

Bank Watch

Northeast

Process of Elimination Becomes the Catalyst

by Jeff K. Davis, CFA

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An old market saw is that bull markets take the stairs and bear markets take the elevator. The current market fits the bull market description given the slow grind higher. The S&P 500 has produced a total return of 9% YTD, 15% since the post-election low on November 14 and 43% since October 4, 2011, when equities and credit cratered following the downgrade of the U.S. and seizure in the funding markets for European banks.

The recent gains are impressive given the lack of any meaningful pullbacks other than two brief periods of less than 10% since the Q3'11 swoon. Otherwise, the S&P 500, Russell 2000 and NASDAQ Composite charts are a series of higher highs and higher lows. The recent run is curious because of the weekly announcements of weak and/or an unusually uncertain operating environment (I recognize the future, by definition, is uncertain) that retail-oriented companies are making. Markets have an uncanny ability to see 6-to-9 months out. So, recent strength may point to an improving economic backdrop by the fall.

Or maybe the Fed's elixir is lasting longer than expected when the current round of QE was announced last fall. Chairman Ben Bernanke has been very explicit that the Fed is targeting equity (and real estate) markets to support the economy via the presumed wealth effect. I would add the targeting of real estate markets has supported the recapitalization of the banking sector — a project that is now complete if one disregards a subset of troubled small banks. The strength of equities probably will not elicit any commentary in next week's Federal Open Market Committee meeting, though Bernanke may be asked about equities during the press conference that is scheduled to follow the meeting.

At Mercer Capital, we have spent 30 years studying equity market returns, expectations and how various components in a capitalization rate (or capitalization factor) alter value. There is no need to go into the theoretical underpinnings of discount rates and capitalization rates in this setting, but if you are interested see: *Valuing Financial Institutions* (by Chris Mercer; 1991) and Morningstar's *Ibbotson S&P Valuation Yearbook*. Aside from the large- and small-cap equity risk premium, the level of long-term "risk-free" rates (here measured by the 20-year U.S. Treasury) and expected long-term earnings/cash flow growth are key. The level of Treasury yields and earnings multiples are inversely correlated, while expected (sustainable) earnings growth and multiples are positively correlated.

Two observations related to this: a general increase in rates is not necessarily bad for equity valuations if rates are rising due to stronger economic growth and therefore potentially better earnings growth. Also, if there is one attribute the Street loves when contemplating equities, it is earnings growth. And an even better attribute is accelerating earnings growth. A case in point in the banking sector is the performance of BofI Holding Inc. and Signature Bank in terms of accelerating growth and Texas Capital Bancshares Inc. in terms of decelerating growth. All three are great growth stories, but their stock charts have diverged sharply over the past several months.

The consensus around Wall Street is that equities, while perhaps not cheap, are attractive vis-à-vis alternative investments in spite of the run the past 16 months. While one can debate the extent that QE has distorted asset values and the valuation of various assets, there may be something to the consensus — at least from a mathematical perspective. As shown in the table, the S&P 500 as of March 8 was trading for 18.2x reported trailing twelve-month earnings and 13.9x consensus forward twelve-month operating earnings. To the extent the subject company (or index) in the table can sustain earnings growth that tracks nominal GDP growth (4% to 5%), maybe further multiple expansion will occur provided the Fed keeps a tight rein on long-term rates. (Note: the delta between trailing reported earnings and forward operating consensus estimate says a lot about Wall Street salesmanship and why investors rarely hear Street professionals talk about trailing earning P/Es. Cheap, a margin of safety and potential multiple expansion sells; fully valued does not.)

In addition to the Case-Shiller Index, Robert Shiller is widely known for his work on equity multiples. The Shiller P/E, which is formally known as the cyclically adjusted P/E (CAPE), is based upon a ten-year trailing average of inflation adjusted earnings. In doing so the multiple captures a full business cycle (or two) in addition to the inflation impact. As of March 8, the Shiller P/E was 23.4x. The average Shiller P/E since 1880 is 16.5x, though most of the period entailed a term structure of rates that is higher than prevails today.

I think Shiller has been arguing the market is richly valued lately, but valuation is never a catalyst. In my mind cheap is 8x to 10x normalized earnings for a value company and something higher for a growth story that is not predicated upon break-through technologies or over the horizon earnings. However, my formative years in valuing banks were the early 1990s when equities really were cheap and before Chairman Alan Greenspan unleashed the great moderation on asset values. So, I may not be able to correctly process the current environment.

Whether cheap or merely trading for a discount to a theoretical multiple (if the Shiller P/E is discarded), a catalyst is needed to close the valuation gap. The Fed may be the continuing

catalyst. It has pushed rates lower and asset values higher since March 2009. The jury is out on the Fed's efforts to push economic growth higher from here, but it seems to have made most fixed investment akin to technology stocks in the late 1990s — though realization of the downside may be years away. When all but one option apparently is eliminated, the consensus may be on to something.

Multiple Sensitivity - Risk-Free Rate, Equity Premiums, and Expected Growth

As of March 11, 2013

Metric or Calculation	Small-Cap Public Company	Large-Cap Public Company	Low-Risk Private Company	High-Risk Private Company
Yield-to-maturity 20-year US Treasury (%) ¹	2.82	2.82	2.82	2.82
+ Multiyear common stock premium (%) ²	5.37			
x Industry beta (x)	1.00			
= Beta adjusted equity premium (%)	5.37	5.37	5.37	5.37
+ Small capitalization stock premium (%)	---	2.80	2.80	2.80
+ Specific risk associated with subject (%)	---		1.50	5.00
= Discount rate (%)	8.19	10.99	12.49	15.99
- Long-term sustainable growth rate (%)	-4.00	-6.00	-4.00	-6.00
= Capitalization rate (%)	4.19	4.99	8.49	9.99
= Capitalization factor (1/cap rate) (x)	23.87	20.04	11.78	10.01
S&P 500 P/E - reported trailing 12 mo EPS (x) ³	18.2			
S&P 500 P/E - forward 12 months (x) ³	13.9			
S&P 500 P/E - Shiller CAPE (x) ⁴	23.4			
Russell 2000 - forward 12 months (x) ³	NM	16.3		

Specific risks and growth rate assumptions reflect hypothetical metrics for illustration purposes.

¹ Treasury yield for 20-year bonds per the Federal Reserve H.15 as of March 8, 2013

² Multiyear common stock premium per Mercer Capital's analysis of Ibbotson return data

³ S&P 500 and Russell 200 P/E data per Birinyi Associates as reported in the WSK on March 10, 2013

⁴ Shiller P/E ratio per <http://www.multpl.com/shiller-pe/>



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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.

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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.

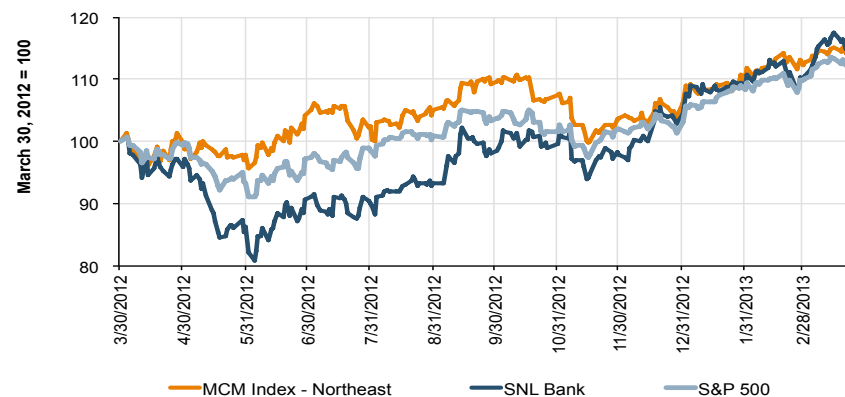
View replay at <http://mer.cr/bnkweb3>

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



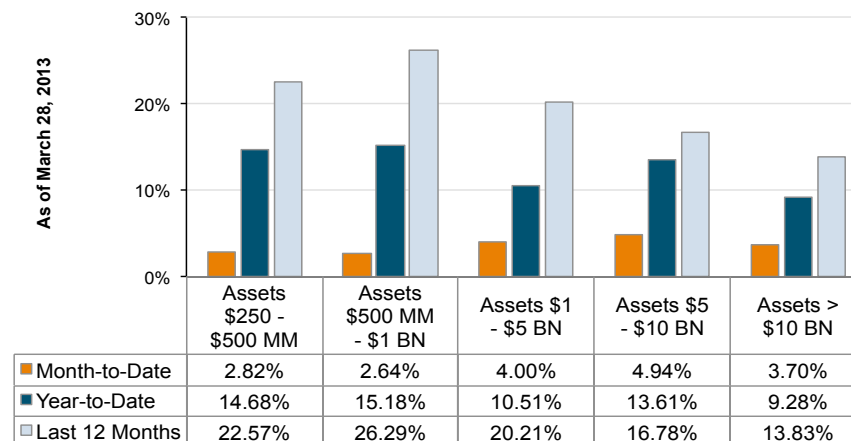
Median Valuation Multiples

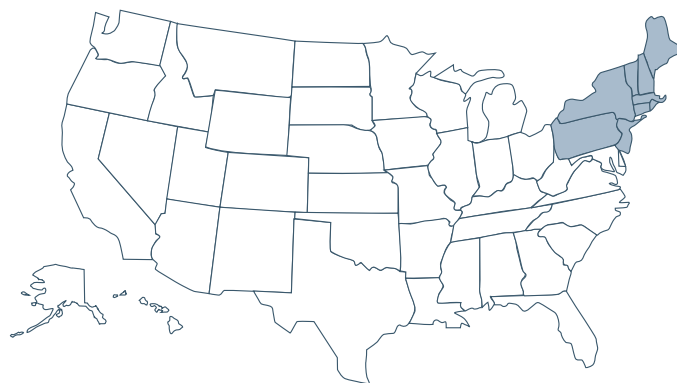
as of March 30, 2013

	Northeast Community Bank Index	National Community Bank Index
Price / LTM EPS	13.06	12.74
Price / 2013 (E) EPS	13.01	13.40
Price / 2014 (E) EPS	11.96	12.57
Price / Book Value	104.37%	102.33%
Price / Tangible Book Value	118.58%	110.93%
Dividend Yield	3.37%	2.61%

Return Stratification of U.S. Banks

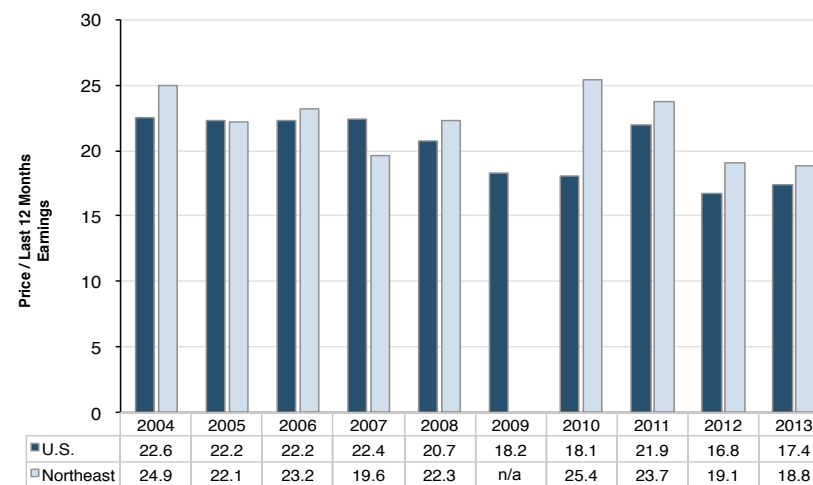
by Asset Size





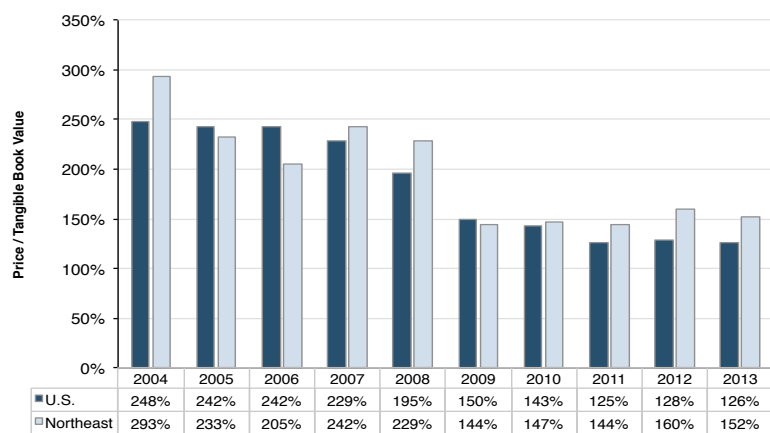
Median Price/Earnings Multiples

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



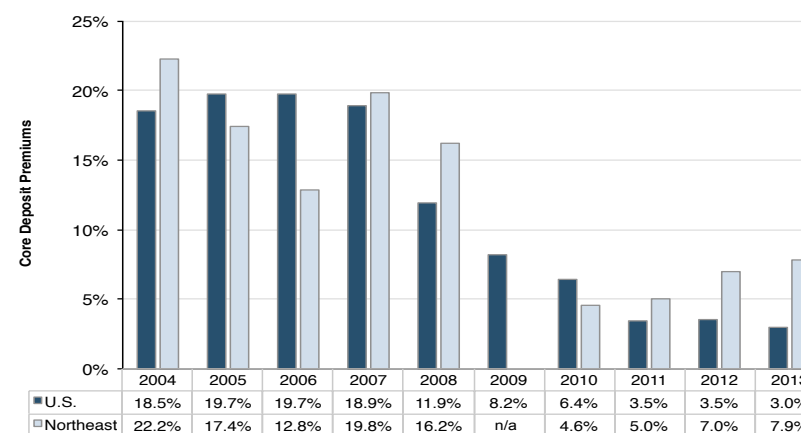
Median Price/Tangible Book Value Multiples

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

April 9, 2013

52 Wk Perf (%)	YTD Perf (%)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Price / Earnings Core (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)
(19.68)	20.80	\$1.03	Patriot National Bancorp, Inc.	PNBK	CT	\$1.51	\$58	NM	NM	NM	NM	1.17	1.17	0.00	8.02	114.57	(1.05)	(0.08)	6.68	0.20	1.29	\$617,855
17.21	15.47	\$22.75	Salisbury Bancorp, Inc.	SAL	CT	\$26.95	\$46	11.82	9.92	NM	NM	0.81	1.00	4.16	7.69	68.37	5.87	0.67	4.25	0.21	1.10	\$600,813
122.61	88.89	\$0.92	Southern Connecticut Bancorp, Inc.	SSE	CT	\$3.74	\$11	NM	NM	NM	NM	0.90	0.90	nm	9.51	94.61	(1.45)	(0.13)	10.23	0.50	2.11	\$121,447
11.22	14.50	\$18.88	Webster Financial Corporation	WBS	CT	\$23.53	\$2,104	12.65	12.35	12.58	12.45	1.03	1.43	1.70	7.15	62.97	8.92	0.90	4.02	0.67	1.46	\$20,146,765
14.21	18.13		Median - Connecticut					12.24	11.14	12.58	12.45	0.96	1.09	1.70	7.86	81.49	2.41	0.30	5.47	0.35	1.37	\$609,334
5.77	7.55	\$7.65	Boston Private Financial Holdings, Inc.	BPFH	MA	\$9.69	\$765	15.89	NA	13.50	12.12	1.40	1.86	2.06	6.49	72.58	9.72	0.89	1.85	0.18	1.64	\$6,465,005
3.29	5.41	\$7.54	Brookline Bancorp, Inc.	BRKL	MA	\$8.96	\$631	16.91	14.78	14.41	13.05	1.03	1.39	3.79	9.08	55.95	6.29	0.77	1.14	0.16	0.98	\$5,147,534
27.81	2.73	\$25.00	Century Bancorp, Inc.	CNBKA	MA	\$33.85	\$121	9.54	10.41	NM	NM	1.04	1.05	1.42	5.64	65.49	11.21	0.65	NA	0.14	1.74	\$3,162,135
3.09	(1.57)	\$14.49	Enterprise Bancorp, Inc.	EBTC	MA	\$16.26	\$123	12.70	12.86	NM	NM	1.13	1.18	2.83	8.07	69.81	9.27	0.78	2.79	0.13	1.77	\$1,665,726
14.97	7.50	\$25.85	Independent Bank Corp.	INDB	MA	\$31.12	\$712	15.96	13.95	13.33	12.75	1.34	1.93	2.83	6.56	63.40	8.66	0.83	1.95	0.36	1.13	\$5,756,985
36.26	24.40	\$38.95	State Street Corporation	STT	MA	\$58.48	\$26,652	13.92	13.36	13.02	11.40	1.32	2.26	1.78	5.54	69.05	10.21	1.06	2.11	(0.03)	0.18	\$222,582,000
10.37	6.45		Median - Massachusetts					14.90	13.36	13.41	12.44	1.22	1.63	2.45	6.53	67.27	9.50	0.81	NM	0.15	1.39	\$5,452,260
10.46	5.50	\$31.78	Bar Harbor Bankshares	BHB	ME	\$35.50	\$139	11.16	11.27	11.07	10.73	1.09	1.14	3.44	9.43	54.74	9.93	1.00	1.65	0.23	0.99	\$1,302,935
2.80	(5.48)	\$30.63	Camden National Corporation	CAC	ME	\$32.11	\$246	10.53	10.53	NA	NM	1.05	1.36	3.36	7.19	58.42	10.31	0.98	1.86	0.24	1.47	\$2,564,757
32.12	5.22	\$13.41	First Bancorp, Inc.	FNLC	ME	\$17.33	\$185	14.20	15.40	NM	NM	1.19	1.51	4.50	8.17	49.39	8.14	0.89	6.19	0.95	1.44	\$1,414,999
(15.49)	3.21	\$8.00	Northeast Bancorp	NBN	ME	\$9.44	\$89	23.02	28.02	14.68	NM	0.85	0.88	3.81	15.84	84.15	3.86	0.58	3.00	0.21	0.22	\$704,710
6.63	4.22		Median - Maine					12.68	13.34	12.88	10.73	1.07	1.25	3.63	8.80	56.58	9.03	0.94	2.43	0.24	1.21	\$1,358,967
16.30	6.08	\$5.62	1st Constitution Bancorp	FCCY	NJ	\$8.85	\$53	9.83	9.89	8.37	7.64	0.81	0.88	nm	7.17	59.62	8.63	0.65	2.88	0.11	1.28	\$840,968
43.47	(6.07)	\$9.05	Bancorp of New Jersey, Inc.	BKJ	NJ	\$13.15	\$68	16.23	16.87	nm	NM	1.27	1.27	1.83	9.40	54.88	7.85	0.80	2.18	0.15	1.16	\$571,374
3.37	6.77	\$8.71	BCB Bancorp, Inc.	BCBP	NJ	\$10.09	\$85	NM	19.89	NM	NM	1.03	1.03	4.76	7.09	71.57	(2.26)	(0.17)	NA	0.35	1.32	\$1,171,358
22.39	3.89	\$9.71	Center Bancorp, Inc.	CNBC	NJ	\$12.03	\$197	11.46	12.59	10.80	10.30	1.32	1.48	1.83	8.22	49.35	11.69	1.14	1.32	(0.04)	1.15	\$1,629,765
21.70	19.75	\$5.25	Community Partners Bancorp	CPBC	NJ	\$6.69	\$54	12.40	12.36	NM	NM	0.67	0.87	nm	8.61	65.07	5.36	0.69	3.28	0.13	1.40	\$733,895
6.90	(7.96)	\$8.31	Lakeland Bancorp, Inc.	LBAI	NJ	\$9.37	\$280	12.33	12.44	11.99	11.35	0.99	1.44	2.99	6.84	59.18	8.42	0.77	1.74	0.69	1.35	\$2,918,703
11.51	46.86	\$4.59	Parke Bancorp, Inc.	PKBK	NJ	\$7.30	\$39	6.24	7.09	6.24	5.84	0.58	0.58	nm	8.77	37.97	9.98	1.04	17.31	1.26	3.00	\$770,477
3.25	3.13	\$13.18	Peapack-Gladstone Financial Corporation	PGC	NJ	\$14.52	\$131	13.83	16.45	NM	NM	1.06	1.07	1.38	7.29	66.98	8.42	0.61	1.87	0.80	1.10	\$1,667,836
40.28	27.38	\$8.15	Somerset Hills Bancorp	SOMH	NJ	\$11.45	\$61	18.17	20.11	NM	NM	1.47	1.47	2.79	11.34	64.17	8.15	0.95	0.61	0.05	1.27	\$368,930
4.48	36.93	\$3.40	Stewardship Financial Corporation	SSFN	NJ	\$5.45	\$32	NM	NM	NM	NM	0.78	0.78	0.73	6.01	66.21	0.89	0.07	6.71	2.44	2.41	\$688,388
(1.26)	(11.58)	\$2.21	Sun Bancorp, Inc.	SNBC	NJ	\$3.13	\$270	NM	NM	NM	36.34	1.03	1.22	nm	6.95	89.38	(17.19)	(1.60)	4.29	2.29	1.91	\$3,224,031
21.06	14.31	\$4.40	Sussex Bancorp	SBBX	NJ	\$6.15	\$21	27.95	NM	NM	NM	0.52	0.56	0.00	7.34	66.28	1.81	0.14	6.73	1.93	1.43	\$514,734
6.11	4.42	\$5.50	Unity Bancorp, Inc.	UNTY	NJ	\$6.52	\$49	19.16	22.02	NM	NM	0.86	0.88	0.00	6.83	69.05	5.67	0.53	5.29	0.94	2.51	\$819,730
(12.42)	6.02	\$8.65	Valley National Bancorp	VLY	NJ	\$9.86	\$1,963	13.51	13.00	14.31	15.15	1.30	1.85	6.59	6.81	59.43	9.57	0.91	2.81	0.23	1.17	\$16,012,646
9.20	6.05		Median - New Jersey					13.51	13.00	10.80	10.82	1.01	1.05	1.83	7.23	64.62	8.00	0.67	2.88	0.52	1.33	\$830,349

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9.66	(2.53)	\$22.60	Arrow Financial Corporation	AROW	NY	\$24.32	\$295	13.15	13.40	13.57	13.34	1.68	1.96	4.11	7.52	58.95	12.88	1.11	0.77	0.05	1.30	\$2,022,796
21.33	7.82	\$19.30	Bank of New York Mellon Corporation	BK	NY	\$27.71	\$32,186	13.65	12.02	12.02	10.69	0.91	2.58	1.88	3.71	73.11	7.11	0.80	0.73	0.07	0.57	\$358,990,000
30.08	5.24	\$6.29	Berkshire Bancorp Inc.	BERK	NY	\$8.63	\$124	11.06	11.26	NM	NM	0.94	0.94	1.85	15.63	68.97	9.19	1.30	1.35	0.00	4.38	\$847,271
13.43	7.96	\$18.68	Bridge Bancorp, Inc.	BDGE	NY	\$21.96	\$197	14.84	16.99	13.91	12.53	1.65	1.68	4.19	7.17	59.45	11.78	0.88	1.14	0.20	1.81	\$1,624,713
29.36	10.95	\$24.61	Citigroup Inc.	C	NY	\$43.89	\$133,505	17.99	13.17	9.40	8.18	0.71	0.85	0.09	8.56	68.72	4.16	0.41	6.85	2.20	3.82	\$1,864,660,000
38.18	12.31	\$23.51	Chemung Financial Corporation	CHMG	NY	\$33.57	\$154	14.11	14.12	14.26	13.51	1.17	1.48	3.10	8.53	72.04	8.41	0.88	1.84	0.02	1.17	\$1,248,160
7.93	6.51	\$25.38	Community Bank System, Inc.	CBU	NY	\$29.14	\$1,159	15.10	14.10	14.15	13.93	1.28	2.24	3.71	7.25	58.14	8.82	1.08	0.96	0.23	1.11	\$7,496,800
44.90	10.29	\$16.83	Elmira Savings Bank	ESBK	NY	\$25.08	\$60	16.61	16.48	NM	NM	1.36	1.92	3.67	5.81	60.56	7.92	0.99	1.05	0.01	0.98	\$536,936
30.17	16.26	\$14.13	Evans Bancorp, Inc.	EVBN	NY	\$18.02	\$75	9.24	8.99	10.61	9.49	1.00	1.13	2.66	8.29	70.05	11.16	1.04	2.44	0.30	1.67	\$809,676
24.13	3.01	\$15.51	Financial Institutions, Inc.	FISI	NY	\$19.19	\$265	11.99	11.01	10.58	10.06	1.12	1.43	3.75	6.84	58.22	9.46	0.93	0.59	0.36	1.45	\$2,764,034
0.62	12.74	\$7.08	First Niagara Financial Group, Inc.	FNFG	NY	\$8.94	\$3,152	22.35	NA	11.92	11.10	0.69	1.60	3.58	5.76	59.59	3.45	0.48	2.00	0.26	0.82	\$36,806,232
10.97	0.99	\$26.25	First of Long Island Corporation	FLIC	NY	\$28.60	\$259	12.60	12.52	11.76	11.14	1.25	1.25	3.50	9.73	51.10	10.19	0.99	0.53	0.15	1.62	\$2,108,290
(6.68)	(6.87)	\$13.23	Hudson Valley Holding Corp.	HVB	NY	\$14.50	\$287	9.73	13.90	20.62	18.31	0.98	1.08	1.66	9.29	65.14	10.10	1.02	3.74	0.76	1.81	\$2,891,246
58.56	52.44	\$3.51	Intervest Bancshares Corporation	IBCA	NY	\$5.93	\$130	12.35	11.92	NM	NM	0.69	0.69	0.00	11.19	36.24	6.00	0.66	7.99	0.20	2.54	\$1,665,792
14.15	10.71	\$30.83	JPMorgan Chase & Co.	JPM	NY	\$48.68	\$186,321	9.36	10.24	8.88	8.36	0.95	1.28	3.12	6.28	67.57	11.05	0.94	3.75	1.25	2.99	\$2,359,141,000
24.27	4.39	\$76.92	M&T Bank Corporation	MTB	NY	\$102.79	\$13,252	13.63	12.45	12.13	11.40	1.41	2.32	2.72	7.17	55.92	10.61	1.29	2.31	0.30	1.39	\$83,008,803
4.35	5.23	\$18.92	NBT Bancorp Inc.	NBTB	NY	\$21.33	\$940	13.17	12.37	12.64	12.39	1.24	1.74	3.75	7.05	63.70	9.72	0.93	NA	0.55	1.62	\$6,042,259
23.26	8.68	\$57.40	Signature Bank	SBNY	NY	\$77.53	\$3,664	19.83	20.10	17.71	16.10	2.22	2.22	nm	9.45	37.48	12.18	1.17	1.11	0.24	1.06	\$17,456,057
27.08	22.39	\$8.30	Sterling Bancorp	STL	NY	\$11.15	\$345	17.15	18.22	15.45	14.08	1.51	1.69	3.23	7.50	70.32	8.79	0.78	0.77	0.49	1.26	\$2,750,842
9.84	8.17	\$11.03	Suffolk Bancorp	SUBK	NY	\$14.17	\$164	NM	NM	NM	NM	1.00	1.00	0.00	10.06	84.13	(1.22)	(0.11)	3.69	3.57	2.27	\$1,622,464
7.79	3.99	\$35.82	Tompkins Financial Corporation	TMP	NY	\$41.22	\$596	16.96	12.62	11.88	11.77	1.35	1.80	3.69	6.98	62.44	8.34	0.77	2.01	0.50	0.83	\$4,837,197
(3.40)	4.33	\$9.65	VSB Bancorp, Inc.	VSBN	NY	\$10.37	\$19	15.48	15.48	NM	NM	0.67	0.67	2.31	10.29	76.07	4.31	0.47	15.26	(0.07)	2.14	\$269,704
17.74	7.89		Median - New York					13.65	12.89	12.13	11.77	1.15	1.54	3.12	7.51	63.07	9.00	0.93	1.84	0.25	1.53	\$2,757,438

Mercer Capital's Northeast Public Bank Peer Report

April 9, 2013

52 Wk Perf (%)	YTD Perf (%)	52 Wk Low (\$)	Company Name	Ticker	State	Current Price (\$)	Market Cap (\$M)	LTM (x)	Price / Core Earnings 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)
19.83	2.29	\$14.06	ACNB Corporation	ACNB	PA	\$16.55	\$99	11.11	10.66	NM	NM	0.97	1.07	4.59	8.89	64.60	8.91	0.86	2.25	0.48	2.35	\$1,049,995
16.48	3.32	\$2.50	AmeriServ Financial, Inc.	ASRV	PA	\$3.11	\$60	14.81	14.84	NM	NM	0.67	0.78	0.00	7.78	86.18	4.51	0.51	0.99	0.19	1.72	\$1,000,991
11.06	2.16	\$19.69	Bryn Mawr Bank Corporation	BMTC	PA	\$22.75	\$307	14.22	12.79	13.08	12.00	1.50	2.05	2.99	7.50	63.43	10.91	1.15	1.69	0.18	1.03	\$2,035,885
11.41	1.69	\$16.79	Citizens & Northern Corporation	CZNC	PA	\$19.22	\$237	10.39	10.55	11.47	12.04	1.29	1.38	5.20	13.39	48.81	12.91	1.74	1.67	0.16	1.00	\$1,286,907
12.93	1.59	\$14.24	CNB Financial Corporation	CCNE	PA	\$16.64	\$208	12.06	12.72	11.55	10.74	1.43	1.55	3.97	7.62	53.67	12.17	1.00	2.70	0.55	1.51	\$1,773,079
50.69	2.99	\$10.30	Codorus Valley Bancorp, Inc.	CVLY	PA	\$15.50	\$70	7.75	7.88	NM	NM	0.91	0.91	2.84	7.20	59.58	9.55	0.90	2.11	0.16	1.26	\$1,059,737
25.59	11.10	\$13.00	DNB Financial Corporation	DNBF	PA	\$17.22	\$47	9.62	10.10	NM	NM	1.07	1.08	1.63	6.81	66.36	9.64	0.84	NA	0.19	1.72	\$639,568
38.09	18.47	\$18.01	Emclair Financial Corp.	EMCF	PA	\$24.70	\$44	13.72	16.89	NM	NM	1.04	1.18	3.24	7.31	67.36	7.05	0.70	2.11	0.10	1.58	\$509,014
4.99	9.89	\$9.89	F.N.B. Corporation	FNB	PA	\$11.67	\$1,687	14.77	13.24	13.77	12.85	1.16	2.37	4.11	6.09	57.84	8.02	0.94	2.05	0.35	1.28	\$12,023,976
26.01	6.01	\$5.66	First Commonwealth Financial Corporation	FCF	PA	\$7.23	\$718	18.08	17.31	15.32	13.65	0.97	1.23	2.77	10.01	67.11	5.46	0.71	2.89	0.35	1.60	\$5,995,390
17.33	19.67	\$8.75	Fulton Financial Corporation	FULT	PA	\$11.50	\$2,237	14.38	14.56	13.70	12.90	1.10	1.48	2.78	9.67	57.68	7.79	0.98	2.61	1.05	1.83	\$16,528,153
47.83	28.59	\$10.56	Metro Bancorp, Inc.	METR	PA	\$17.00	\$240	22.08	20.73	20.73	18.12	1.02	1.02	nm	8.90	74.32	4.76	0.44	3.53	0.43	1.64	\$2,634,875
8.17	0.09	\$8.97	Mid Penn Bancorp, Inc.	MPB	PA	\$11.20	\$39	8.82	9.17	NM	NM	0.83	0.84	1.79	6.57	70.15	8.78	0.70	2.70	0.47	1.14	\$705,200
19.71	10.94	\$8.18	National Penn Bancshares, Inc.	NPBC	PA	\$10.34	\$1,505	15.67	15.27	14.88	14.23	1.29	1.68	3.87	10.80	55.49	8.25	1.17	1.12	0.46	2.12	\$8,529,522
20.06	1.04	\$25.94	Norwood Financial Corp.	NWFL	PA	\$30.06	\$99	11.74	13.00	NM	NM	1.07	1.21	4.13	12.40	52.67	9.22	1.23	2.94	0.50	1.15	\$672,299
85.00	53.53	\$7.45	Orrstown Financial Services, Inc.	ORRF	PA	\$14.80	\$120	NM	NM	24.89	5.88	1.36	1.38	0.00	7.05	72.75	(35.22)	(2.84)	3.21	8.01	3.26	\$1,232,668
14.46	8.15	\$36.54	Penns Woods Bancorp, Inc.	PWOD	PA	\$40.46	\$155	11.21	11.84	NM	NM	1.66	1.71	4.65	10.63	50.86	15.36	1.70	3.78	0.44	1.48	\$856,535
8.71	13.79	\$53.36	PNC Financial Services Group, Inc.	PNC	PA	\$66.35	\$35,062	12.52	12.28	10.15	9.69	0.99	1.37	2.65	8.67	66.04	7.49	1.02	2.78	0.72	2.13	\$305,107,000
20.26	31.88	\$1.77	Republic First Bancorp, Inc.	FRBK	PA	\$2.73	\$71	19.50	23.06	23.65	17.55	1.01	1.01	nm	7.07	87.28	5.36	0.37	5.18	0.63	1.54	\$988,658
-	15.01	\$0.95	Royal Bancshares of Pennsylvania, Inc.	RBPA	PA	\$1.38	\$17	NM	NM	NM	NM	0.71	0.71	0.00	3.25	97.25	(22.89)	(2.02)	12.25	1.33	4.99	\$773,716
(10.15)	(1.44)	\$15.68	S&T Bancorp, Inc.	STBA	PA	\$17.81	\$529	15.09	13.86	12.68	12.64	0.99	1.49	3.37	8.20	59.93	6.62	0.79	2.89	0.78	1.38	\$4,526,702
28.79	14.60	\$8.87	Susquehanna Bancshares, Inc.	SUSQ	PA	\$12.01	\$2,242	15.60	13.47	12.80	12.15	0.86	1.74	2.33	7.68	59.14	5.62	0.81	1.55	0.55	1.43	\$18,037,667
9.86	(2.05)	\$15.17	Univest Corporation of Pennsylvania	UVSP	PA	\$16.75	\$281	13.51	14.28	12.85	11.94	0.99	1.24	4.78	10.05	64.53	7.39	0.95	3.20	1.03	1.66	\$2,304,841
16.90	9.02		Median - Pennsylvania					13.97	13.36	13.39	12.40	1.03	1.31	2.91	7.73	63.98	7.64	0.87	2.70	0.46	1.56	\$1,529,993
19.95	2.24	\$22.53	Washington Trust Bancorp, Inc.	WASH	RI	\$26.90	\$441	12.63	12.93	12.16	12.02	1.49	1.90	4.78	7.69	64.65	11.97	1.16	1.83	0.07	1.32	\$3,071,884
19.95	2.24		Median - Rhode Island					12.63	12.93	12.16	12.02	1.49	1.90	4.78	7.69	64.65	11.97	1.16	1.83	0.07	1.32	3,071,884
12.70	9.30	\$25.07	Merchants Bancshares, Inc.	MBVT	VT	\$29.26	\$175	12.09	12.97	12.43	11.71	1.47	1.47	3.83	6.92	66.48	13.37	0.92	0.27	(0.00)	1.07	\$1,708,550
12.97	4.20	\$18.75	Union Bankshares, Inc.	UNB	VT	\$20.36	\$91	13.22	14.24	nm	nm	2.01	2.19	4.91	7.22	70.01	16.35	1.22	NA	0.05	1.02	\$577,256
12.84	6.75		Median - Vermont					12.66	13.61	12.43	11.71	1.74	1.83	4.37	7.07	68.24	14.86	1.07	0.27	0.03	1.05	\$1,142,903
17.03	9.74		Average					14.18	14.05	13.45	12.61	1.13	1.39	2.76	8.11	64.78	6.74	0.70	3.20	0.62	1.62	\$76,566,125
14.15	6.51		Median					13.69	13.21	12.85	12.04	1.06	1.37	2.91	7.50	64.65	8.42	0.88	2.25	0.30	1.43	\$1,708,550

Mercer Capital

Financial Institutions Services

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