

Bank Watch

West

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>

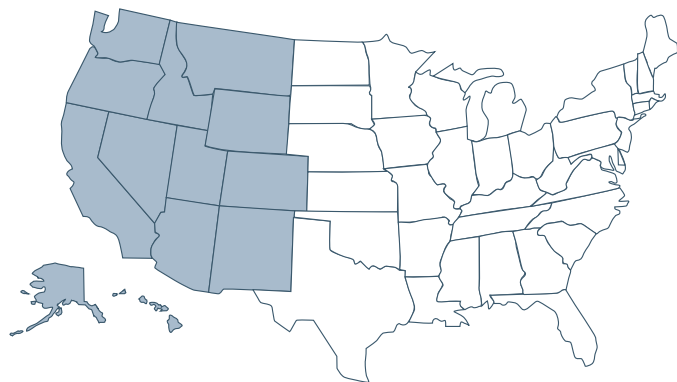
Complimentary Whitepaper



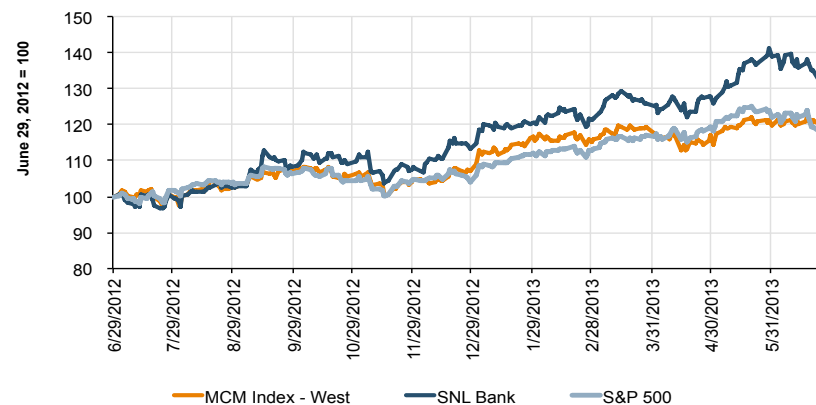
Community Bank Mergers: Creating the Potential for Shared Upside

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



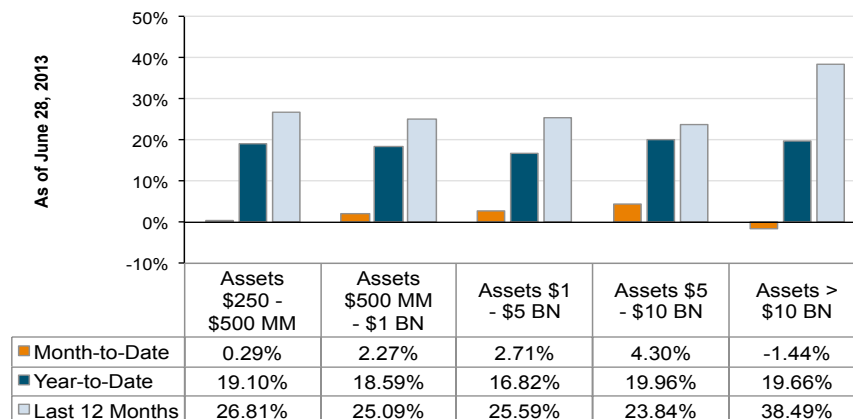
Median Valuation Multiples

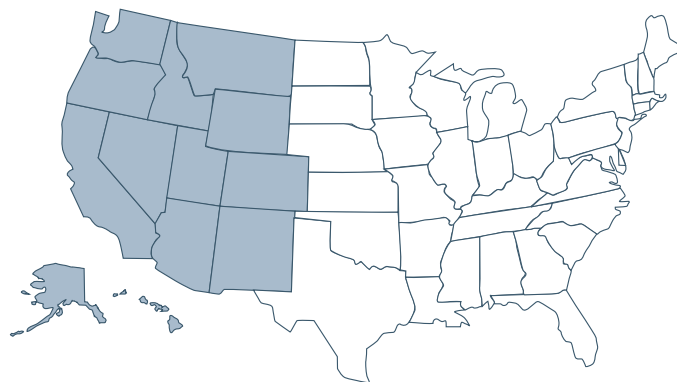
as of June 28, 2013

	West Community Bank Index	National Community Bank Index
Price / LTM EPS	14.61	13.18
Price / 2013 (E) EPS	14.66	13.83
Price / 2014 (E) EPS	13.67	13.19
Price / Book Value	116.01%	106.10%
Price / Tangible Book Value	122.10%	115.12%
Dividend Yield	2.06%	2.39%

Return Stratification of U.S. Banks

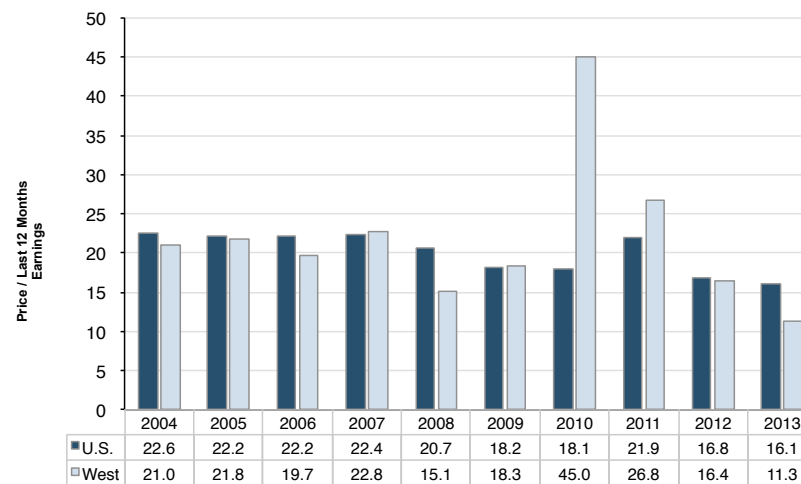
by Asset Size





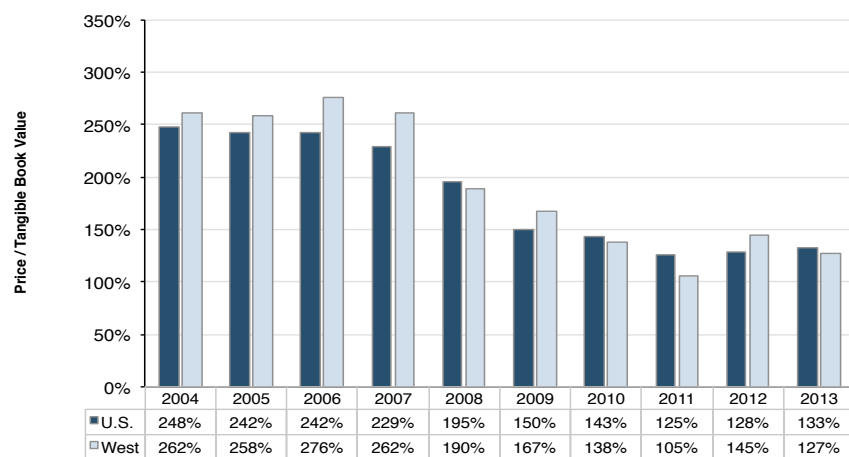
Median Price/Earnings Multiples

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



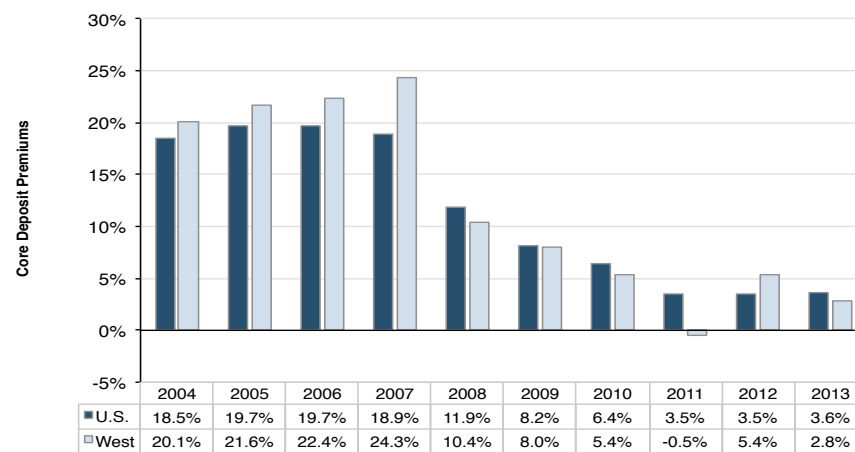
Median Price/Tangible Book Value Multiples

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



Median Core Deposit Multiples

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



Mercer Capital's West 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)	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 (%)	NPA/ Loans + OREO (%)	NCO/ Avg. Loans (%)	Loan Loss Reserve/ Loans (%)	Assets (\$M)
26.49	\$26.31	\$19.60	Northrim Bancorp, Inc.	NRIM	AK	\$26.22	\$171	13.18	NA	15.89	14.98	1.24	1.31	2.29	11.37	66.89	10.10	1.22	2.10	(0.26)	2.27	\$1,151,158
26.49			Median - Alaska					13.18	...	15.89	14.98	1.24	1.31	2.29	11.37	66.89	10.10	1.22	2.10	(0.26)	2.27	\$1,151,158
83.22	\$17.21	\$8.82	Western Alliance Bancorporation	WAL	AZ	\$16.82	\$1,462	17.89	19.49	15.62	13.96	2.29	2.40	nm	7.50	54.82	11.45	1.11	4.51	0.79	1.63	\$8,174,104
83.22			Median - Arizona					17.89	19.49	15.62	13.96	2.29	2.40	...	7.50	54.82	11.45	1.11	4.51	0.79	1.63	\$8,174,104
31.97	\$6.45	\$4.50	1st Century Bancshares, Inc.	FCTY	CA	\$6.15	\$57	14.30	14.30	7.32	16.18	1.11	1.11	nm	10.26	79.31	7.89	0.80	0.43	(0.74)	2.22	\$493,415
21.05	\$9.53	\$6.21	American River Bankshares	AMRB	CA	\$8.57	\$76	25.97	26.10	30.07	26.78	0.84	1.02	0.00	13.38	67.49	3.34	0.53	8.09	0.46	2.35	\$587,261
21.41	\$5.36	\$4.00	Bank of Commerce Holdings	BOCH	CA	\$4.89	\$76	11.64	18.04	9.06	8.15	0.84	0.84	2.45	9.08	52.89	6.78	0.79	7.81	1.43	1.85	\$978,515
23.31	\$44.78	\$34.50	Bank of Marin Bancorp	BMRC	CA	\$44.04	\$241	13.55	13.66	14.54	14.39	1.52	1.52	1.63	10.99	54.76	11.97	1.23	2.44	0.27	1.25	\$1,427,022
38.32	\$15.74	\$10.62	BBCN Bancorp, Inc.	BBCN	CA	\$15.03	\$1,187	15.99	15.40	14.41	13.18	1.53	1.75	1.33	11.77	42.40	10.02	1.43	2.30	0.32	1.61	\$5,833,597
2.47	\$16.60	\$13.41	Bridge Capital Holdings	BBNK	CA	\$16.57	\$261	17.08	17.09	16.63	14.93	1.72	1.72	nm	11.24	62.35	10.19	1.17	1.94	0.20	2.16	\$1,347,141
58.00	\$9.90	\$6.22	CapitalSource Inc.	CSE	CA	\$9.67	\$1,896	4.48	4.54	15.96	14.25	1.25	1.41	0.41	16.19	42.91	30.13	5.82	2.87	1.24	1.91	\$8,482,677
39.40	\$22.98	\$15.52	Cathay General Bancorp	CATY	CA	\$22.77	\$1,796	17.93	19.40	15.88	14.35	1.27	1.64	0.18	10.72	48.50	7.36	1.11	3.74	0.13	2.43	\$10,520,715
44.15	\$10.31	\$6.75	Central Valley Community Bancorp	CVCY	CA	\$10.02	\$109	13.18	15.43	14.41	12.22	0.87	1.11	2.00	9.99	71.73	6.53	0.88	4.18	0.28	2.43	\$866,359
39.24	\$67.41	\$46.83	City National Corporation	CYN	CA	\$65.69	\$3,557	16.93	16.59	16.68	16.13	1.48	2.07	1.52	6.35	64.80	9.04	0.82	1.01	(0.05)	2.01	\$27,433,754
117.19	\$5.10	\$2.20	Community West Bancshares	CWBC	CA	\$4.80	\$38	16.55	16.55	NM	NM	0.75	0.75	0.00	7.25	77.42	6.67	0.62	6.59	0.59	3.06	\$533,123
51.40	\$16.87	\$11.05	CU Bancorp	CUNB	CA	\$16.73	\$180	50.70	29.56	20.04	17.03	1.41	1.58	nm	9.10	74.84	3.03	0.29	1.80	0.08	1.03	\$1,264,976
11.43	\$12.95	\$9.43	CVB Financial Corp.	CVBF	CA	\$12.46	\$1,308	16.84	16.88	14.60	13.76	1.70	1.84	3.21	11.44	52.93	10.07	1.19	3.94	(0.01)	2.74	\$6,265,767
25.35	\$29.07	\$19.68	East West Bancorp, Inc.	EWBC	CA	\$28.60	\$4,054	14.74	14.74	14.03	13.50	1.73	2.09	2.10	8.23	44.06	12.22	1.30	1.72	0.28	1.56	\$23,101,955
23.53	\$40.31	\$31.42	First Republic Bank	FRC	CA	\$40.01	\$5,264	13.61	13.17	13.02	13.09	1.74	1.91	1.20	7.92	48.26	13.46	1.32	0.26	0.01	0.48	\$35,082,904
64.78	\$18.36	\$10.44	Hanmi Financial Corporation	HAFC	CA	\$17.50	\$553	5.93	5.97	14.08	13.23	1.42	1.43	0.00	13.89	58.65	26.48	3.31	2.38	1.23	2.87	\$2,792,423
6.78	\$7.25	\$5.86	Heritage Commerce Corp	HTBK	CA	\$7.24	\$191	23.35	24.28	22.77	20.45	1.26	1.28	0.00	10.82	70.75	5.98	0.72	2.37	0.46	2.40	\$1,383,564
13.58	\$7.00	\$5.05	Heritage Oaks Bancorp	HEOP	CA	\$6.69	\$169	12.87	17.52	17.45	16.32	1.38	1.55	0.00	10.42	69.41	10.77	1.45	1.91	0.93	2.49	\$1,064,684
28.75	\$19.00	\$13.00	North Valley Bancorp	NOVB	CA	\$17.06	\$117	16.56	20.92	20.43	17.06	1.20	1.21	0.00	10.62	80.70	7.42	0.78	5.47	0.91	1.98	\$910,734
9.72	\$8.88	\$5.02	Oak Valley Bancorp	OVLY	CA	\$7.90	\$63	11.62	11.74	NM	NM	0.98	0.98	0.00	9.89	65.58	8.17	0.90	1.80	0.26	1.99	\$648,418
(21.86)	\$7.40	\$5.06	Pacific Mercantile Bancorp	PMBC	CA	\$5.54	\$105	21.31	24.74	NM	NM	0.84	0.84	nm	12.14	83.79	4.55	0.48	7.33	0.75	1.50	\$1,023,780
53.13	\$13.29	\$8.15	Pacific Premier Bancorp, Inc.	PPBI	CA	\$12.71	\$211	9.63	12.66	16.38	10.15	1.25	1.39	nm	10.16	58.71	13.76	1.39	0.48	0.14	0.85	\$1,406,655
32.50	\$33.72	\$21.50	PacWest Bancorp	PACW	CA	\$31.84	\$1,454	18.09	15.13	15.93	14.41	2.00	2.38	3.14	9.54	53.75	11.28	1.19	5.16	0.27	2.72	\$5,299,905
104.40	\$8.00	\$3.00	Plumas Bancorp	PLBC	CA	\$6.50	\$31	19.12	20.69	NM	NM	1.02	1.02	0.00	6.35	75.32	5.84	0.50	7.43	1.11	1.84	\$477,981
45.26	\$17.33	\$10.52	Preferred Bank	PFBC	CA	\$16.56	\$219	36.80	39.23	14.59	13.14	1.14	1.14	0.00	12.11	44.40	3.28	0.42	4.02	1.96	1.73	\$1,587,769
56.57	\$16.13	\$9.80	Sierra Bancorp	BSRR	CA	\$15.88	\$224	26.03	30.40	25.41	21.90	1.28	1.32	1.51	12.31	60.83	4.97	0.62	10.19	2.15	1.59	\$1,386,362
71.12	\$10.50	\$6.00	Summit State Bank	SSBI	CA	\$10.03	\$48	14.13	19.43	14.54	14.33	0.96	1.04	4.39	10.51	59.94	6.16	0.91	5.56	1.00	2.13	\$438,266
54.18	\$90.91	\$52.40	SVB Financial Group	SIVB	CA	\$86.94	\$3,919	21.63	NM	22.92	21.63	2.08	2.08	0.00	8.26	66.89	10.63	1.24	0.52	0.30	1.27	\$22,796,000
50.78	\$22.94	\$14.68	TriCo Bancshares	TCBK	CA	\$22.50	\$360	15.41	14.75	13.25	14.56	1.53	1.64	1.96	8.45	66.08	10.30	0.92	6.79	0.65	2.59	\$2,612,433
69.49	\$4.48	\$2.17	United Security Bancshares	UBFO	CA	\$4.07	\$59	9.66	10.90	NM	NM	0.84	0.90	0.00	10.41	72.32	9.02	0.97	10.43	0.68	2.86	\$636,548
33.46	\$43.08	\$31.25	Wells Fargo & Company	WFC	CA	\$42.63	\$226,031	11.55	11.39	11.43	10.87	1.51	NM	2.81	NA	54.59	13.32	1.52	NA	0.84	1.92	\$1,440,563,000
4.57	\$49.39	\$40.50	Westamerica Bancorporation	WABC	CA	\$47.87	\$1,292	16.98	16.10	18.72	18.92	2.31	3.11	3.09	8.75	43.64	14.28	1.57	1.95	0.66	1.49	\$4,887,844
35.89			Median - California					16.27	16.55	15.88	14.39	1.27	1.41	1.20	10.41	61.59	9.03	0.95	2.87	0.46	1.98	\$1,396,509

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July 12, 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)	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)
44.59	\$9.34	\$6.30	CoBiz Financial Inc.	COBZ	CO	\$9.20	\$370	NA	NA	18.98	14.11	1.79	1.82	1.30	7.75	72.24	10.40	1.02	3.66	0.09	2.33	\$2,620,512
21.91	\$13.05	\$7.70	Guaranty Bancorp	GBNK	CO	\$12.77	\$260	19.65	16.18	16.63	18.57	1.44	1.51	0.78	9.90	73.52	7.87	0.81	3.48	0.27	2.04	\$1,836,840
NA	\$20.25	\$17.69	National Bank Holdings Corporation	NBHC	CO	\$19.48	\$920	NM	152.47	17.09	19.64	0.95	1.04	1.03	19.35	77.03	(0.01)	(0.00)	7.00	1.71	0.73	\$5,257,543
33.25			Median - Colorado					19.65	84.33	17.09	18.57	1.44	1.51	1.03	9.90	73.52	7.87	0.81	3.66	0.27	2.04	\$2,620,512
22.74	\$55.00	\$41.41	Bank of Hawaii Corporation	BOH	HI	\$54.01	\$2,422	15.30	15.21	16.29	16.27	2.36	2.44	3.33	7.37	57.46	15.41	1.17	1.38	0.16	2.18	\$13,525,667
36.93	\$19.06	\$12.80	Central Pacific Financial Corp.	CPF	HI	\$18.80	\$788	4.63	4.61	14.42	24.52	1.21	1.24	0.00	13.91	79.59	33.74	3.99	5.18	0.33	3.79	\$4,581,077
29.83			Median - Hawaii					9.97	9.91	15.36	20.39	1.79	1.84	1.67	10.64	68.53	24.57	2.58	3.28	0.24	2.99	\$9,053,372
38.35	\$14.14	\$9.64	Home Federal Bancorp, Inc.	HOME	ID	\$13.98	\$203	NM	164.97	NM	NM	1.13	1.15	1.72	16.81	97.90	0.85	0.15	5.69	0.19	3.08	\$1,050,783
31.90	\$14.00	\$10.30	Intermountain Community Bancorp	IMCB	ID	\$13.85	\$36	34.63	34.74	nm	NM	1.00	1.00	nm	9.55	78.98	4.01	0.47	2.89	1.39	1.51	\$933,880
35.13			Median - Idaho					34.63	99.85	1.07	1.07	1.72	13.18	88.44	2.43	0.31	4.29	0.79	2.29	\$992,332
54.61	\$22.12	\$13.38	First Interstate BancSystem, Inc.	FIBK	MT	\$21.62	\$398	14.81	14.73	13.22	13.33	1.22	1.62	2.41	8.03	59.78	8.46	0.88	3.97	1.15	2.32	\$7,439,317
54.03	\$23.78	\$13.25	Glacier Bancorp, Inc.	GBCI	MT	\$22.94	\$1,653	20.67	20.31	18.98	17.07	1.81	2.06	2.62	10.70	57.55	8.92	1.06	6.09	0.59	3.75	\$7,609,237
54.32			Median - Montana					17.74	17.52	16.10	15.20	1.51	1.84	2.51	9.37	58.66	8.69	0.97	5.03	0.87	3.03	\$7,524,277
15.65	\$7.18	\$4.50	Cascade Bancorp	CACB	OR	\$6.65	\$315	44.33	44.33	16.63	18.22	2.21	2.21	0.00	10.69	86.76	4.74	0.51	7.12	2.26	2.80	\$1,328,505
49.59	\$13.30	\$8.80	Pacific Continental Corporation	PCBK	OR	\$13.27	\$237	19.23	17.68	17.09	14.42	1.30	1.49	2.71	11.18	59.26	6.80	0.92	2.77	0.04	1.72	\$1,443,658
23.53	\$16.23	\$11.17	Umpqua Holdings Corporation	UMPQ	OR	\$15.84	\$1,773	17.80	17.73	16.92	15.15	1.02	1.69	3.79	9.72	63.40	5.82	0.87	2.25	0.42	1.42	\$11,491,410
23.53			Median - Oregon					19.2	17.7	16.9	15.1	1.30	1.69	2.71	10.69	63.40	5.82	0.87	2.77	0.42	1.72	\$1,443,658
61.24	\$31.40	\$17.58	Zions Bancorporation	ZION	UT	\$29.97	\$5,522	22.9	18.4	16.8	15.5	1.09	1.38	0.53	7.53	70.27	5.84	0.69	2.93	0.32	2.22	\$54,110,564
61.24			Median - Utah					22.9	18.4	16.8	15.5	1.09	1.38	0.53	7.53	70.27	5.84	0.69	2.93	0.32	2.22	\$54,110,564
72.81	\$35.74	\$20.04	Banner Corporation	BANR	WA	\$35.09	\$683	10.47	10.43	15.15	15.78	1.32	1.33	1.37	12.10	70.69	12.21	1.59	3.06	0.39	2.38	\$4,237,626
37.78	\$25.55	\$16.18	Columbia Banking System, Inc.	COLB	WA	\$24.97	\$1,274	19.98	19.26	17.60	14.71	1.29	1.56	1.60	13.39	63.75	6.47	1.02	2.23	0.37	2.67	\$4,905,011
7.42	\$15.84	\$13.25	Heritage Financial Corporation	HFWA	WA	\$15.78	\$239	19.97	18.76	19.24	15.03	1.19	1.28	2.03	13.01	70.28	5.92	0.88	3.53	0.66	2.54	\$1,447,080
39.14	\$25.81	\$18.75	Sterling Financial Corporation	STSA	WA	\$24.75	\$1,542	3.92	3.81	16.66	16.30	1.25	1.29	3.23	12.98	68.16	34.01	4.21	3.12	0.23	2.21	\$9,256,436
6.91	\$15.03	\$12.52	Washington Banking Company	WBCO	WA	\$14.85	\$230	13.75	13.95	12.88	13.29	1.25	1.29	4.04	10.73	61.10	9.32	1.00	4.99	0.79	2.05	\$1,668,354
37.78			Median - Washington					13.75	13.95	16.66	15.03	1.25	1.29	2.03	12.98	68.16	9.32	1.02	3.12	0.39	2.38	\$4,237,626
38.45			Average					17.35	23.33	16.46	15.68	1.38	1.52	1.50	10.65	64.32	10.06	1.20	3.96	0.57	2.11	34,456,675.08
38.05			Median					16.56	16.74	16.29	14.93	1.27	1.42	1.51	10.57	64.80	8.92	0.97	3.50	0.39	2.16	1,836,840.00

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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