

Bank Watch

Midwest

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 sell-off in third quarter of 2011 as a result of the Washington debt ceiling debacle and a near Lehman-moment 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.

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

	6/30/10	12/31/10	6/30/11	12/31/11	6/30/12	12/31/12	2/8/13	Long-term 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 average¹								
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 average								
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;

Source: SNL Financial

² P/E is based upon trailing 12 month earnings per share;

Data excludes banks that have been acquired or failed

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 does fit 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.

$$(\text{Net Income} / \text{Assets}) \times (\text{Assets} / \text{Tangible Equity}) = (\text{Net Income} / \text{Tangible Equity}); \text{ or,}$$

$$\text{ROA} \times \text{Leverage} = \text{ROTE}$$

and

$$(\text{Price} / \text{Net Income}) \times (\text{Net Income} / \text{Tangible Equity}) = (\text{Price} / \text{Tangible Equity}); \text{ or,}$$

$$\text{P/E} \times \text{ROTE} = \text{P/TBV}$$

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 dot.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.

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":

<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:

<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:

http://www.deloitte.com/view/en_US/us/Services/additional-services/merger-acquisition-services/9170ccda4f14d310VgnVCM2000003356f70aRCRD.htm

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_Midwest_2013-02.pdf

Mercer Capital's 2013 Webinar Series

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

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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>

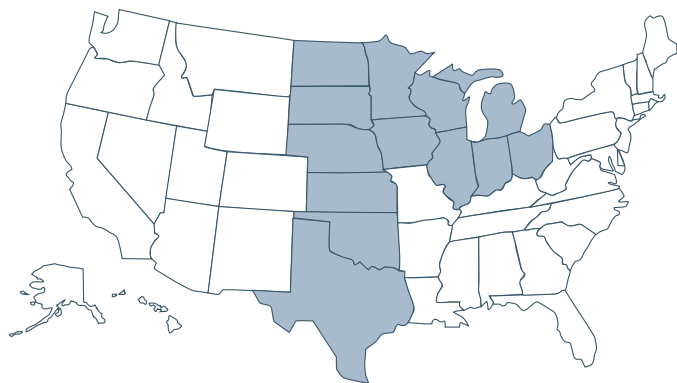
Understanding Deal Considerations

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.

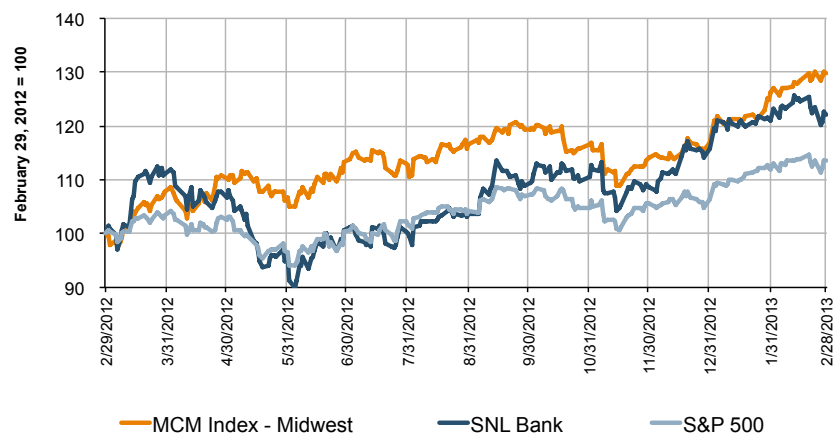
View a replay at <http://mer.cr/bnkweb2>

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



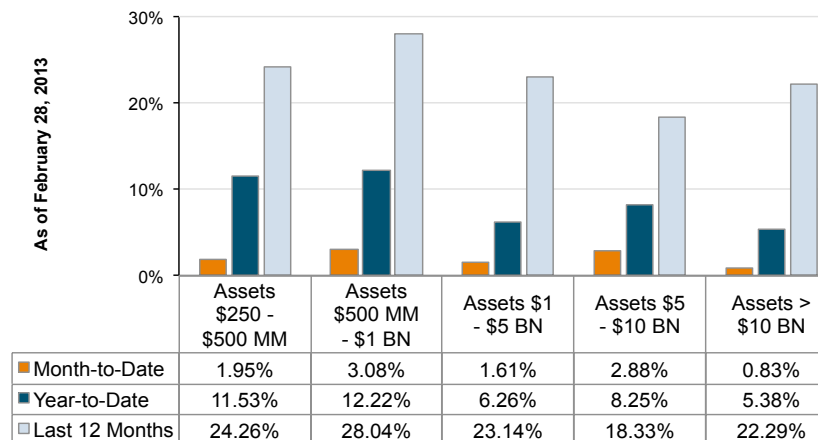
Median Valuation Multiples

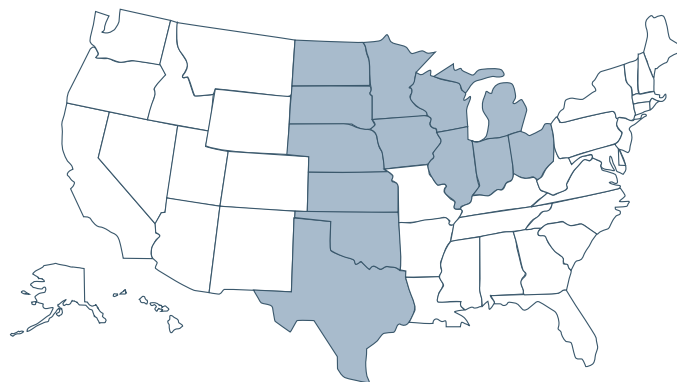
as of February 28, 2013

	Midwest Community Bank Index	National Community Bank Index
Price / LTM EPS	10.88	12.41
Price / 2013 (E) EPS	11.14	12.87
Price / 2014 (E) EPS	11.71	12.36
Price / Book Value	98.21%	101.35%
Price / Tangible Book Value	109.43%	112.68%
Dividend Yield	2.22%	2.68%

Return Stratification of U.S. Banks

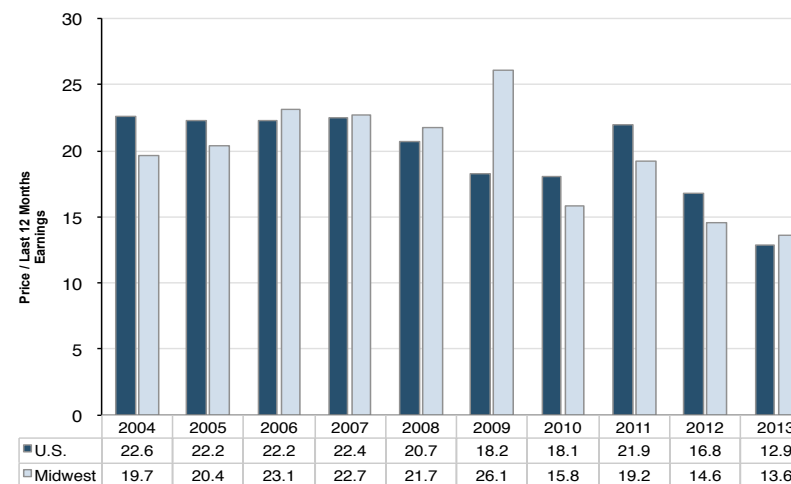
by Asset Size





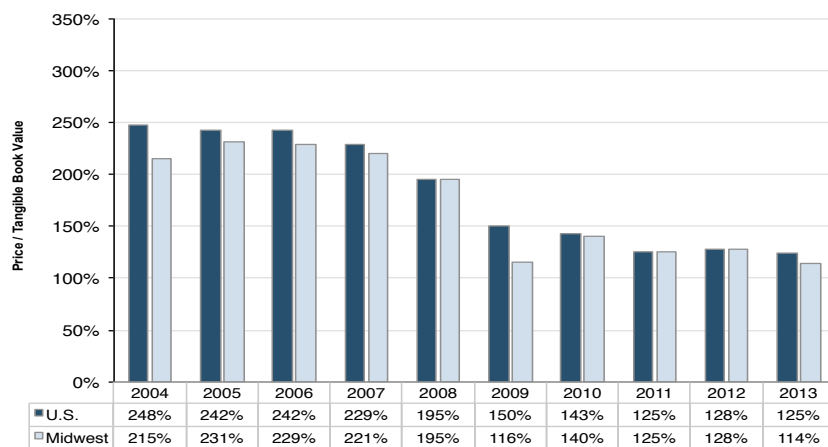
Median Price/Earnings Multiples

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



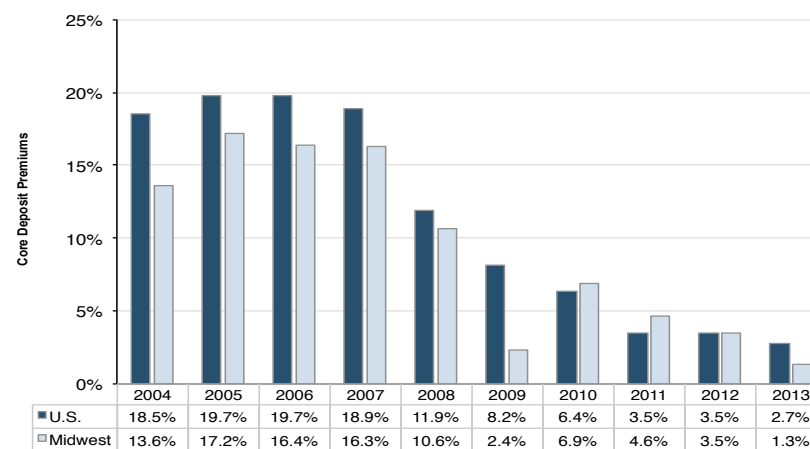
Median Price/Tangible Book Value Multiples

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



Median Core Deposit Multiples

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



Mercer Capital's Midwest Public Bank Peer Report

March 14, 2013

52 Wk Perf (%)	52 Wk High (\$)	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)
0.91	\$24.00	\$18.39	Ames National Corporation	ATLO	IA	\$21.26	\$198	13.99	13.96	NM	NM	1.37	1.44	3.01	11.38	46.25	10.08	1.24	3.12	0.03	1.50	\$1,217,692
53.89	\$29.01	\$14.91	Heartland Financial USA, Inc.	HTLF	IA	\$25.06	\$422	9.18	11.17	10.78	10.38	1.32	nm	1.60	NA	70.11	13.02	1.10	3.33	0.22	1.32	\$4,984,561
35.04	\$24.25	\$17.69	MidWestOne Financial Group, Inc.	MOFG	IA	\$23.52	\$200	12.00	11.19	11.35	11.20	1.15	1.21	2.13	9.22	58.82	10.13	0.97	1.29	0.20	1.68	\$1,792,819
16.52	\$12.35	\$9.02	West Bancorporation, Inc.	WTBA	IA	\$10.94	\$190	11.89	12.33	12.67	12.67	1.41	1.41	3.66	9.29	51.64	12.34	1.21	1.80	0.22	1.67	\$1,448,175
25.78			Median - Iowa					11.95	11.76	11.35	11.20	1.34	1.41	2.57	9.29	55.23	11.23	1.16	2.46	0.21	1.58	\$1,620,497
1.43	\$5.10	\$4.09	First Busey Corporation	BUSE	IL	\$4.69	\$407	21.32	18.21	17.85	15.73	1.21	1.34	3.41	8.45	67.58	5.41	0.64	NA	1.34	2.32	\$3,618,056
10.06	\$13.57	\$9.42	First Midwest Bancorp, Inc.	FMBI	IL	\$13.24	\$995	NM	NM	14.57	12.34	1.05	1.50	0.30	8.44	65.63	(2.18)	(0.26)	2.68	3.30	1.85	\$8,099,839
17.95	\$24.28	\$17.00	MB Financial, Inc.	MBFI	IL	\$24.28	\$1,330	15.18	14.31	13.66	13.06	1.04	1.62	1.65	9.01	62.47	7.11	0.95	3.28	(0.02)	2.15	\$9,571,805
23.21	\$55.45	\$41.11	Northern Trust Corporation	NTRS	IL	\$55.19	\$13,199	19.64	18.91	17.32	15.37	1.75	1.92	2.17	7.11	72.10	9.34	0.74	1.25	0.09	1.01	\$97,463,800
168.28	\$3.75	\$1.10	Old Second Bancorp, Inc.	OSBC	IL	\$3.38	\$48	NM	NM	40.50	12.96	nm	nm	0.00	(0.13)	71.15	(0.10)	(0.00)	12.58	1.55	3.33	\$2,045,799
27.68	\$18.80	\$13.30	PrivateBancorp, Inc.	PVTB	IL	\$18.76	\$1,380	21.32	20.70	15.10	13.47	1.20	1.32	0.21	7.88	53.58	5.92	0.60	2.74	1.07	1.79	\$14,057,515
65.02	\$16.84	\$10.17	QCR Holdings, Inc.	QCRH	IL	\$16.40	\$81	8.86	9.81	8.57	8.59	0.92	0.96	0.49	4.02	68.60	9.24	0.65	2.22	0.27	1.55	\$2,093,730
17.73	\$19.35	\$13.23	Taylor Capital Group, Inc.	TAYC	IL	\$16.27	\$474	9.09	9.70	8.58	9.21	1.32	1.32	0.00	6.13	61.98	14.02	1.24	2.45	0.91	2.00	\$5,802,410
7.60	\$39.81	\$31.67	Wintrust Financial Corporation	WTFC	IL	\$37.38	\$1,382	16.18	17.25	15.14	13.90	0.85	1.09	0.48	7.36	63.15	6.56	0.67	2.34	0.65	0.94	\$17,519,613
17.95			Median - Illinois					16.18	17.25	15.10	13.06	1.13	1.33	0.48	7.36	65.63	6.56	0.65	2.56	0.91	1.85	\$8,099,839
1.56	\$25.93	\$19.70	1st Source Corporation	SRCE	IN	\$24.46	\$596	12.11	11.99	NM	NM	1.06	1.26	2.78	10.56	63.92	9.10	1.11	1.53	0.13	2.50	\$4,550,693
93.06	\$9.41	\$4.65	Ameriana Bancorp	ASBI	IN	\$9.09	\$27	14.66	NA	NM	NM	0.74	0.77	0.44	7.92	81.40	5.18	0.41	NA	0.33	1.34	\$445,763
31.44	\$16.94	\$11.02	Community Bank Shares of Indiana, Inc.	CBIN	IN	\$16.60	\$56	8.06	9.87	NM	NM	nm	nm	2.41	7.06	67.13	9.15	0.95	NA	1.13	1.88	\$819,500
1.60	\$33.36	\$27.07	First Financial Corporation	THFF	IN	\$31.64	\$420	12.76	12.50	13.51	13.54	1.13	1.27	3.03	11.58	61.77	9.10	1.13	NA	0.44	1.19	\$2,895,408
37.04	\$15.78	\$10.97	First Merchants Corporation	FRME	IN	\$15.62	\$448	11.08	13.09	12.03	11.22	0.97	1.44	0.77	7.50	64.13	8.43	1.06	2.77	0.71	2.37	\$4,304,821
13.97	\$25.42	\$17.86	German American Bancorp, Inc.	GABC	IN	\$22.79	\$288	11.99	12.00	12.11	12.67	1.56	1.76	2.63	8.24	56.01	13.57	1.24	NA	0.19	1.27	\$2,006,300
75.57	\$20.93	\$11.61	Horizon Bancorp	HBNC	IN	\$20.32	\$175	8.83	8.25	8.81	8.78	1.20	1.43	1.97	6.72	60.79	13.76	1.19	2.18	0.40	1.52	\$1,848,227
3.42	\$28.82	\$23.47	Lakeland Financial Corporation	LKFN	IN	\$26.02	\$425	12.10	11.79	11.74	11.46	1.42	1.45	2.61	9.57	49.87	12.30	1.19	2.38	0.20	2.27	\$3,064,144
23.64	\$14.27	\$10.60	MainSource Financial Group, Inc.	MSFG	IN	\$14.27	\$290	10.42	9.75	11.03	11.00	0.94	1.22	1.68	NA	66.70	8.15	0.99	3.66	1.13	2.05	\$2,769,288
44.07	\$13.80	\$9.50	MutualFirst Financial, Inc.	MFSF	IN	\$13.62	\$96	16.60	17.73	15.41	14.33	0.87	0.89	1.76	NA	71.81	5.26	0.50	4.18	0.71	1.62	\$1,422,405
13.42	\$14.16	\$10.87	Old National Bancorp	ONB	IN	\$14.04	\$1,421	14.78	13.97	13.13	12.42	1.19	1.72	2.85	NA	65.60	8.34	1.04	3.54	0.19	1.05	\$9,543,623
39.20	\$20.94	\$15.10	River Valley Bancorp	RIVR	IN	\$20.50	\$31	8.54	NA	nm	NM	1.02	1.02	4.10	NA	69.18	11.79	0.97	NA	0.69	1.15	\$473,776
45.71	\$14.25	\$9.46	Tower Financial Corporation	TOFC	IN	\$13.98	\$65	11.85	12.05	11.57	NM	1.04	1.04	2.00	NA	63.98	8.83	0.87	NA	0.78	1.82	\$683,973
31.44			Median - Indiana					11.99	12.00	12.03	11.94	1.05	1.27	2.41	8.08	64.13	9.10	1.04	2.77	0.44	1.62	\$2,006,300
14.68	\$21.47	\$17.88	Landmark Bancorp, Inc.	LARK	KS	\$20.25	\$59	9.38	9.65	NM	NM	0.93	nm	3.75	NA	66.39	10.34	1.01	NA	0.60	1.40	\$614,067
14.68			Median - Kansas					9.38	9.65	NM	NM	0.93	...	3.75	...	66.39	10.34	1.01	...	0.60	1.40	\$614,067
16.69	\$25.43	\$19.25	Chemical Financial Corporation	CHFC	MI	\$25.38	\$698	13.72	13.32	13.12	12.88	1.17	1.50	3.31	8.03	58.98	8.68	0.94	3.56	0.56	2.02	\$5,917,252
51.08	\$21.74	\$14.38	Citizens Republic Bancorp, Inc.	CRBC	MI	\$21.74	\$880	2.52	2.49	15.48	13.30	0.82	1.17	0.00	8.15	65.75	31.00	3.89	1.69	1.56	2.10	\$9,586,683
74.64	\$14.98	\$7.72	Firstbank Corporation	FBMI	MI	\$13.27	\$106	11.44	10.68	10.88	10.71	0.82	1.13	1.81	6.41	61.76	7.00	0.70	4.06	0.77	2.21	\$1,499
271.83	\$7.25	\$1.75	Independent Bank Corporation	IBCP	MI	\$6.52	\$61	8.15	9.36	NM	NM	1.17	1.27	0.00	2.32	77.98	22.97	1.11	12.42	1.35	3.01	\$2,024
95.11	\$6.10	\$2.80	Macatawa Bank Corporation	MCBC	MI	\$5.99	\$163	4.57	4.55	22.80	38.00	1.67	1.67	0.00	6.24	75.54	34.39	2.37	11.93	0.08	2.24	\$1,561
47.28	\$9.25	\$5.81	Mackinac Financial Corporation	MFNC	MI	\$9.24	\$51	6.33	6.33	nm	NM	0.84	0.84	1.73	11.25	68.16	11.26	1.35	1.77	0.23	1.16	\$546
93.95	\$4.37	\$1.82	MBT Financial Corp.	MBTF	MI	\$4.17	\$73	8.51	9.44	nm	NM	0.87	NM	0.00	NA	71.64	10.90	0.68	13.49	1.65	2.75	\$1,269
28.94	\$18.69	\$13.00	Mercantile Bank Corporation	MBWM	MI	\$17.12	\$149	13.17	13.17	12.54	12.59	1.02	1.02	2.34	10.30	68.54	8.18	0.89	2.47	0.45	2.75	\$1,423
62.86			Median - Michigan					8.33	9.40	13.12	12.88	0.94	1.17	0.87	8.03	68.35	11.08	1.02	3.81	0.66	2.22	\$1,530

Mercer Capital's Midwest Public Bank Peer Report

March 14, 2013

52 Wk Perf (%)	52 Wk High (\$)	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 (%)	NPA/ Loans + OREO (%)	NCOs/ Avg. Loans (%)	Loan Loss Reserve/ Loans (%)	Assets (\$M)
32.66	\$14.95	\$9.59	TCF Financial Corporation	TCB	MN	\$14.93	\$2,444	NM	32.06	15.76	12.81	0.79	0.79	1.34	7.59	68.15	(11.85)	(1.14)	NA	1.54	1.73	\$18,225,917
10.83	\$35.46	\$28.58	U.S. Bancorp	USB	MN	\$34.06	\$63,467	11.99	NA	11.11	10.36	1.08	1.33	2.29	7.01	49.76	14.17	1.60	2.80	0.98	1.92	\$353,855,000
21.75			Median - Minnesota					11.99	32.06	13.44	11.58	0.94	1.06	1.81	7.30	58.95	1.16	0.23	2.80	1.26	1.83	\$186,040,459
61.82	\$3.98	\$1.59	Camco Financial Corporation	CAFI	OH	\$3.56	\$47	7.12	NA	NM	NM	0.79	0.79	0.00	7.82	86.68	8.62	0.54	NA	0.43	2.12	\$764
15.57	\$6.90	\$5.31	Farmers National Banc Corp.	FMNB	OH	\$6.65	\$125	12.55	13.10	11.74	8.69	1.03	1.09	1.80	10.12	70.45	8.42	0.89	2.74	0.52	1.29	\$1,140
17.53	\$16.77	\$12.04	Fifth Third Bancorp	FITB	OH	\$16.37	\$14,328	9.86	11.22	9.97	9.64	1.08	1.33	2.44	9.10	63.56	11.45	1.34	3.93	0.83	2.09	\$121,894
23.04	\$7.10	\$4.91	First Citizens Banc Corp	FCZA	OH	\$6.52	\$50	11.44	NA	8.69	NM	nm	NM	1.84	NA	71.59	NA	NA	NA	NA	NA	NA
0.91	\$18.00	\$13.87	First Financial Bancorp.	FFBC	OH	\$15.92	\$922	13.96	14.26	14.64	14.15	1.30	1.52	7.04	9.51	56.99	9.43	1.07	2.76	0.79	2.36	\$6,497
(0.67)	\$17.50	\$12.95	FirstMerit Corporation	FMER	OH	\$15.95	\$1,749	13.07	12.49	12.46	11.12	1.06	1.48	4.01	8.16	62.63	8.34	0.92	1.44	0.53	1.47	\$14,913
23.78	\$7.50	\$5.81	Huntington Bancshares Incorporated	HBAN	OH	\$7.50	\$6,311	10.56	9.95	11.15	10.73	1.17	1.31	2.13	8.69	61.75	11.30	1.15	2.98	0.83	1.85	\$56,153
20.63	\$10.05	\$6.80	KeyCorp	KEY	OH	\$10.00	\$9,239	11.24	11.47	11.49	10.39	0.93	1.03	2.00	10.15	67.46	8.51	1.00	1.65	0.68	1.66	\$89,236
31.07	\$16.65	\$12.34	LCNB Corp.	LCNB	OH	\$15.97	\$122	13.09	15.24	NM	NM	1.31	1.41	4.01	9.71	63.09	10.22	1.02	3.94	0.18	0.76	\$789
36.12	\$8.65	\$5.46	LNB Bancorp, Inc.	LNBB	OH	\$8.20	\$65	13.44	12.68	11.27	11.67	0.71	0.94	0.49	5.98	66.46	5.29	0.51	3.29	0.76	1.98	\$1,178
4.92	\$20.22	\$15.97	NB&T Financial Group, Inc.	NBTF	OH	\$19.20	\$66	16.99	21.37	NM	NM	0.93	0.99	6.25	10.30	74.53	5.45	0.56	NA	1.15	1.18	\$651
9.73	\$20.56	\$17.07	Ohio Valley Banc Corp.	OVBC	OH	\$18.99	\$77	10.85	10.84	NM	NM	1.02	1.03	4.42	9.72	70.93	9.46	0.87	NA	0.36	1.24	\$768
1.15	\$72.37	\$60.80	Park National Corporation	PRK	OH	\$67.39	\$1,039	13.81	16.69	13.21	12.52	1.60	1.80	5.58	8.79	58.70	11.40	1.16	4.99	1.10	1.25	\$6,643
28.83	\$23.93	\$16.48	Peoples Bancorp Inc.	PEBO	OH	\$22.15	\$239	11.54	12.32	12.27	12.07	1.05	1.50	2.17	8.39	71.82	9.52	1.11	1.75	0.12	1.80	\$1,918
138.18	\$9.55	\$3.70	Rurban Financial Corp.	RBNF	OH	\$9.17	\$45	9.26	8.86	NM	NM	0.84	1.26	1.09	5.70	74.41	9.57	0.75	1.89	0.23	1.45	\$638
(16.42)	\$10.25	\$5.80	United Bancorp, Inc.	UBCP	OH	\$7.15	\$38	14.90	14.43	NM	NM	1.05	1.06	3.92	8.29	75.61	6.74	0.55	NA	0.47	0.91	\$438
65.94	\$13.00	\$6.54	United Bancshares, Inc.	UBOH	OH	\$11.57	\$40	8.90	9.20	NM	NM	0.62	0.72	1.73	9.83	74.87	7.22	0.79	NA	NA	NA	\$572
20.63			Median - Ohio					11.54	12.49	11.61	11.12	1.04	1.17	2.17	8.95	70.45	9.02	0.90	2.76	0.53	1.47	\$1,159
6.00	\$44.90	\$36.49	BancFirst Corporation	BANF	OK	\$42.52	\$648	12.65	12.09	12.89	12.30	1.03	1.05	2.73	7.77	64.41	10.32	0.91	1.49	0.07	1.19	\$6,022,250
15.96	\$61.69	\$50.89	BOK Financial Corporation	BOKF	OK	\$61.64	\$4,214	12.02	12.68	13.03	13.04	1.00	1.10	2.47	9.25	60.50	12.19	1.35	1.73	0.20	1.71	\$28,148,631
43.39	\$13.48	\$8.02	Southwest Bancorp, Inc.	OKSB	OK	\$13.02	\$254	20.34	18.87	19.52	15.56	1.56	2.02	0.00	11.44	61.39	5.71	0.72	3.66	0.07	3.41	\$2,122,255
15.96			Median - Oklahoma					12.65	12.68	13.03	13.04	1.03	1.10	2.47	9.25	61.39	10.32	0.91	1.73	0.07	1.71	\$6,022,250
16.85	\$36.99	\$27.72	Comerica Incorporated	CMA	TX	\$36.78	\$6,902	13.78	13.37	13.33	13.12	1.00	1.10	1.85	9.72	67.62	7.43	0.83	1.54	0.39	1.37	\$65,359
7.53	\$61.68	\$53.37	Cullen/Frost Bankers, Inc.	CFR	TX	\$61.49	\$3,783	15.93	16.01	15.76	15.27	1.56	2.02	3.12	8.30	59.68	10.03	1.14	1.21	0.19	1.13	\$23,124
38.78	\$49.00	\$30.50	First Financial Bankshares, Inc.	FFIN	TX	\$47.35	\$1,492	20.06	20.54	19.23	18.12	2.68	3.08	2.11	10.95	48.36	13.85	1.75	1.22	0.15	1.67	\$4,502
4.97	\$21.89	\$16.92	International Bancshares Corporation	IBOC	TX	\$20.74	\$1,393	14.92	15.14	13.54	13.02	0.97	1.22	1.93	9.88	57.99	6.81	0.91	4.05	1.09	1.22	\$11,883
32.55	\$11.82	\$8.20	MetroCorp Bancshares, Inc.	MCBI	TX	\$10.95	\$205	17.66	18.71	17.32	14.89	1.16	1.26	0.00	10.80	69.85	6.32	0.74	3.73	0.30	2.27	\$1,520
4.33	\$47.66	\$38.56	Prosperity Bancshares, Inc.	PB	TX	\$47.00	\$2,679	14.55	13.79	13.60	13.19	1.27	3.14	1.83	6.34	39.42	9.10	1.35	NA	0.11	1.01	\$14,584
8.20	\$23.54	\$19.78	Southside Bancshares, Inc.	SBSI	TX	\$21.28	\$361	10.64	15.02	15.01	16.09	1.41	1.54	3.76	7.32	61.02	12.83	1.05	1.16	0.74	1.63	\$3,237
21.97	\$52.17	\$32.55	Texas Capital Bancshares, Inc.	TCBI	TX	\$42.30	\$1,724	14.10	13.76	12.27	11.41	2.06	2.11	NA	7.76	49.37	16.92	1.35	0.86	0.07	0.75	\$10,541
40.60	\$21.99	\$14.71	ViewPoint Financial Group, Inc.	VPGF	TX	\$21.00	\$832	21.43	19.89	18.36	16.97	1.60	1.70	1.90	13.49	57.08	7.23	1.04	1.21	0.11	0.66	\$3,663
16.85			Median - Texas					14.92	15.14	15.01	14.89	1.41	1.70	1.92	9.72	57.99	9.10	1.05	1.22	0.19	1.22	\$10,541
11.20	\$15.15	\$11.67	Associated Banc-Corp	ASBC	WI	\$15.13	\$2,556	15.13	14.91	14.64	14.17	0.90	1.34	2.12	8.56	68.88	6.07	0.81	2.62	0.57	1.90	\$23,488
40.40	\$26.30	\$16.20	First Business Financial Services, Inc.	FBIZ	WI	\$25.62	\$100	7.79	7.87	8.58	8.24	1.01	1.01	1.09	8.12	60.46	12.65	0.75	1.84	0.35	1.69	\$1,226
25.8			Median - Wisconsin					11.46	11.39	11.61	11.21	0.95	1.17	1.60	8.34	64.67	9.36	0.78	2.23	0.46	1.79	\$12,357
34.73			Average					12.55	13.25	13.87	13.03	1.15	1.36	2.10	8.38	64.49	9.69	0.97	3.29	0.61	1.72	\$9,395,693
23.13			Median					12.10	12.68	13.08	12.67	1.05	1.29	2.00	8.39	65.00	9.15	0.97	2.65	0.46	1.68	\$445,763

Mercer Capital

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