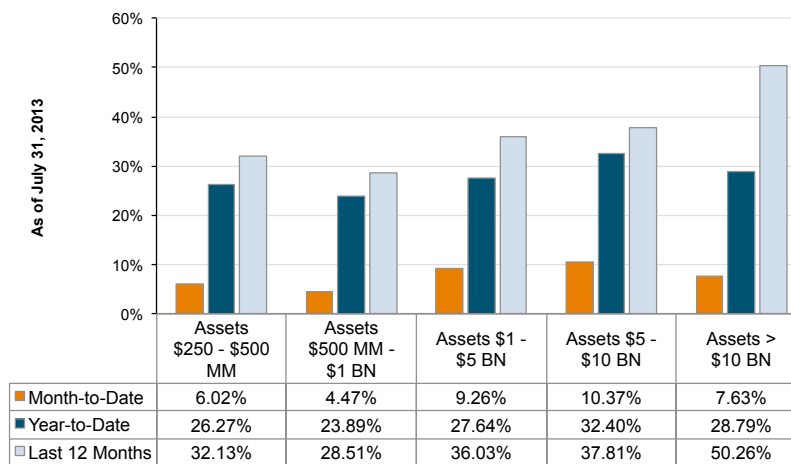
Median Valuation Multiples

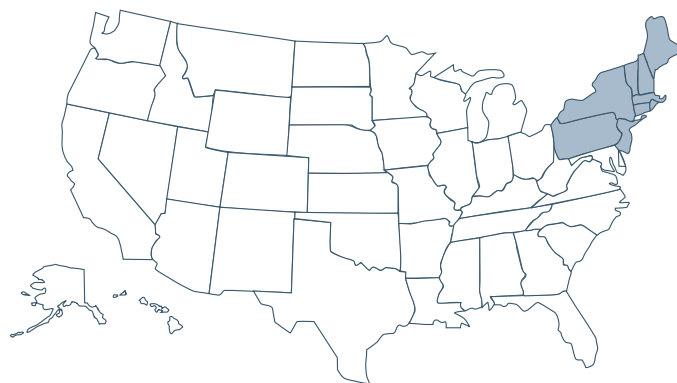
as of July 31, 2013

	Northeast Community Bank Index	National Community Bank Index
Price / LTM EPS	14.58	14.20
Price / 2013 (E) EPS	14.47	14.67
Price / 2014 (E) EPS	12.83	14.12
Price / Book Value	125.94%	115.19%
Price / Tangible Book Value	138.47%	125.76%
Dividend Yield	2.78%	2.28%

Return Stratification of U.S. Banks

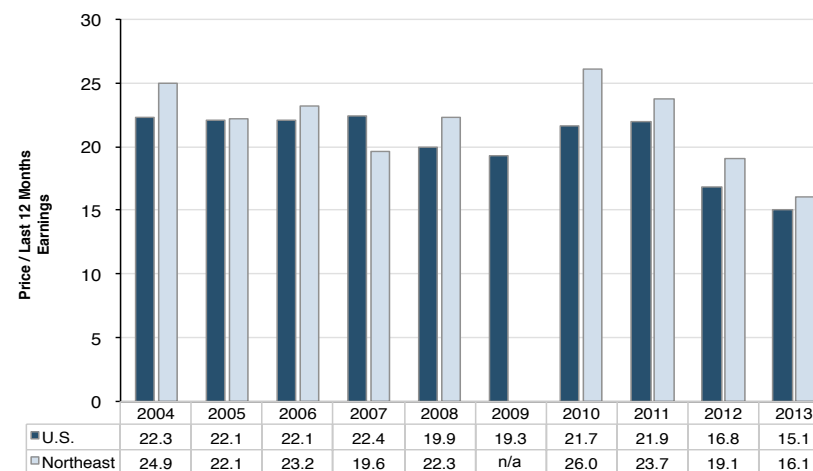
by Asset Size





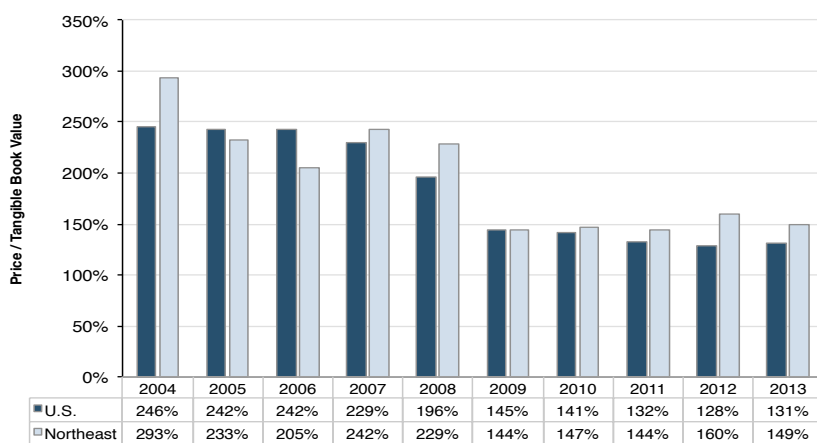
### Median Price/Earnings Multiples

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



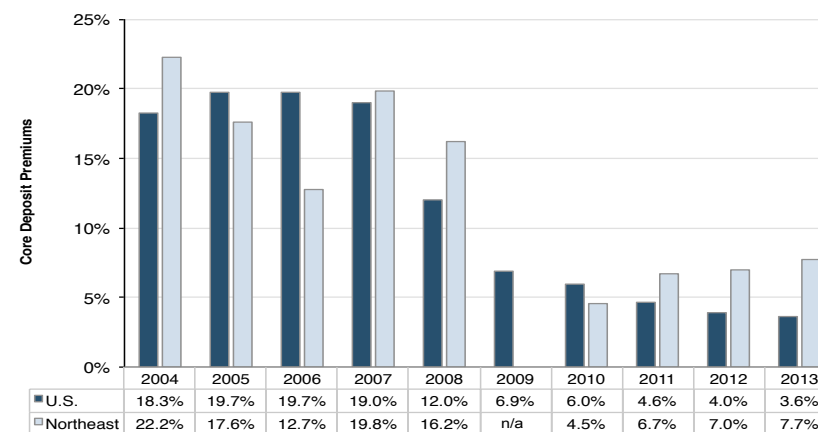
### Median Price/Tangible Book Value Multiples

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

August 15, 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)
(12.74)	9.60	\$1.03	Patriot National Bancorp, Inc.	PNBK	CT	\$1.37	\$53	NM	NM	NM	NM	1.11	1.11	0.00	7.83	126.22	(6.02)	(0.49)	8.14	0.25	1.22	\$608,843
14.32	19.75	\$22.98	Salisbury Bancorp, Inc.	SAL	CT	\$27.95	\$48	13.06	11.39	NM	NM	0.86	1.06	4.01	7.62	70.04	5.31	0.63	3.93	0.23	1.10	\$600,712
28.26	30.41	\$19.71	Webster Financial Corporation	WBS	CT	\$26.80	\$2,419	13.96	13.73	14.05	13.41	1.22	1.67	2.24	7.27	61.41	8.83	0.92	3.77	0.53	1.33	\$20,329,238
<b>14.32</b>	<b>19.75</b>		<b>Median - Connecticut</b>					<b>13.51</b>	<b>12.56</b>	<b>14.05</b>	<b>13.41</b>	<b>1.11</b>	<b>1.11</b>	<b>2.24</b>	<b>7.62</b>	<b>70.04</b>	<b>5.31</b>	<b>0.63</b>	<b>3.93</b>	<b>0.25</b>	<b>1.22</b>	<b>\$608,843</b>
10.11	20.09	\$8.35	Boston Private Financial Holdings, Inc.	BPFH	MA	\$10.82	\$864	18.03	NA	15.85	13.55	1.54	nm	2.59	NA	73.11	11.25	1.06	1.70	0.14	1.67	\$5,966,930
16.28	13.88	\$7.54	Brookline Bancorp, Inc.	BRKL	MA	\$9.68	\$679	16.13	15.41	17.48	16.12	1.11	1.50	3.51	9.10	58.55	6.98	0.85	0.91	0.08	1.05	\$5,150,480
12.41	4.86	\$28.02	Century Bancorp, Inc.	CNBKA	MA	\$34.55	\$123	9.62	10.64	NM	NM	1.15	1.17	1.39	4.98	64.01	11.19	0.65	NA	0.10	1.76	\$3,285,936
16.94	12.65	\$14.84	Enterprise Bancorp, Inc.	EBTC	MA	\$18.61	\$185	14.21	14.98	NM	NM	1.28	1.33	2.47	7.92	71.08	9.19	0.77	NA	0.01	1.77	\$1,753,336
27.32	26.36	\$27.59	Independent Bank Corp.	INDB	MA	\$36.58	\$840	17.59	15.23	15.64	14.98	1.54	2.19	2.41	6.72	64.68	8.92	0.85	1.90	0.18	1.16	\$5,852,595
67.15	44.22	\$40.84	State Street Corporation	STT	MA	\$67.80	\$30,237	14.80	14.30	15.09	13.16	1.55	2.70	1.53	5.14	68.35	10.57	1.07	1.14	(0.02)	0.13	\$227,300,000
<b>16.61</b>	<b>16.99</b>		<b>Median - Massachusetts</b>					<b>15.47</b>	<b>14.98</b>	<b>15.75</b>	<b>14.27</b>	<b>1.41</b>	<b>1.50</b>	<b>2.44</b>	<b>6.72</b>	<b>66.52</b>	<b>9.88</b>	<b>0.85</b>	<b>...</b>	<b>0.09</b>	<b>1.41</b>	<b>\$5,501,538</b>
7.02	8.92	\$31.78	Bar Harbor Bankshares	BHB	ME	\$36.65	\$144	11.45	11.55	NM	11.39	1.20	1.25	3.44	8.58	55.70	9.78	0.97	1.35	0.21	0.96	\$1,343,322
8.51	8.48	\$30.80	Camden National Corporation	CAC	ME	\$36.85	\$282	12.58	12.24	NA	NM	1.23	1.59	2.93	6.94	61.29	9.60	0.89	1.76	0.21	1.45	\$2,601,778
6.78	1.70	\$14.32	First Bancorp, Inc.	FNLC	ME	\$16.75	\$179	14.19	NA	NM	NM	1.22	1.55	4.66	8.16	52.95	7.95	0.88	NA	0.84	1.46	\$1,444,496
27.88	17.97	\$8.40	Northeast Bancorp	NBN	ME	\$10.79	\$103	27.67	23.23	NA	NM	0.99	1.02	3.34	16.53	79.63	3.79	0.64	NA	0.21	0.26	\$670,639
<b>7.77</b>	<b>8.70</b>		<b>Median - Maine</b>					<b>13.39</b>	<b>12.24</b>	<b>...</b>	<b>11.39</b>	<b>1.21</b>	<b>1.40</b>	<b>3.39</b>	<b>8.37</b>	<b>58.49</b>	<b>8.77</b>	<b>0.89</b>	<b>1.56</b>	<b>0.21</b>	<b>1.21</b>	<b>\$1,393,909</b>
8.87	18.07	\$5.62	1st Constitution Bancorp	FCCY	NJ	\$9.85	\$59	10.73	NA	9.95	9.29	nm	nm	nm	7.53	70.90	8.68	0.68	NA	0.25	1.44	\$804,892
66.48	8.21	\$9.60	Bancorp of New Jersey, Inc.	BKJ	NJ	\$15.15	\$81	17.82	18.63	nm	NM	1.47	1.47	1.58	9.68	55.24	8.29	0.82	2.37	0.14	1.17	\$561,451
7.37	11.11	\$8.71	BCB Bancorp, Inc.	BCBP	NJ	\$10.50	\$88	19.81	14.57	NM	NM	1.04	1.04	4.57	7.26	65.44	5.29	0.40	NA	0.29	1.43	\$1,167,359
31.45	27.37	\$10.86	Center Bancorp, Inc.	CNBC	NJ	\$14.75	\$241	12.94	13.99	12.96	12.33	1.61	1.81	2.03	8.38	49.30	11.70	1.17	0.59	0.04	1.13	\$1,605,698
34.59	33.10	\$5.25	Two River Bancorp	TRCB	NJ	\$7.44	\$60	13.29	13.69	NM	NM	0.74	0.95	1.08	8.82	66.16	5.26	0.67	4.35	0.05	1.42	\$735,644
19.84	11.98	\$8.31	Lakeland Bancorp, Inc.	LBAI	NJ	\$11.40	\$407	15.00	15.17	15.00	13.31	1.19	1.78	2.46	7.24	60.56	7.94	0.77	1.40	0.52	1.21	\$3,262,411
93.21	94.77	\$4.17	Parke Bancorp, Inc.	PKBK	NJ	\$8.80	\$53	7.88	NA	7.86	7.46	nm	nm	nm	NA	40.62	NA	1.12	NA	NA	NA	\$738,363
19.68	20.10	\$13.45	Peapack-Gladstone Financial Corporation	PGC	NJ	\$16.91	\$153	17.26	21.82	NM	NM	1.21	1.22	1.18	7.36	72.57	7.25	0.54	1.39	0.60	1.07	\$1,679,590
23.43	30.66	\$3.40	Stewardship Financial Corporation	SSFN	NJ	\$5.20	\$31	37.14	NM	NM	NM	0.78	0.78	0.77	5.71	71.20	2.36	0.20	5.84	2.01	2.43	\$688,832
29.96	1.69	\$2.73	Sun Bancorp, Inc.	SNBC	NJ	\$3.60	\$311	NM	NM	NM	NM	1.19	1.40	nm	7.00	93.76	(7.47)	(0.64)	3.51	1.19	2.15	\$3,205,921
37.71	22.86	\$4.40	Sussex Bancorp	SBBX	NJ	\$6.61	\$31	31.48	NM	NM	NM	0.59	0.64	0.00	6.76	70.47	1.67	0.13	4.85	1.42	1.50	\$526,757
22.88	17.81	\$5.50	Unity Bancorp, Inc.	UNTY	NJ	\$7.35	\$55	17.93	19.33	NM	NM	0.95	0.98	0.54	6.87	69.84	6.50	0.61	3.92	0.79	2.30	\$824,575
16.53	13.01	\$8.65	Valley National Bancorp	VLY	NJ	\$10.51	\$2,096	14.60	14.40	16.86	17.05	1.38	1.94	6.18	6.96	61.53	9.36	0.89	2.93	0.25	1.07	\$15,977,202
<b>23.43</b>	<b>18.07</b>		<b>Median - New Jersey</b>					<b>16.13</b>	<b>14.87</b>	<b>12.96</b>	<b>12.33</b>	<b>1.19</b>	<b>1.22</b>	<b>1.38</b>	<b>7.25</b>	<b>66.16</b>	<b>6.88</b>	<b>0.67</b>	<b>3.22</b>	<b>0.40</b>	<b>1.42</b>	<b>\$824,575</b>

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August 15, 2013

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10.79	3.93	\$22.86	Arrow Financial Corporation	AROW	NY	\$25.93	\$313	14.41	14.52	15.30	14.70	1.77	2.07	3.86	7.40	59.56	12.28	1.06	0.66	0.09	1.22	\$2,083,169
40.38	18.37	\$22.00	Bank of New York Mellon Corporation	BK	NY	\$30.42	\$34,998	18.78	19.53	13.42	12.04	1.02	2.96	1.97	3.49	73.92	5.57	0.62	0.57	0.05	0.42	\$360,505,000
(0.91)	(4.63)	\$7.56	Berkshire Bancorp Inc.	BERK	NY	\$7.82	\$113	10.03	10.05	NM	NM	0.82	0.82	2.05	17.17	73.36	8.56	1.32	1.52	0.01	3.60	\$799,687
9.34	2.56	\$18.75	Bridge Bancorp, Inc.	BDGE	NY	\$20.86	\$193	14.00	14.93	14.61	12.70	NM	NM	4.41	6.68	61.20	11.35	0.84	NA	0.16	1.68	\$1,728,639
77.13	28.56	\$28.31	Citigroup Inc.	C	NY	\$50.86	\$154,667	16.41	12.88	10.28	9.03	0.81	0.95	0.08	8.81	66.45	5.11	0.52	5.83	1.87	3.28	\$1,883,988,000
35.79	6.89	\$23.51	Chemung Financial Corporation	CHMG	NY	\$31.95	\$147	14.79	13.93	13.74	13.50	1.12	1.40	3.26	8.63	72.43	7.52	0.79	NA	0.03	1.21	\$1,257,160
26.64	23.98	\$25.50	Community Bank System, Inc.	CBU	NY	\$33.92	\$1,365	17.39	16.09	16.65	16.19	1.60	2.92	3.18	7.01	58.90	8.78	1.07	0.84	0.17	1.10	\$7,020,716
26.82	(3.17)	\$17.50	Elmira Savings Bank	ESBK	NY	\$22.02	\$53	14.21	14.09	NM	NM	1.22	1.71	4.18	6.13	62.98	8.22	1.00	0.92	0.06	0.98	\$516,137
25.96	22.58	\$15.00	Evans Bancorp, Inc.	EVBN	NY	\$19.00	\$80	9.95	9.74	10.63	9.84	1.03	1.16	2.53	8.54	70.01	10.57	0.99	NA	0.14	1.69	\$816,274
26.63	15.57	\$16.93	Financial Institutions, Inc.	FISI	NY	\$21.53	\$297	13.46	12.41	12.32	11.23	1.31	1.68	3.34	6.49	58.90	9.26	0.87	0.68	0.40	1.46	\$2,782,303
33.82	33.04	\$7.08	First Niagara Financial Group, Inc.	FNFG	NY	\$10.55	\$3,735	16.48	NA	14.41	13.33	0.82	1.86	3.03	5.80	62.04	5.22	0.71	2.05	0.22	0.89	\$37,149,727
30.02	30.12	\$26.25	First of Long Island Corporation	FLIC	NY	\$36.85	\$335	16.09	16.09	15.30	14.28	1.70	1.70	2.71	8.83	52.01	10.14	0.99	0.48	0.08	1.53	\$2,227,862
13.49	21.97	\$13.23	Hudson Valley Holding Corp.	HVB	NY	\$18.99	\$378	27.93	27.30	25.60	21.15	1.31	1.43	1.26	8.95	73.95	4.57	0.46	3.67	0.62	1.75	\$2,981,975
88.38	79.18	\$3.58	Intervest Bancshares Corporation	IBCA	NY	\$6.97	\$153	12.91	12.17	NM	NM	0.79	0.79	0.00	12.10	37.93	6.48	0.80	6.85	0.06	2.50	\$1,596,639
47.77	21.20	\$36.67	JPMorgan Chase & Co.	JPM	NY	\$53.29	\$200,594	8.91	8.95	8.96	8.67	1.02	1.36	2.85	6.19	62.41	12.08	1.05	3.51	1.04	2.67	\$2,439,494,000
38.60	18.55	\$85.09	M&T Bank Corporation	MTB	NY	\$116.74	\$15,181	13.18	12.77	13.51	13.27	1.54	2.43	2.40	7.82	53.33	11.89	1.48	2.20	0.28	1.41	\$83,229,005
11.51	11.89	\$18.92	NBT Bancorp Inc.	NBTB	NY	\$22.68	\$989	16.09	13.41	14.30	13.99	1.25	NM	3.53	NA	63.04	8.04	0.80	NA	0.51	1.35	\$7,534,518
39.52	25.79	\$63.15	Signature Bank	SBNY	NY	\$89.74	\$4,241	21.22	21.26	19.97	17.84	2.49	2.49	nm	8.65	37.28	12.32	1.16	0.76	0.19	1.03	\$19,722,475
50.79	50.60	\$8.30	Sterling Bancorp	STL	NY	\$13.72	\$425	20.79	20.44	19.31	17.39	1.82	2.02	2.62	7.75	70.27	8.79	0.76	0.71	0.36	1.26	\$2,732,298
25.44	37.02	\$12.47	Suffolk Bancorp	SUBK	NY	\$17.95	\$208	NM	NM	NM	NM	1.31	1.31	0.00	9.60	82.34	(1.04)	(0.10)	3.01	2.78	1.93	\$1,648,297
19.75	14.08	\$36.85	Tompkins Financial Corporation	TMP	NY	\$45.22	\$654	17.66	13.49	14.19	14.06	1.53	2.05	3.36	6.67	63.48	8.55	0.78	1.90	0.41	0.83	\$4,931,883
5.19	8.65	\$9.65	VSB Bancorp, Inc.	VSBN	NY	\$10.80	\$19	19.64	19.64	NM	NM	0.71	0.71	2.22	9.18	80.03	3.50	0.36	NA	0.71	1.63	\$297,323
<b>26.73</b>	<b>19.88</b>		<b>Median - New York</b>					<b>16.09</b>	<b>14.01</b>	<b>14.30</b>	<b>13.50</b>	<b>1.25</b>	<b>1.69</b>	<b>2.71</b>	<b>7.82</b>	<b>63.01</b>	<b>8.55</b>	<b>0.82</b>	<b>1.52</b>	<b>0.20</b>	<b>1.44</b>	<b>\$2,757,301</b>

Mercer Capital's Northeast Public Bank Peer Report

August 15, 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)
27.80	8.16	\$14.36	ACNB Corporation	ACNB	PA	\$17.50	\$106	11.29	10.85	NM	NM	1.03	1.12	4.34	9.06	65.30	9.12	0.88	2.88	0.23	2.45	\$1,038,856
4.78	1.33	\$2.66	AmeriServ Financial, Inc.	ASRV	PA	\$3.05	\$57	16.05	16.25	NM	NM	0.65	0.76	1.31	7.47	87.10	3.74	0.42	0.67	0.34	1.48	\$1,025,084
26.33	19.80	\$19.94	Bryn Mawr Bank Corporation	BMTC	PA	\$26.68	\$361	15.98	14.24	15.35	13.92	1.70	2.27	2.55	8.13	64.15	10.96	1.16	1.38	0.18	1.01	\$2,009,522
11.73	3.28	\$17.51	Citizens & Northern Corporation	CZNC	PA	\$19.52	\$241	11.42	11.58	12.43	12.75	1.34	1.44	5.12	13.76	51.69	11.63	1.66	1.82	0.12	1.10	\$1,228,344
10.60	4.15	\$14.62	CNB Financial Corporation	CCNE	PA	\$17.06	\$213	13.54	13.24	13.91	12.15	1.63	1.78	3.87	6.67	54.24	10.85	0.88	2.86	0.62	1.58	\$1,809,445
25.49	19.67	\$13.24	Codorus Valley Bancorp, Inc.	CVLY	PA	\$18.01	\$81	8.74	NA	NM	NM	1.04	1.04	2.67	7.12	60.72	9.47	0.91	NA	0.18	1.23	\$1,099,050
32.52	15.92	\$13.60	DNB Financial Corporation	DNBF	PA	\$17.97	\$49	9.87	10.53	NM	NM	1.11	1.11	1.56	6.63	67.38	9.13	0.81	NA	0.16	1.72	\$667,625
17.32	17.84	\$19.05	Emclair Financial Corp.	EMCF	PA	\$24.57	\$43	16.27	17.31	NM	NM	1.09	NM	3.26	NA	68.65	6.07	0.61	NA	NA	NA	\$529,624
19.32	20.06	\$10.20	F.N.B. Corporation	FNB	PA	\$12.75	\$1,851	15.36	14.35	15.78	14.68	1.26	NM	3.76	NA	58.04	8.28	0.97	2.10	0.32	1.25	\$12,573,391
13.71	10.85	\$5.83	First Commonwealth Financial Corporation	FCF	PA	\$7.56	\$729	21.60	20.59	19.61	14.98	1.03	1.33	3.17	9.16	66.35	4.63	0.58	2.16	0.76	1.36	\$6,153,016
31.26	29.66	\$9.22	Fulton Financial Corporation	FULT	PA	\$12.46	\$2,415	15.20	15.59	15.52	14.53	1.19	1.61	2.57	9.06	60.19	7.81	0.98	NA	0.73	1.70	\$17,022,410
68.95	56.43	\$11.69	Metro Bancorp, Inc.	METR	PA	\$20.68	\$293	22.48	20.98	20.04	19.25	1.29	1.29	nm	8.56	73.31	5.63	0.51	3.83	0.44	1.71	\$2,658,405
20.44	4.56	\$9.75	Mid Penn Bancorp, Inc.	MPB	PA	\$11.70	\$41	9.92	NA	NM	NM	NM	NM	1.71	NA	71.89	NA	NA	NA	NA	NA	\$705,649
23.02	12.66	\$8.37	National Penn Bancshares, Inc.	NPBC	PA	\$10.50	\$1,529	26.92	15.12	15.60	14.84	1.37	1.80	3.81	10.55	55.56	5.02	0.70	1.13	0.37	1.99	\$8,316,558
22.43	6.12	\$24.32	Norwood Financial Corp.	NWFL	PA	\$28.70	\$104	12.86	13.96	NM	NM	1.15	1.30	4.04	11.66	52.63	8.77	1.18	NA	0.69	1.20	\$697,606
81.46	65.46	\$7.71	Orrstown Financial Services, Inc.	ORRF	PA	\$15.95	\$129	NM	NM	14.88	6.39	1.47	1.48	0.00	7.31	78.64	(16.58)	(1.24)	3.07	2.80	2.97	\$1,191,217
15.53	15.42	\$36.91	Penns Woods Bancorp, Inc.	PWOD	PA	\$43.18	\$208	11.99	13.12	NM	NM	1.65	1.95	4.35	8.99	51.82	14.43	1.60	NA	0.08	1.19	\$1,206,958
26.06	28.49	\$53.36	PNC Financial Services Group, Inc.	PNC	PA	\$74.92	\$39,821	11.30	NA	10.87	10.92	1.09	1.49	2.35	9.03	63.03	9.04	1.25	2.68	0.70	1.95	\$304,415,000
86.50	80.19	\$1.90	Republic First Bancorp, Inc.	FRBK	PA	\$3.73	\$97	28.69	35.67	25.38	24.53	1.40	1.40	nm	7.54	83.81	4.76	0.35	3.82	0.41	1.46	\$919,666
(30.97)	37.50	\$0.95	Royal Bancshares of Pennsylvania, Inc.	RBPA	PA	\$1.65	\$20	NM	NM	NM	NM	0.84	0.84	0.00	3.39	130.59	(21.71)	(1.85)	10.14	1.83	4.28	\$751,378
47.37	33.20	\$16.32	S&T Bancorp, Inc.	STBA	PA	\$24.07	\$716	14.77	14.96	14.39	14.63	1.31	1.95	2.49	8.43	61.41	9.05	1.10	2.30	0.31	1.34	\$4,528,759
28.78	26.62	\$9.19	Susquehanna Bancshares, Inc.	SUSQ	PA	\$13.27	\$2,484	14.74	13.73	14.43	13.52	0.94	1.86	2.41	7.95	58.74	6.45	0.93	1.48	0.51	1.36	\$18,083,039
30.10	16.14	\$15.33	Univest Corporation of Pennsylvania	UVSP	PA	\$19.86	\$331	15.89	15.67	15.91	13.93	1.19	1.51	4.03	9.97	63.96	7.41	0.94	2.73	1.08	1.64	\$2,255,601
<b>24.25</b>	<b>18.75</b>		<b>Median - Pennsylvania</b>					<b>14.98</b>	<b>14.96</b>	<b>15.44</b>	<b>14.23</b>	<b>1.19</b>	<b>1.48</b>	<b>2.62</b>	<b>8.43</b>	<b>63.50</b>	<b>7.81</b>	<b>0.91</b>	<b>2.30</b>	<b>0.43</b>	<b>1.47</b>	<b>\$1,518,895</b>
33.07	20.30	\$23.50	Washington Trust Bancorp, Inc.	WASH	RI	\$31.65	\$524	15.22	14.68	14.93	14.25	1.72	2.18	4.03	7.99	64.20	11.45	1.13	1.94	0.22	1.16	\$3,061,307
<b>33.07</b>	<b>20.30</b>		<b>Median - Rhode Island</b>					<b>15.22</b>	<b>14.68</b>	<b>14.93</b>	<b>14.25</b>	<b>1.72</b>	<b>2.18</b>	<b>4.03</b>	<b>7.99</b>	<b>64.20</b>	<b>11.45</b>	<b>1.13</b>	<b>1.94</b>	<b>0.22</b>	<b>1.16</b>	<b>\$3,061,307</b>
22.82	20.32	\$25.80	Merchants Bancshares, Inc.	MBVT	VT	\$32.21	\$193	13.09	13.55	12.97	11.92	1.68	1.68	3.48	7.10	64.64	13.23	0.92	0.16	0.01	1.08	\$1,619,807
11.30	7.52	\$19.01	Union Bankshares, Inc.	UNB	VT	\$21.01	\$94	12.14	NA	nm	nm	2.05	2.22	4.76	7.77	67.77	17.55	1.36	NA	0.06	1.06	\$546,674
<b>17.06</b>	<b>13.92</b>		<b>Median - Vermont</b>					<b>12.62</b>	<b>13.55</b>	<b>12.97</b>	<b>11.92</b>	<b>1.86</b>	<b>1.95</b>	<b>4.12</b>	<b>7.44</b>	<b>66.21</b>	<b>15.39</b>	<b>1.14</b>	<b>...</b>	<b>0.03</b>	<b>1.07</b>	<b>\$1,083,241</b>
<b>27.93</b>	<b>21.58</b>		<b>Average</b>					<b>16.14</b>	<b>15.67</b>	<b>15.03</b>	<b>13.75</b>	<b>1.26</b>	<b>1.55</b>	<b>2.58</b>	<b>8.11</b>	<b>66.34</b>	<b>6.99</b>	<b>0.74</b>	<b>2.54</b>	<b>0.49</b>	<b>1.53</b>	<b>\$79,236,171</b>
<b>25.46</b>	<b>18.22</b>		<b>Median</b>					<b>15.00</b>	<b>14.55</b>	<b>14.91</b>	<b>13.73</b>	<b>1.22</b>	<b>1.49</b>	<b>2.58</b>	<b>7.80</b>	<b>64.18</b>	<b>8.28</b>	<b>0.84</b>	<b>2.00</b>	<b>0.25</b>	<b>1.42</b>	<b>\$1,781,391</b>



# Mercer Capital

Financial Institutions Services

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