

Bank Watch

Southeast

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>

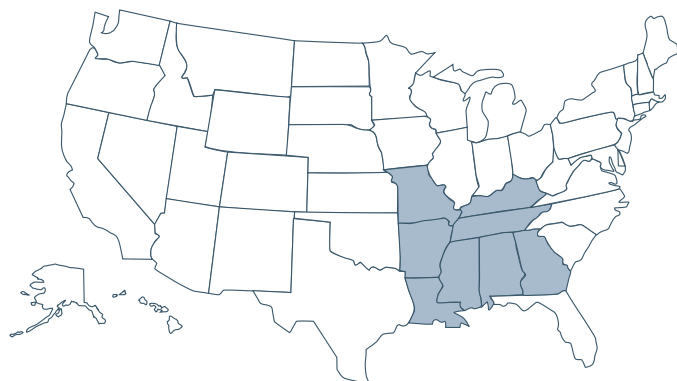
Complimentary Whitepaper



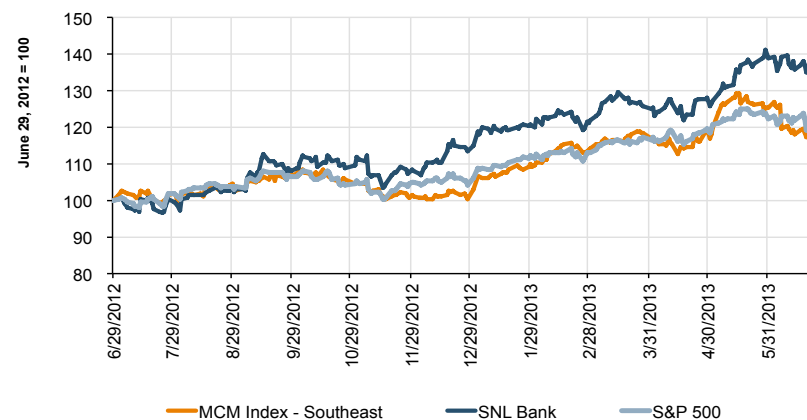
Community Bank Mergers: Creating the Potential for Shared Upside

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



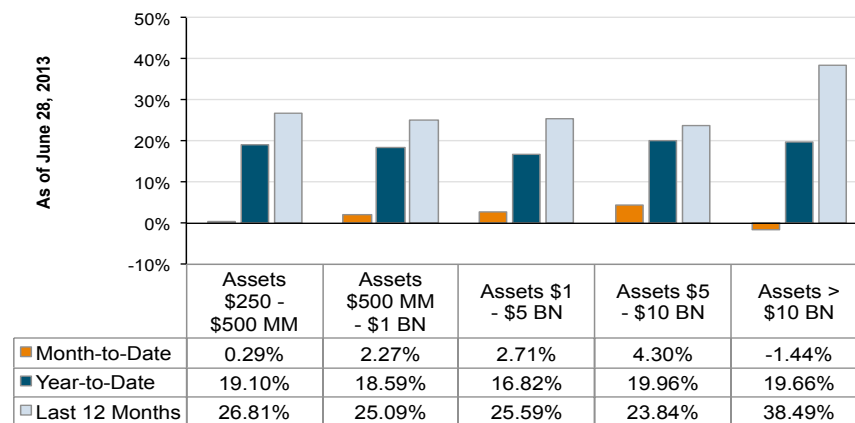
Median Valuation Multiples

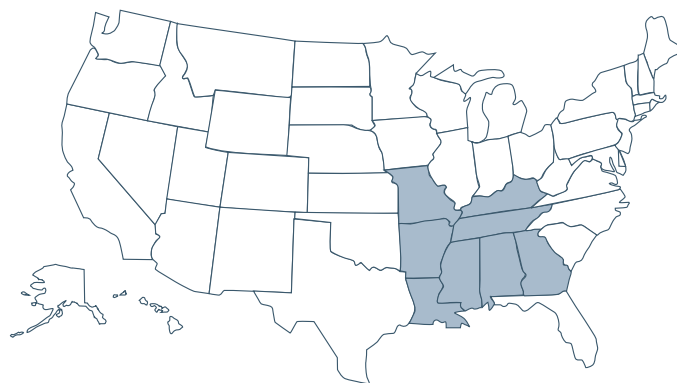
as of June 28, 2013

	Southeast Community Bank Index	National Community Bank Index
Price / LTM EPS	13.30	13.18
Price / 2013 (E) EPS	14.73	13.83
Price / 2014 (E) EPS	13.99	13.19
Price / Book Value	103.65%	106.10%
Price / Tangible Book Value	105.59%	115.12%
Dividend Yield	2.34%	2.39%

Return Stratification of U.S. Banks

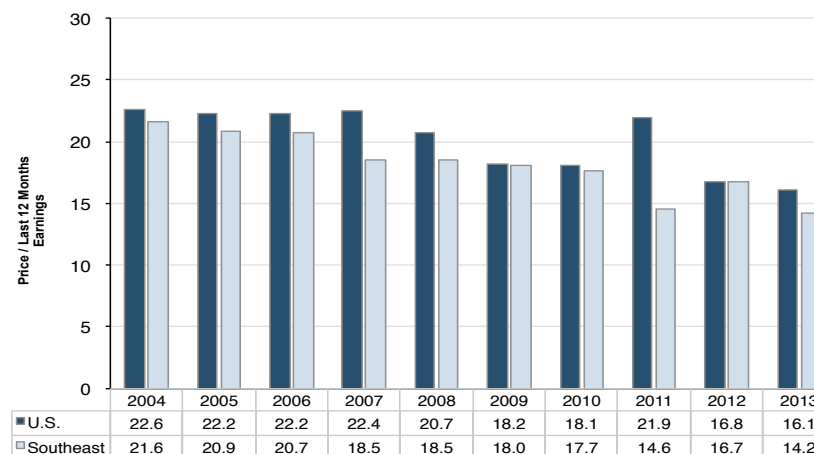
by Asset Size





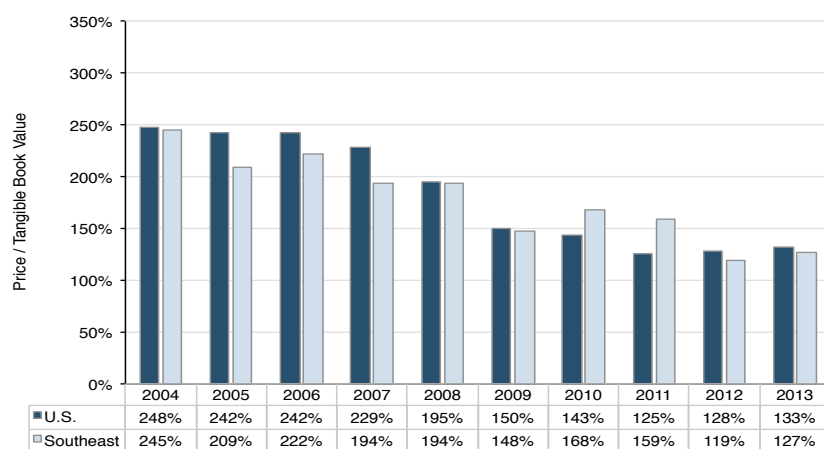
Median Price/Earnings Multiples

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



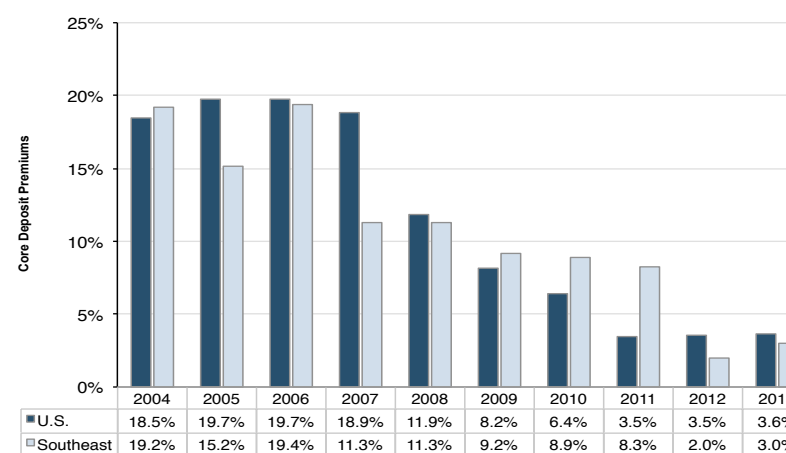
Median Price/Tangible Book Value Multiples

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



Median Core Deposit Multiples

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



Mercer Capital's Southeast Public Bank Peer Report

July 12, 2013

52 Wk Perf (%)	52 Wk High (\$)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	Price / Earnings			Price/ BVPS (x)	Price/ Tang. BVPS (x)	Div. Yield (%)	Tangible Equity / Assets (%)	Efficiency Ratio (%)	LTM ROE (%)	LTM ROA (%)	NPA's/ Loans + OREO (%)	NCO's/ Avg. Loans (%)	Loan Loss Reserve/ Loans (%)	Assets (\$M)	
								LTM (x)	Core LTM (x)	FY 13 (x)												FY 14 (x)
(0.44)	\$24.87	\$20.51	Auburn National Bancorporation, Inc.	AUBN	AL	\$22.05	\$80	11.48	12.24	NM	NM	1.14	1.14	3.81	9.09	53.96	9.99	0.92	2.65	1.08	1.71	\$772,155
55.70	\$10.34	\$6.19	Regions Financial Corporation	RF	AL	\$10.00	\$14,134	12.20	11.60	11.38	11.3	0.93	1.38	1.20	8.94	61.66	8.38	1.04	6.45	1.16	2.33	\$119,718,000
88.00	\$10.40	\$5.00	United Security Bancshares, Inc.	USBI	AL	\$9.40	\$57	12.88	12.88	NA	NM	0.82	0.82	0.00	12.22	70.79	6.39	0.74	10.13	1.81	4.97	\$564,639
55.70			Median - Alabama					12.20	12.24	11.38	11.32	0.93	1.14	1.20	9.09	61.66	8.38	0.92	6.45	1.16	2.33	\$772,155
50.02	\$46.85	\$30.76	Bank of the Ozarks, Inc.	OZRK	AR	\$44.84	\$1,589	19.75	19.84	18.73	16.7	2.99	3.05	1.69	12.90	45.90	16.01	2.09	1.07	0.22	1.33	\$4,043,632
77.23	\$27.45	\$14.75	Home BancShares, Inc.	HOMB	AR	\$26.73	\$1,503	22.85	22.22	20.47	16.5	2.84	3.48	1.12	10.45	45.65	13.09	1.62	4.25	0.46	1.72	\$4,225,507
23.30	\$27.89	\$22.36	Simmons First National Corporation	SFNC	AR	\$27.76	\$458	17.03	17.39	16.86	15.7	1.13	1.34	3.03	9.84	70.69	6.67	0.80	2.98	0.30	1.48	\$3,543,561
50.02			Median - Arkansas					19.75	19.84	18.73	16.46	2.84	3.05	1.69	10.45	45.90	13.09	1.62	2.98	0.30	1.48	\$4,043,632.00
45.20	\$18.99	\$10.21	Ameris Bancorp	ABCB	GA	\$17.99	\$430	39.11	31.74	18.86	11.6	1.68	1.70	0.00	8.83	66.71	4.96	0.49	6.12	1.65	1.17	\$2,861,651
46.39	\$7.50	\$3.22	Colony Bankcorp, Inc.	CBAN	GA	\$7.29	\$62	38.37	NM	NM	NM	0.91	0.91	0.00	6.02	79.62	3.15	0.27	8.83	1.28	1.76	1,118,865.00
67.56	\$14.14	\$8.18	Fidelity Southern Corporation	LION	GA	\$13.70	\$284	9.99	11.20	11.14	11.5	1.35	1.37	0.00	5.90	66.94	14.33	1.10	3.84	0.50	1.58	2,532,249.00
1.07	\$11.93	\$7.03	Southwest Georgia Financial Corporation	SGB	GA	\$9.84	\$25	12.95	13.61	NM	NM	0.83	0.83	1.63	8.22	82.30	6.54	0.58	1.42	0.37	1.42	366,050.00
2.79	\$17.00	\$14.01	State Bank Financial Corporation	STBZ	GA	\$15.68	\$500	32.00	32.80	55.02	15.8	1.17	1.21	0.77	15.74	70.00	3.82	0.62	0.44	0.04	3.02	2,642,185.00
44.35	\$34.64	\$22.34	SunTrust Banks, Inc.	STI	GA	\$33.97	\$18,391	9.03	23.54	12.58	11.7	0.90	1.32	1.18	8.39	70.10	10.05	1.19	3.43	1.18	1.74	172,435,000.00
62.83	\$3.15	\$1.81	Synovus Financial Corp.	SNV	GA	\$3.03	\$2,404	3.56	3.60	26.11	17.6	0.91	0.92	1.32	9.89	63.53	27.08	3.15	6.64	2.25	1.80	26,212,879.00
64.29	\$13.89	\$6.12	United Community Banks, Inc.	UCBI	GA	\$13.11	\$565	34.50	34.05	18.38	14.8	1.91	1.93	0.00	5.72	60.26	5.83	0.50	5.65	1.60	2.49	6,849,368.00
46.39			Median - Georgia					22.47	23.54	18.62	13.23	1.04	1.26	0.38	8.31	68.47	6.19	0.60	4.74	1.23	1.75	2,751,918.00
21.26	\$29.94	\$23.58	Bank of Kentucky Financial Corporation	BKYF	KY	\$29.20	\$219	12.43	12.22	13.09	12.2	1.26	1.47	2.33	8.29	57.93	10.60	1.01	2.88	0.76	1.38	1,820,511.00
5.71	\$10.02	\$7.84	Citizens First Corporation	CZFC	KY	\$9.25	\$18	12.01	10.77	NM	NM	0.67	0.82	0.00	5.32	63.95	6.10	0.61	4.96	0.61	2.21	422,093.00
17.56	\$38.80	\$29.60	Community Trust Bancorp, Inc.	CTBI	KY	\$38.39	\$601	13.28	13.47	13.05	13.1	1.48	1.77	3.28	9.44	54.25	11.29	1.23	4.44	0.38	1.30	3,672,095.00
245.94	\$23.00	\$6.46	Farmers Capital Bank Corporation	FFKT	KY	\$22.59	\$169	15.80	16.11	16.98	20.9	1.20	1.21	0.00	7.79	68.88	7.56	0.68	9.72	0.45	2.31	1,794,534.00
76.10	\$3.83	\$1.46	First Financial Service Corporation	FFKY	KY	\$3.61	\$17	NM	NM	NM	20.1	0.74	0.74	0.00	2.47	97.93	(16.89)	(0.75)	12.29	1.07	3.12	939,942.00
(46.15)	\$2.68	\$0.62	Porter Bancorp, Inc.	PBIB	KY	\$0.84	\$10	NM	NM	NM	NM	1.19	1.45	0.00	0.62	73.43	(51.89)	(2.70)	NM	5.25	4.82	1,132,869.00
32.58	\$27.95	\$19.56	Republic Bancorp, Inc.	RBCAA	KY	\$27.75	\$514	11.51	18.19	16.57	16.8	1.06	1.08	2.54	15.69	66.98	9.33	1.48	4.76	0.13	0.90	3,401,358.00
11.71	\$26.81	\$20.86	S.Y. Bancorp, Inc.	SYBT	KY	\$26.28	\$367	13.98	13.98	14.00	14.0	1.76	1.76	3.04	9.82	56.94	12.91	1.25	2.43	0.57	1.99	2,121,066.00
19.41			Median - Kentucky					12.85	13.72	14.00	15.4	1.19	1.33	1.16	8.04	65.46	8.45	0.85	4.76	0.59	2.10	1,807,522.50

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								LTM (x)	Core LTM (x)	FY 13 (x)												FY 14 (x)
13.46	\$56.86	\$44.28	IBERIABANK Corporation	IBKC	LA	\$55.52	\$1,648	28.18	25.66	18.62	15.7	1.08	1.50	2.45	8.76	80.45	3.79	0.46	1.64	0.06	2.16	12,951,199.00
14.32	\$17.44	\$12.75	MidSouth Bancorp, Inc.	MSL	LA	\$15.97	\$179	19.96	17.50	13.91	13.0	1.21	1.84	2.00	5.36	74.73	5.90	0.67	1.94	0.18	0.72	1,867,056.00
15.80	\$45.95	\$36.21	Teche Holding Company	TSH	LA	\$43.90	\$90	10.76	10.96	13.51	14.4	1.04	1.08	3.37	9.69	71.17	9.88	1.00	1.28	0.26	1.26	860,329.00
14.32			Median - Louisiana					19.96	17.50	13.91	14.4	1.08	1.50	2.45	8.76	74.73	5.90	0.67	1.64	0.18	1.26	1,867,056.00
44.83	\$53.38	\$34.00	Cass Information Systems, Inc.	CASS	MO	\$52.91	\$608	26.12	28.10	NM	NM	3.44	3.77	1.36	12.74	68.81	13.72	1.75	0.33	0.63	1.62	1,280,279.00
30.54	\$46.97	\$34.69	Commerce Bancshares, Inc.	CBSH	MO	\$45.88	\$4,160	16.21	16.01	16.03	15.7	1.98	nm	1.96	NA	58.77	11.67	1.22	NA	0.38	1.60	21,910,351.00
54.60	\$17.61	\$10.89	Enterprise Financial Services Corp	EFSC	MO	\$17.10	\$310	10.75	10.04	10.71	12.4	1.27	1.50	1.23	6.69	52.26	12.79	1.00	1.88	0.70	2.02	3,123,928.00
3.04	\$31.81	\$22.60	Great Southern Bancorp, Inc.	GSBC	MO	\$29.04	\$396	8.09	15.37	14.29	15.3	1.24	1.27	2.48	7.75	56.06	13.65	1.23	5.86	2.24	1.69	4,037,037.00
27.58	\$10.61	\$6.29	Guaranty Federal Bancshares, Inc.	GFED	MO	\$10.50	\$29	30.88	34.45	NM	NM	0.72	0.72	0.00	6.09	64.93	3.97	0.32	4.60	1.75	1.76	649,972.00
41.49	\$13.00	\$6.77	Hawthorn Bancshares, Inc.	HWBK	MO	\$12.39	\$62	NM	NM	NM	NM	0.86	0.86	1.55	6.14	69.40	1.32	0.11	7.20	0.98	1.74	1,186,319.00
15.89	\$26.90	\$21.58	Southern Missouri Bancorp, Inc.	SMBC	MO	\$26.01	\$85	9.22	8.97	NM	NM	1.05	1.07	2.31	10.04	50.45	10.26	1.32	1.42	0.19	1.30	793,466.00
16.57	\$60.16	\$40.27	UMB Financial Corporation	UMBF	MO	\$58.77	\$2,383	21.37	20.92	19.66	18.4	1.85	2.35	1.46	6.57	75.26	8.73	0.81	0.63	0.34	1.16	15,705,470.00
29.06			Median - Missouri					16.21	16.01	15.16	15.5	1.26	1.27	1.51	6.69	61.85	10.97	1.11	1.88	0.66	1.65	2,202,103.50
26.42	\$19.26	\$12.55	BancorpSouth, Inc.	BXS	MS	\$18.46	\$1,757	21.22	20.76	18.97	16.9	1.20	1.50	0.22	8.96	73.37	5.72	0.63	3.45	0.47	1.87	13,393,135.00
(2.54)	\$20.61	\$17.50	Citizens Holding Company	CIZN	MS	\$17.95	\$87	13.40	13.96	NM	NM	0.99	1.03	4.90	9.51	72.05	7.40	0.76	6.87	0.38	1.85	894,637.00
46.74	\$15.40	\$8.99	First Bancshares, Inc.	FBMS	MS	\$13.53	\$69	11.00	9.92	NM	NM	0.85	1.11	1.11	4.94	73.37	6.40	0.59	2.97	0.21	1.16	788,883.00
209.94	\$17.29	\$5.26	First M&F Corporation	FMFC	MS	\$16.82	\$155	26.28	25.19	18.09	14.9	1.59	1.66	0.24	6.31	67.69	6.86	0.51	5.29	0.53	1.82	1,550,520.00
6.68	\$33.59	\$25.00	Hancock Holding Company	HBHC	MS	\$31.66	\$2,687	15.00	12.82	14.22	13.5	1.08	1.61	3.03	9.15	62.64	7.52	0.96	1.88	0.50	1.20	19,064,123.00
20.09	\$13.48	\$8.11	Peoples Financial Corporation	PFBX	MS	\$12.35	\$63	23.30	29.23	24.70	22.1	0.57	0.57	1.62	13.06	76.06	2.48	0.33	16.53	0.81	2.12	847,786.00
68.59	\$26.83	\$16.03	Renasant Corporation	RNST	MS	\$26.22	\$664	23.41	23.25	20.78	15.4	1.32	2.12	2.59	7.65	66.19	5.68	0.68	4.27	0.56	1.64	4,267,658.00
9.23	\$26.87	\$20.76	Trustmark Corporation	TRMK	MS	\$26.47	\$1,778	15.39	14.33	14.87	15.0	1.31	1.90	3.48	8.20	63.13	8.70	1.11	3.03	0.24	1.24	11,850,515.00
23.26			Median - Mississippi					18.30	17.54	18.53	15.23	1.14	1.55	2.11	8.58	69.87	6.63	0.66	3.86	0.49	1.73	2,909,089.00
(4.63)	\$13.65	\$10.61	First Advantage Bancorp	FABK	TN	\$12.62	\$54	27.43	NA	NM	NM	nm	nm	2.22	NA	NA	NA	NA	NA	NA	NA	NA
42.56	\$12.48	\$7.71	First Horizon National Corporation	FHN	TN	\$12.14	\$2,928	NM	NM	15.24	13.1	1.33	1.43	1.65	8.21	98.69	(0.18)	(0.02)	5.06	1.00	1.63	25,166,427.00
(15.81)	\$7.45	\$1.30	First Security Group, Inc.	FSGI	TN	\$2.45	\$153	NM	NM	NM	NM	nm	nm	0.00	(1.17)	151.96	(88.27)	(3.57)	4.53	4.35	2.48	1,040,753.00
44.73	\$27.82	\$18.05	Pinnacle Financial Partners, Inc.	PNFP	TN	\$27.34	\$958	21.19	NA	17.12	15.8	1.38	2.16	NA	9.18	57.53	6.81	0.96	1.56	0.25	1.83	5,070,935.00
18.96			Median - Tennessee					24.31	...	16.18	14.44	1.36	1.79	1.65	8.21	98.69	(0.18)	(0.02)	4.53	1.00	1.83	5,070,935.00
38.29			Average					18.35	18.08	17.80	15.22	1.31	1.49	1.55	8.27	68.94	4.32	0.70	4.47	0.91	1.87	\$11,624,795
27.58			Median					15.59	16.01	16.71	15.34	1.19	1.38	1.51	8.39	67.34	7.13	0.78	4.05	0.55	1.73	\$2,587,217

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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