West



Bank Watch

What to Make of the Bank Stock Rally?

by Jeff K. Davis, CFA

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Banks and most financials have been frustrating since rebounding from the depths of the second half of 2007 through the first quarter of 2009 panic. Periods of outperformance have been followed by stretches of underperformance. The current cycle is one of outperformance following a steep selloff in third quarter of 2011 as a result of the Washington debt ceiling debacle and a near Lehmanmoment in Europe when the intra-bank funding markets locked-up. Since October 1, 2011 the SNL Small Cap U.S. Bank Index has produced a total return of 49% through February 8 vs. 45% for the Russell 2000. The SNL Large Cap U.S. Bank Index had a total return of 63% vs. 38% for the S&P 500.

The rally is less impressive if it is dated to year-end 2010 with large cap banks underperforming by rising 11% vs. 26% for the S&P 500; small cap banks lagged the Russell 2000 at 16% vs. 20%. Viewed from a bit longer horizon, returns for bank stocks similarly lag if the starting date is March 31, 2010, which coincided with a peaking of many large cap bank stocks following the rally that began on March 9, 2009 when Secretary Geithner indicated there would be no nationalization. Between March 9, 2009 and March 31, 2010, large cap banks posted a 202% total return vs. a mere 101% return for the S&P 500. This rally followed a brutal 21-month sell-off that got underway in mid-2007 when housing was clearly rolling over and securitization markets froze.

I think one aspect of the bigger swing in the large cap banks since 3Q11 reflects the direct and indirect European exposure of JPMorgan Chase & Co. (JPM), Citigroup Inc. (C) and a few other large banks that dominate the index. It was the ECB's announcement in early November 2011 that it would address the funding issues (European banks are much more reliant on wholesale funding than U.S. banks) through the longer-term refinancing operations (LTRO) that became a catalyst to rally European banks and global equities. Also, housing found a bottom in 2012 and has been improving in many markets since then. The turn in housing and attendant demand for distressed assets was important in driving NPAs lower at high NPA banks such as Regions Financial Corporation (RF) and Synovus Financial Corp. (SNV) and thereby aiding last year's rally.

So what to make of the current rally? Valuation is never a catalyst, but it usually is the most important determinant in the return equation, especially over an intermediate-to-long-term investment horizon. For investors, the one critical attribute that they control that impacts their return is the entry price; the lower the better. While valuation is not a catalyst, reversion to the mean is a powerful concept.

Mercer Capital's West Bank Watch

March 2013

As shown in the accompanying table, bank stocks are cheap based upon price/tangible book value (P/TBV) multiples in relation to their 20-year average. The publicly traded universe of banks is sorted into three groups: assets of \$100 million to \$1 billion; \$1 billion to \$10 billion; and greater than \$10 billion.

Figure One: Recent Trends in Bank Pricing Multiples

Current Public Banks and Thrifts as of February 8, 2013

								Long- term
	6/30/10	12/31/10	6/30/11	12/31/11	6/30/12	12/31/12	2/8/13	average
Median Price/TBV (%)								
Assets of \$100 million - \$1 billion	75.3	76.6	75.9	66.7	75.3	81.6	82.0	116.3
Assets of \$1 billion - \$10 billion	106.9	122.3	109.8	105.0	116.7	120.2	122.7	166.3
Assets > \$10 Billion	140.6	155.1	147.0	132.3	136.6	141.8	141.4	221.7
P/TBV as a % of the long-term av	erage¹							
Assets of \$100 million - \$1 billion	64.7	65.9	65.2	57.3	64.7	70.1	70.5	
Assets of \$1 billion - \$10 billion	64.3	73.5	66.0	63.1	70.2	72.3	73.8	
Assets > \$10 Billion	63.4	70.0	66.3	59.7	61.6	64.0	63.8	
Median P/E (x) ²								
Assets of \$100 million - \$1 billion	14.2	13.6	12.6	11.8	12.0	11.6	12.8	13.5
Assets of \$1 billion - \$10 billion	15.4	14.8	13.7	12.9	12.9	12.9	13.3	14.2
Assets > \$10 Billion	15.1	17.5	15.8	13.4	13.4	12.9	13.7	14.8
P/E as a % of the long-term avera	age							
Assets of \$100 million - \$1 billion	104.6	100.1	93.1	86.9	88.6	85.7	94.4	
Assets of \$1 billion - \$10 billion	108.4	104.3	96.8	91.1	91.1	90.9	94.0	
Assets > \$10 Billion	102.1	118.3	107.2	90.7	90.8	87.4	92.9	
Acquisition multiples								
Average P/TBV (%)	122.0	109.0	109.0	97.0	111.0	110.0	104.0	
Median P/E (x)	nm	nm	nm	51.2	nm	34.1	27.6	

¹ long-term average P/TBV and P/E is based upon quarterly period-end pricing since March 31, 1992;

As of February 8, 2013, the median P/TBV ratio ranged between 64% and 74% of the 20-year average multiple for each respective group. Bank stocks are not as cheap when based upon the latest twelve month (LTM) earnings. As of February 8, the median price/earnings (P/E) ratios ranged from 12.8x for the smallest group to 13.7x for the largest banks. The current P/E multiples equate to 93-94% of the 20-year average.

The conclusion that banks look really cheap in terms of P/TBV multiples may not be the right takeaway even though it doves tail well into the reversion to the mean concept. Investors, acquirers and sellers tend to state bank multiples in terms of P/TBV multiples first and earnings second for a couple of reasons. One is that earnings are volatile (after credit costs), and tangible book values are not. Also, the business model is predicated upon leveraging tangible equity to produce net income. Absolute P/TBV multiples notwithstanding, bank investors usually acquire equities because: (a) they believe value will track earnings growth; (b) valuation multiples are expected to expand over time for any number of reasons; (c) tangible book value is expected to compound at a competitive rate over time; and/or (d) the yield and/or prospects for dividend increases are favorable.

Broadly, value defined as P/TBV can be expressed as the product of profitability, leverage and the earnings multiple. And P/E multiples are positively correlated with long-term earnings growth expectations.

(Net Income / Assets) x (Assets / Tangible Equity) = (Net Income / Tangible Equity); or,

ROA x Leverage = ROTE

and

Source: SNI Financial

(Price / Net Income) x (Net Income / Tangible Equity) = (Price / Tangible Equity); or,

P/E x ROTE = P/TBV

Historically, when bank multiples rose above the 20-year average, returns tended to be poor over the ensuing 1-2 year period and vice versa. For instance, valuations were below average during the 1990s until 1997 when they began to climb sharply, reflecting an accelerating level of M&A and a robust U.S. economy. Returns from mid-1998 through early 2000 faded as valuations compressed in response to a shift by investors into growth stocks as the doc.com mania peaked. Also, my recollection is that investors were disgusted with poorly executed, high priced deals such as First Union Corporation-CoreStates Financial. While growth stocks rolled over in March 2000, banks, industrials and other value-oriented stocks staged a strong rally. Following the shallow recession of 2001 and the Fed's eventual cutting of the fed funds target to 1.0% in 2003, banks began to climb that peaked with above trend ROEs and valuations. As of year-end 2006, P/Es were 109-123% of the 20-year average and P/TBV multiples were 134-135% of the 20-year average. From there it was all downhill for over two years for large banks and three years for small banks.

² P/E is based upon trailing 12 month earnings per share; Data excludes banks that have been acquired or failed

Mercer Capital's West Bank Watch

March 2013

So what do we make of current valuations? I tend to view them as not as cheap as they appear given the context of the current operating environment. Those who have followed my musings on this blog know that I think the Street has not gotten its mind around how low NIMs will be in 2014 absent a change in the rate environment as loan portfolio yields are poised to plummet for most banks. Also, mortgage refinancing that has supported earnings will eventually ebb even if long rates do not move much. The same applies to waning credit leverage. I think banks are going to have to work to maintain the current 0.90% ROA that represents the approximate median performance today. Overlaid upon this is the depressive effect on ROE of reducing leverage through using more common equity in the capital structure.

One perspective of how distorted returns were last decade can be seen from comparing ROEs vs. 10-year U.S. Treasuries. During 2000-2007, the average ROE for banks with greater than \$10 billion per the FDIC was 13.6%, which exceeded the yield on the 10-year U.S. Treasuries by 9.1%. Smaller banks did not produce as robust an ROE, but their returns likewise were significantly higher than Treasuries. The average excess ROE during 1984-2012 was 5.0% for banks with \$100 million to \$1 billion of assets and 7.1% for banks with more than \$10 billion of assets. Based upon YTD ROE and Treasury yields through September 30, 2012, the ROE spread was 5.9% and 7.2%. Stated differently, today's ROEs are not so low in the context of the Fed's zero-rate policies and a through-the-cycle view of profitability.

Where from here? I do not think valuations are so high that bank stocks face a sharp correction; however, the downward earnings revision that I expect will represent a headwind for most since valuations on a P/E basis are not cheap to history. The margin of safety may exist among dividend payers with a history and capacity to increase the dividend. Also, so far credit spreads are not signaling danger. Historically, credit spreads have been an excellent indicator for bank stock investors. Spreads are tight today, indicating caution, but they show no sign of a material widening move. One could argue that credit spreads have been distorted by the Fed's actions, but the same can be said about most asset values, including equities.

Secondly, where the best price action for bank equity investors may be is in the micro-cap group. These banks have always tended to trade at a varying discount to larger banks due to lack of visibility with investors and less liquidity. Some of these banks are growth stories that are relegated to the value sector. Some will be acquirers, many more will be sellers in time. Notably, First M&F produced a five-day gain of 45% prior to the announcement on February 7 that Renasant Corporation (RNST) would acquire the company for a price that equates to 122% of TBV. Likewise, Virginia Commerce Bancorp, Inc. (VCBI) produced a 27% return since January 13 (and 50% since January 1) when the company confirmed that it had initiated a strategic review that culminated with the announcement that it would be acquired by United

Bankshares, Inc. (UBSI) on January 30. In effect, the boards of many these banks may have to force reversion to the mean through selling the company as I do not believe the earnings outlook will be an upside catalyst.

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What We're Reading

Bloomberg published an interesting piece titled "Too Big to Fail Rules Hurting Too Small to Compete Banks":

 $\label{local-compete-banks} $$ $$ http://www.bloomberg.com/news/2013-02-28/too-big-to-fail-rules-hurting-too-small-to-compete-banks.html $$ $$ $$ $$$

Naomi Snyder of *Bank Director* published an interview discussing what bank boards and management should know about bank M&A in 2013:

 $\label{lem:http://www.bankdirector.com/index.php/board-issues/manda/what-bank-boards-and-management-need-to-know-about-manda-in-2013$

Big data is a buzz word circulating across a number of industries, and this article by Jim Marous of New Control details some ideas for community banks to start leveraging data more effectively:

http://www.bankdirector.com/index.php/board-issues/technology/when-it-comes-to-bank-big-data-start-small/

Deloitte published a list of the top 10 issues impacting banking M&A for 2013:

Jay Wilson of Mercer Capital writes on Community Bank Stress Testing in the February 2013 issue of Bank Watch:

http://mercercapital.com/assets/Mercer-Capital_Bank-Watch_West_2013-02.pdf

Mercer Capital's 2013 Webinar Series

Learn more and register at http://mer.cr/bank-webinar

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

Join us in 2013 for a complimentary series of short, topical, and targeted webinars on issues important to your institution in today's current banking environment.

Upcoming Webinar Schedule

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.

Thursday, March 28, 2013 » 12:00 – 12:30pm Central Register now at www.mercercapital.com

Are You a Potential Buyer?

The #1 factor that a buyer controls in determining the return is the price paid. Deals occurring later in a credit cycle tend to entail a higher price and worse outcome for the buyer. We review price and other issues from the buyer's perspective that we think matter in ensuring a successful merger.

Tuesday, April 9, 2013 » 12:00 - 12:30pm Central

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 a replay at http://mer.cr/bnkweb1

Understanding Deal Considerations

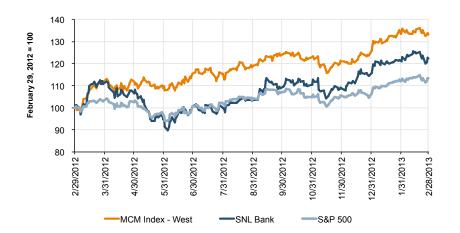
Key issues that we see when banks combine as it relates to valuing and evaluating a combination are reviewed. This is particularly critical when the consideration consists of shares issued by a buyer (or senior merger partner) whose shares are either privately held or are thinly traded.

View a replay at http://mer.cr/bnkweb2

About the Speaker

Jeff K. Davis, Managing Director of Mercer Capital's Financial Institutions Group, will be the featured speaker for each listed webinar. Jeff spent 13 years as a sell-side analyst providing coverage of publicly traded banks and specialty finance companies to institutional investors evaluating common equity and fixed income investment opportunities. Presently, he is an editorial contributor to SNL Financial.

Community Bank Group Index Overview



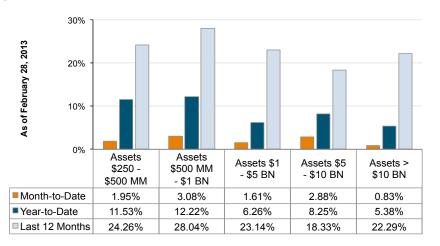
Median Valuation Multiples

as of February 28, 2013

	West Community Bank Index	National Community Bank Index
Price / LTM EPS	14.45	12.41
Price / 2013 (E) EPS	13.82	12.87
Price / 2014 (E) EPS	12.97	12.36
Price / Book Value	111.57%	101.35%
Price / Tangible Book Value	117.50%	112.68%
Dividend Yield	2.33%	2.68%

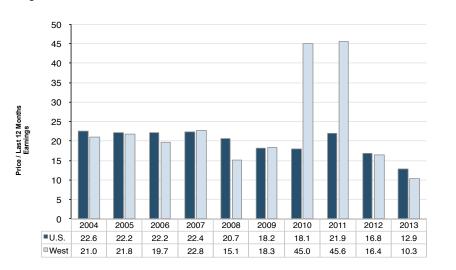
Return Stratification of U.S. Banks

by Asset Size



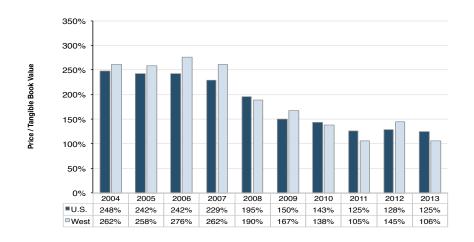
Median Price/Earnings Multiples

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



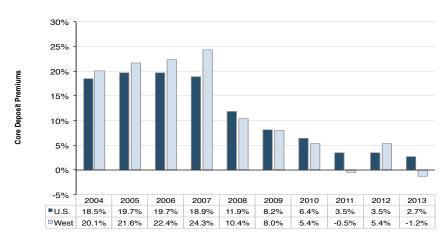
Median Price/Tangible Book Value Multiples

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



Median Core Deposit Multiples

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



52 Wk Perf (%)	52 Wk High (\$)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Price / Ear Core LTM (x)	nings 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)
10.81	\$23.64	\$19.60	Northrim BanCorp, Inc.	NRIM	AK	\$22.34	\$145	11.34	NA	13.16	NM	1.07	1.14	2.69	11.12	66.75	10.24	1.24	2.46	(0.21)	2.29	\$1,160,107
10.81			Median - Alaska					11.34		13.16		1.07	1.14	2.69	11.12	66.75	10.24	1.24	2.46	(0.21)	2.29	\$1,160,107
60.75	\$14.20	\$8.00	Western Alliance Bancorporation	WAL	ΑZ	\$14.13	\$1,229	17.02	18.78	14.53	12.50	1.97	2.07	nm	7.76	55.79	10.54	1.01	4.63	0.99	1.67	\$7,622,637
60.75			Median - Arizona					17.02	18.78	14.53	12.50	1.97	2.07		7.76	55.79	10.54	1.01	4.63	0.99	1.67	\$7,622,637
35.58	\$5.98	\$4.03	1st Century Bancshares, Inc.	FCTY	CA	\$5.83	\$53	17.67	17.67	7.03	13.71	1.08	1.08	nm	9.85	80.86	6.26	0.64	1.70	(0.31)	2.26	\$499,173
7.26	\$8.31	\$6.21	American River Bankshares	AMRB	CA	\$7.83	\$72	23.03	22.61	21.14	19.92	0.78	0.94	0.00	13.39	64.77	3.42	0.55	12.99	0.93	2.24	\$596,389
29.78	\$5.36	\$3.78	Bank of Commerce Holdings	BOCH	CA	\$5.24	\$84	13.10	25.20	9.61	8.65	0.93	0.93	2.29	9.22	53.21	6.98	0.82	7.53	1.39	1.67	\$979,538
5.01	\$44.09	\$34.50	Bank of Marin Bancorp	BMRC	CA	\$39.74	\$215	12.12	12.13	12.91	12.80	1.41	1.41	1.81	10.58	54.09	12.36	1.24	NA 4.00	0.38	1.27	\$1,434,749
27.31	\$13.90	\$9.98	BBCN Bancorp, Inc.	BBCN	CA	\$13.89	\$1,094	14.03	13.56	12.35	11.95	1.44	1.65	1.44	11.86	40.76	10.73	1.59	1.86	0.36	1.54	\$5,640,661
24.46	\$16.43	\$12.36	Bridge Capital Holdings	BBNK	CA	\$15.42	\$243	16.76	17.02	15.46	14.49	1.65	1.65	nm	10.92	63.82	9.98	1.14	2.15	0.31	2.20	\$1,343,585
48.12	\$9.74	\$5.96	CapitalSource Inc.	CSE	CA	\$9.60	\$1,995	4.51	4.55	15.47	13.42	1.24	1.39	0.42	17.34	43.34	30.25	5.80	3.37	1.27	1.90	\$8,549,005
18.56	\$20.65	\$15.10	Cathay General Bancorp	CATY	CA	\$20.57	\$1,621	16.07	16.89	14.22	13.22	1.19	1.55	0.19	10.08	47.17	7.47	1.11	3.96	0.21	2.47	\$10,694,089
28.66	\$9.25	\$6.59	Central Valley Community Bancorp	CVCY	CA	\$8.51	\$81	11.35	12.67	11.66	9.81	0.74	0.94	2.35	9.99	75.19	6.56	0.88	4.33	0.50	2.56	\$890,228
19.13 127.27	\$58.00 \$5.10	\$46.12	City National Corporation	CYN	CA CA	\$57.94 \$5.00	\$3,128	15.13 16.13	14.77 NA	15.00 NM	14.40 NM	1.32 0.79	1.87 0.79	1.73 0.00	5.89 7.09	64.34 71.28	9.16 6.21	0.83	1.14 NA	(0.05)	2.04 3.12	\$28,618,492 \$532,101
		\$2.05	Community West Bancshares	CUNB		\$12.74	\$30 \$137															
20.19 3.60	\$13.54 \$12.95	\$10.50 \$9.43	CU Bancorp CVB Financial Corp.	CVBF	CA	\$12.74	\$1,173	60.67 15.11	26.47 14.84	15.24 12.61	13.30 12.11	1.09	1.23	nm 3.04	9.03	77.56 51.51	1.73	0.17 1.19	1.82 3.77	0.08	1.03 2.68	\$1,249,637 \$6,363,364
	\$12.93	\$19.68	East West Bancorp, Inc.	EWBC	CA	\$25.78	\$3,612	13.64	13.45	12.66	12.11	1.54	1.90	2.33	8.61	42.85	12.14	1.19	1.94	0.38	1.56	\$22,536,110
11.13			, .		CA	\$8.29																
54.66 22.81	\$8.31 \$38.49	\$5.05 \$29.21	First California Financial Group, Inc. First Republic Bank	FCAL	CA	\$38.09	\$242 \$5.002	21.82 13.80	21.88	20.82 12.59	16.63 12.25	1.15	1.76	0.00	7.18 7.72	70.66 48.16	5.31 13.22	0.64 1.29	3.58 0.22	0.19	1.55 0.46	\$1,990,804 \$34,387,677
			·				\$5,002 \$509					1.72					27.55					\$2,882,520
64.16 17.22	\$17.37 \$7.18	\$9.10 \$5.86	Hanmi Financial Corporation	HAFC	CA	\$16.17 \$7.01	\$185	5.63 25.96	5.67 24.40	12.70 20.55	11.83 19.06	1.23	1.35	0.00	13.09 8.76	61.07 70.34	5.75	3.24 0.73	2.69	1.70 0.57	3.08 2.33	\$1,693,312
41.12	\$6.00	\$4.10	Heritage Commerce Corp Heritage Oaks Bancorp	HEOP	CA	\$5.80	\$165	13.18	15.12	13.79	12.59	1.23	1.35	0.00	10.00	67.88	9.49	1.27	2.44	1.32	2.55	\$1,093,512
50.00	\$17.89	\$11.00	North Valley Bancorp	NOVB	CA	\$17.49	\$147	19.01	23.15	22.74	19.75	1.24	1.25	0.00	10.63	81.07	6.70	0.69	NA	0.93	2.12	\$902,343
17.43	\$8.88	\$5.02		OVLY	CA	\$8.04	\$64	11.66	23.15 NA	22.74 NM	NM	1.01	1.01	0.00	9.57	65.24	8.33	0.09	NA NA	0.93	2.12	\$660,480
34.14	\$7.40	\$4.53	Oak Valley Bancorp Pacific Mercantile Bancorp	PMBC	CA	\$6.09	\$102	11.07	13.04	NM	NM	0.89	0.89	nm	10.83	77.47	9.31	0.95	NA NA	0.46	1.38	\$1,053,941
53.30	\$13.29	\$7.53	Pacific Premier Bancorp, Inc.	PPBI	CA	\$12.54	\$102	8.71	11.98	14.43	9.30	1.27	1.30	nm	11.26	57.97	16.34	1.52	NA NA	0.03	0.81	\$1,053,941
23.54	\$13.29	\$20.82	PacWest Bancorp	PACW	CA	\$12.54	\$1,053	18.29	12.10	13.11	12.49	1.79	2.13	3.55	9.21	52.52	10.01	1.04	5.72	0.16	2.56	\$5,463,658
27.47	\$5.96	\$20.62	Plumas Bancorp	PLBC	CA	\$5.29	\$1,033	26.45	32.82	NM	NM	0.85	0.86	0.00	6.26	78.60	4.08	0.36	8.00	1.22	1.84	\$470,073
55.32	\$16.74	\$10.52	Preferred Bank	PFBC	CA	\$16.51	\$219	9.07	9.21	17.18	14.34	1.16	1.16	0.00	12.11	45.11	13.68	1.71	4.77	2.25	1.82	\$1,555,367
36.91	\$10.74	\$8.42	Sierra Bancorp	BSRR	CA	\$13.35	\$188	23.02	26.98	19.94	15.94	1.08	1.10	1.80	11.75	68.36	4.74	0.59	NA	2.23	1.57	\$1,333,307
62.37	\$9.49	\$5.56	Summit State Bank	SSBI	CA	\$8.88	\$42	14.32	28.54	17.53	NM	0.86	0.93	4.05	10.23	59.80	5.58	0.84	NA NA	1.10	2.04	\$444,896
6.70	\$69.31	\$52.40	SVB Financial Group	SIVB	CA	\$68.92	\$3,085	17.63	165.48	18.52	17.32	1.68	1.68	0.00	8.04	65.79	10.15	1.17	0.44	0.31	1.24	\$22,766,123
6.90	\$17.95	\$14.68	TriCo Bancshares	TCBK	CA	\$17.44	\$279	14.78	13.71	13.22	12.61	1.22	1.31	2.06	8.21	66.54	8.41	0.75	NA	0.82	2.70	\$2,609,269
76.49	\$4.24	\$1.89	United Security Bancshares	UBFO	CA	\$4.24	\$60	9.86	NA	NM	NM	0.87	0.93	0.00	10.05	65.91	9.23	0.97	10.92	0.73	2.95	\$648,877
14.14	\$37.18	\$29.80	Wells Fargo & Company	WFC	CA	\$36.97	\$194,864	11.00	10.83	10.16	9.49	1.34	1.73	2.70	8.11	54.78	12.81	1.44	4.85	1.10		\$1,422,968,000
(2.32)	\$49.53	\$40.50	Westamerica Bancorporation	WABC	CA	\$45.46	\$1,235	15.52	14.73	17.21	17.14	2.21	2.98	3.26	8.64	43.67	14.93	1.64	2.17	0.69	1.43	\$4,952,193
27.31	J.0.00	7.0.00	Median - California		<i>-</i> , .	¥10.10	ψ., <u>2</u> 55	14.78	14.81	14.32	13.22	1.22	1.31	0.73	9.99	64.34	9.23	0.97	3.03	0.57	2.04	\$1,437,903
27.31			wedian - Camornia					14.76	14.61	14.32	13.22	1.22	1.31	0.73	9.99	64.34	9.23	0.97	3.03	0.57	2.04	\$1,437,903

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52 Wk Perf (%)	52 Wk High (\$)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Price / Ear Core LTM (x)	nings 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)
35.55	\$8.65	\$5.77	CoBiz Financial Inc.	COBZ	СО	\$8.35	\$333	15.18	15.44	15.71	12.13	1.66	1.69	1.44	7.40	71.37	10.15	0.98	3.80	0.23	2.43	\$2,653,641
18.08	\$2.37	\$1.54	Guaranty Bancorp	GBNK	СО	\$2.09	\$213	14.93	13.04	47.43	15.41	1.18	1.24	nm	9.53	73.96	8.40	0.86	3.17	0.68	2.17	\$1,886,938
NA	\$20.25	\$17.85	National Bank Holdings Corporation	NBHC	СО	\$18.96	\$877	NM	164.33	14.28	13.94	0.91	0.99	1.05	18.85	73.93	(0.05)	(0.01)	NA	1.94	0.83	\$5,410,775
26.82			Median - Colorado					14.93	14.81	15.71	13.94	1.18	1.24	1.25	9.53	73.93	8.40	0.86	3.48	0.68	2.17	\$2,653,641
8.89	\$49.99	\$41.41	Bank of Hawaii Corporation	вон	HI	\$49.78	\$2,234	13.56	13.61	14.14	14.32	2.18	2.25	3.62	7.23	56.92	16.23	1.22	1.35	0.19	2.19	\$13,728,372
17.46	\$16.65	\$12.01	Central Pacific Financial Corp.	CPF	HI	\$16.01	\$671	14.17	13.90	21.24	20.78	1.33	1.37	0.00	11.24	81.16	9.61	1.13	5.43	0.32	4.30	\$4,370,368
13.18			Median - Hawaii					13.87	13.75	17.69	17.55	1.75	1.81	1.81	9.23	69.04	12.92	1.17	3.39	0.25	3.25	\$9,049,370
23.56	\$14.00	\$8.67	Home Federal Bancorp, Inc.	HOME	ID	\$12.29	\$178	NM	154.18	NM	NM	0.99	1.00	1.95	16.95	99.61	0.95	0.16	NA 0.77	0.40	2.97	\$1,048,620
12.93	\$13.50	\$10.10	Intermountain Community Bancorp Median - Idaho	IMCB	ID	\$13.10	\$34	40.94	46.01 100.09	nm	NM	0.96	0.96	nm 1.95	9.04	79.52	3.56 2.25	0.40	2.77	1.75	1.50 2.23	\$972,139
18.24			wedian - idano					40.94	100.09			0.97	0.96	1.95	12.99	89.57	2.25	0.20	2.77	1.07	2.23	\$1,010,380
38.89	\$19.19	\$13.21	First Interstate BancSystem, Inc.	FIBK	MT	\$19.16	\$339	15.09	15.00	12.85	11.97	1.10	1.48	2.71	7.46	60.38	7.43	0.79	4.10	1.26	2.38	\$7,721,761
28.59	\$18.50	\$13.25	Glacier Bancorp, Inc.		MT	\$18.47	\$1,329	17.59	17.28	15.71	14.18	1.47	1.68	3.03	10.33	58.37	8.54	1.01	6.79	0.80	3.69	\$7,747,440
33.74	ψ10.00	ψ10.20	Median - Montana	OBOI	1411	ψ10.47	ψ1,020	16.34	16.14	14.28	13.08	1.29	1.58	2.87	8.89	59.37	7.98	0.90	5.45	1.03	3.04	\$7,734,601
																						V1,101,101
20.57	\$7.18	\$4.23	Cascade Bancorp	CACB	OR	\$6.80	\$322	NM	NM	47.43	11.07	2.31	2.31	0.00	10.74	91.73	(15.00)	(1.62)	7.99	1.24	4.13	\$1,296,429
31.26	\$11.93	\$8.41	Pacific Continental Corporation	PCBK	OR	\$11.05	\$197	16.01	15.69	14.28	12.14	1.07	1.22	2.90	11.94	58.57	6.97	0.96	3.10	0.06	1.88	\$1,373,487
11.72	\$2.13	\$1.03	PremierWest Bancorp	PRWT	OR	\$1.62	\$16	NM	NM	nm	NM	0.50	0.52	0.00	2.73	114.91	(14.01)	(0.96)	NA	1.25	2.87	\$1,139,967
6.60	\$13.88	\$11.17	Umpqua Holdings Corporation	UMPQ	OR	\$13.39	\$1,499	14.88	14.90	14.52	14.34	0.87	1.44	2.99	9.35	62.78	5.99	0.89	2.26	0.46	1.38	\$11,795,443
29.98	\$24.24	\$18.05	West Coast Bancorp	WCBO	OR	\$24.20	\$467	22.41	21.49	20.16	18.04	1.47	1.47	0.83	12.78	67.21	7.18	0.97	3.88	0.32	1.97	\$2,488,180
20.57			Median - Oregon					16.0	15.7	17.3	13.2	1.07	1.44	0.83	10.74	67.21	5.99	0.89	3.49	0.46	1.97	\$1,373,487
19.46	\$25.86	\$17.45	Zions Bancorporation	ZION	UT	\$25.73	\$4,739	26.5	19.9	14.7	13.4	0.96	1.23	0.16	7.09	69.54	5.35	0.65	3.04	0.42	2.36	\$55,511,918
19.46			Median - Utah					26.5	19.9	14.7	13.4	0.96	1.23	0.16	7.09	69.54	5.35	0.65	3.04	0.42	2.36	\$55,511,918
51.63	\$32.03	\$18.05	Banner Corporation	BANR	WA	\$31.82	\$619	10.07	9.86	13.95	13.22	1.22	1.23	0.13	11.80	71.70	11.63	1.54	3.31	0.57	2.39	\$4,265,564
(2.75)	\$23.52	\$16.18	Columbia Banking System, Inc.		WA	\$21.05	\$836	18.15	17.55	14.41	12.99	1.09	1.32	1.90	13.25	58.57	6.06	0.96	2.24	0.59	2.79	\$4,906,335
11.44	\$15.57	\$12.37	Heritage Financial Corporation		WA	\$14.60	\$221	16.78	16.15	16.65	14.06	1.11	1.19	2.19	13.88	68.27	6.52	0.98	3.54	0.45	2.78	\$1,345,540
7.77	\$23.22	\$17.19	Sterling Financial Corporation		WA	\$21.68	\$1,350	3.53	3.36	14.87	14.24	1.11	1.15	2.77	12.79	68.84	35.76	4.10	3.12	0.48	2.30	\$9,236,910
5.17	\$15.03	\$12.85	Washington Banking Company	WBCO	WA	\$14.00	\$217	12.84	12.25	12.35	12.08	1.19	1.23	4.29	10.50	59.53	9.56	1.01	NA	0.96	NA	\$1,687,677
7.77			Median - Washington					12.84	12.25	14.41	13.22	1.11	1.23	2.19	12.79	68.27	9.56	1.01	3.22	0.57	2.59	\$4,265,564
28.37			Average				_	16.00	25.24	16.43	13.81	1.25	1.39	1.46	10.21	65.21	8.84	1.06	3.88	0.68	2.17	32,360,814.63
23.54			Median					15.01	15.06	14.52	13.30	1.19	1.31	1.44	10.06	65.52	8.48	0.97	3.31	0.53	2.19	1,938,871.00
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