



AMBASSADOR FINANCIAL GROUP

Notes from the Ambassador Bank Vault

December 21, 2018

Mergers & Acquisitions: A Look at New Jersey “I’ll drink your health, Share your wealth”

“You cannot escape the responsibility of tomorrow by evading it today.” –Abraham Lincoln.

Bank consolidation slipped in New Jersey as only four relatively small deals with Garden State sellers were announced in 2018, compared with eight announcements in the second half of 2017. Along with favorable operating conditions that encouraged some bankers to remain independent, the slowdown was also caused by a disparity between prices that potential sellers hoped to receive and those that potential buyers were willing to pay. **There are many reasons for mergers, but we expect potential acquirers’ main reason to pursue deals in 2019 will be to gain lower-costing and stable deposits.** Nationwide, there were 254 bank and thrift deals announced in 2018, *versus* 264 and 250 deals in fiscal 2017 and 2016, respectively.

We’ve said it before - banks are sold and not bought. And, due to growing economic concerns, which include a dearth of earnings tailwinds, we opine that more New Jersey (and national) management teams will begin to more seriously contemplate selling. It remains a sellers’ market due to the scarcity of quality banks willing to give up control, but deal pricing metrics need to be adjusted to reflect greater market volatility and lower valuations in general. Poor market reaction to a few recently-announced East Coast deals should also contribute to lower merger premiums for Garden State sellers. On a national basis, the median price-to-tangible book values were 169.8%, 164.2% and 136.5% for announced deals in 2018, 2017, and 2016, respectively. The price-to-trailing 12-month earnings were 24.3 times for 2018, 23.0 times for 2017, and 21.8 times in 2016.

Asset quality problems can derail consolidation activity, but credit should not be a major issue at this time. The potential wildcard will be the change in accounting for loan loss reserves, which takes effect in 2020 for publicly-traded banks. See our December 11 report, [A Look at CECL: Highlights from the ABA Accounting Meeting](#). In addition to the global need to obtain superior funding, ongoing issues that challenge community banks include margin pressure, widespread competition, accounting and regulatory burdens, and technology costs. Along with succession issues, all of these issues can be solved through mergers.

New Jersey bank deals have generally been strategic and much smaller following the M&T Bank Corporation and Hudson City Bancorp merger in 2015. **Many New Jersey banks have assets less than \$2 billion and bigger in-state banks appear to be interested buyers, rather than committed sellers.** That said, there have been recent national deals with larger sellers, which suggests that bigger bank mergers are achievable within acceptable time frames. Several fairly large and recently-converted thrifts in the Garden State have the capacity to deploy excess capital through acquisitions. New Jersey banks near the \$10 billion asset threshold include Provident Financial Services (\$9.7 billion) and OceanFirst Financial (\$7.6 billion). On November 6, 2018, *The Wall Street Journal* reported that Investors Bancorp (\$25.5 billion) was considering selling and hired investment bankers.

Contacts

Rick Weiss rweiss@ambfg.com

Matt Resch mresch@ambfg.com

Rob Pachence rpachence@ambfg.com

Ryan Walker rwalker@ambfg.com

Mark Neff mneff@ambfg.com

Mike Rasmussen mrasmussen@ambfg.com

Highlights

- 📦 New Jersey has 70 regulated depository institutions, of which 38 are publicly-traded banks and thrifts. Only 12 companies have assets more than \$2 billion. The top five banking institutions in New Jersey combine for approximately 55% of the state's deposit market share. (Among the top 10 banks regarding deposit market share, Investors Bancorp Inc. (NASDAQ: ISBC), Provident Financial Services (NYSE: PFS) and Valley National Bancorp (NYSE: VLY) are headquartered in-state.) Bank of America Corporation (NYSE: BAC) leads with 16% of the total deposit market share.
- 📦 As we go to press, there were 254 bank and thrift deals announced nationally (4 involved New Jersey sellers) since January 1, 2018. Nationally, the median deal price to trailing 12-months earnings was 24.3 times and the median deal price to tangible book value was 169.8%.
- 📦 The desire for core deposits should be a major driver for consolidation in 2019. On a national basis, the core deposit premium (at announcement) was 9.5% for 2018, compared with 9.1% and 4.7% for the years ending December 31, 2017 and 2016, respectively.
- 📦 Banks with total assets below \$1 billion or so typically receive lower acquisition premiums compared with larger banks. That said, smaller banks with strong core deposits and/or are located in attractive markets can expect to receive outsized deal premiums.
- 📦 The acquisition of southern New Jersey-based Sun Bancorp by OceanFirst Financial (NASDAQ: OCFC) (completed January 31, 2018) represented the largest announced deal with a New Jersey seller over the past 24 months.
- 📦 On the flip side, Wayne-based Valley National completed its acquisition of Clearwater, Florida-based, USAmeriBancorp in a stock deal on January 1, 2018. The deal value was \$727 million at completion.
- 📦 Future deals involving New Jersey sellers should be smaller in size as many banks have assets less than \$2 billion and bigger in-state banks appear to be interested buyers, rather than sellers. In addition to Valley National and Investors Bancorp, there are 10 New Jersey's publicly-traded banks and thrifts with total assets between \$2 billion and \$10 billion. They are generally well-capitalized, profitable, and trade at healthy multiples.
- 📦 Citing unnamed sources, *The Wall Street Journal* reported on November 6, 2018, that Investors Bancorp is considering selling and hired an investment banker. Due to its relatively large size, a potential buyer would almost certainly be an out-of-state institution. Investors recently announced that regulators lifted its informal agreements pertaining to Bank Secrecy Act and anti-money laundering (AML) matters.
- 📦 Several converted Jersey companies have much capital to deploy in order to boost returns on equity. Among these institutions, larger thrifts with tangible capital ratios over 13% include Kearny Financial Corp. (NASDAQ: KRNY), Oritani Financial Corp. (NASDAQ: ORIT), and Northfield Bancorp Inc. (NASDAQ: NFBK).
- 📦 Among the potential larger out-of-state institutions, the more logical buyers of New Jersey's community banks appear to be BankUnited (NYSE: BKU), New York Community Bancorp (NYSE: NYCB), Peoples United Financial (NASDAQ: PBCT), Sterling Bancorp (NYSE: STL), Toronto-Dominion Bank (TSX: TD), and Webster Financial Corp. (NYSE: WBS). BB&T and Fulton Financial (NASDAQ: FULT) appear to be sidelined due to regulatory issues.

- ❏ The difficulty of forming a *de novo* bank probably limits consolidation activity because displaced managers have one less career option. Regulators may become more amenable to start-ups, but unless potential returns on initial capital increase, there probably will not be many *de novo* banks in our highlighted region.
- ❏ Because banks are sold and not bought, consolidation activity is largely determined by potential sellers' willingness to accept acquisition prices relative to trading values.
- ❏ Considerations for potential sellers include attractive deal premiums, the flat yield curve, ongoing technology and cyber-security costs, regulatory demands, and succession planning. In some instances, aggressive shareholder activists may lead to the sale of an institution.
- ❏ Competition is often cited as a reason for the sale of an institution. In addition to much larger financial services companies, community banks must also contend with Fintech companies and credit unions.
- ❏ Potential acquirers, on the other hand, should be motivated by an opportunity to gain customers, fee income sources, and achieve economies of scale. Depending upon the deal price, acquiring core deposits may be preferable versus organic growth.
- ❏ Banks of all sizes need to upgrade risk management systems, which will drag efficiency ratios and earnings in the short-run. **Companies that invest in technology and management systems should seek strategic partnerships to realize economies of scale.** One of the bigger cost elements related to compliance is staffing, and smaller banks, in particular, are more apt to sell as they often lack the critical mass of interest-earning assets and/or other revenue drivers to offset fixed costs.
- ❏ Mergers of equals often make sense financially but rarely occur due to social factors.

Table of Contents

Highlights	2
Valuation Summary	4
Investment Summary.....	6
Recent Deals with New Jersey Sellers	8
New Jersey Market Demographics.....	10
<i>Appendix A: New Jersey Publicly Traded Bank Highlights</i>	<i>12</i>
<i>Appendix B: National M&A Metrics.....</i>	<i>13</i>

Valuation Summary

Figure 1

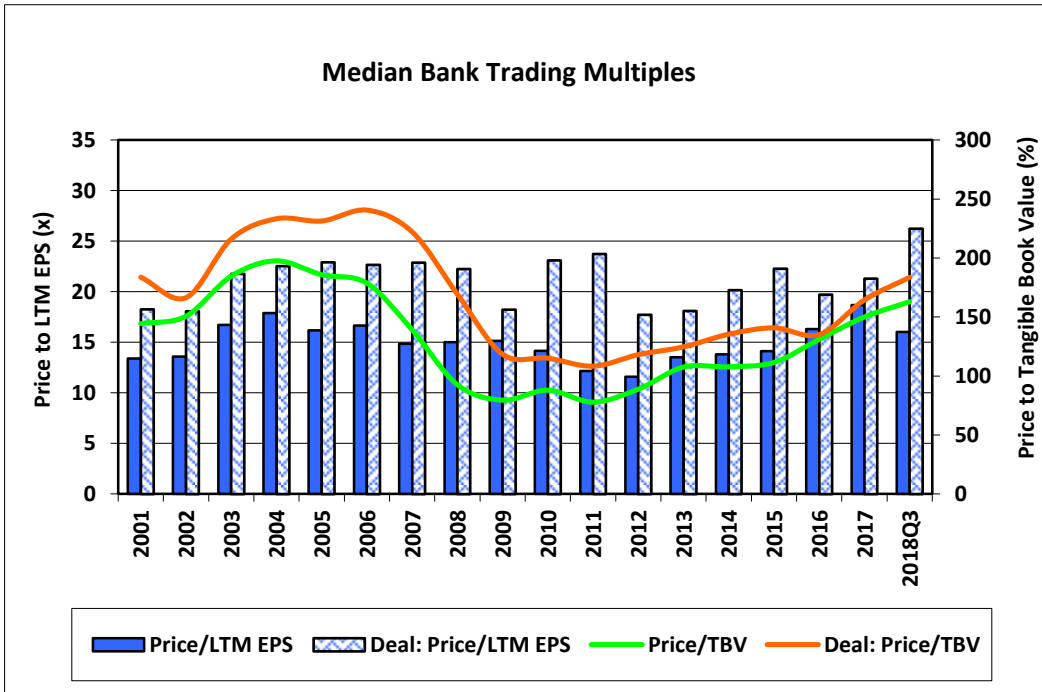
As we go to press, bank stock prices have underperformed the S&P 500 Index and the Dow Jones Index thus far in 2018, which are down 4.7% and 4.2%, respectively. On a year-to date basis, the S&P Bank Index is down 17.6%, the KBW Nasdaq Bank Index is off 19.2%, and the Nasdaq Bank Index decreased 17.21%.

	Median LTM P/E (x)	Median Price/ TBV (%)
New Jersey banks and thrifts	14.6	125
Mid-Atlantic banks and thrifts	14.2	131
All U.S. banks and thrifts	14.4	125

Banks generally reported good September 2018 quarter results and generally met or beat most earnings expectations. Our sense is that the sharp fall in bank stocks is only partially due to fundamentals – mainly the flat yield curve and expectations for slower earnings growth. By and large, credit quality remains good across the banking industry. We continue to believe that an outsized portion of the trading volume reflects cash flows being directed by passive investment funds rather than active trading among traditional bank investors.

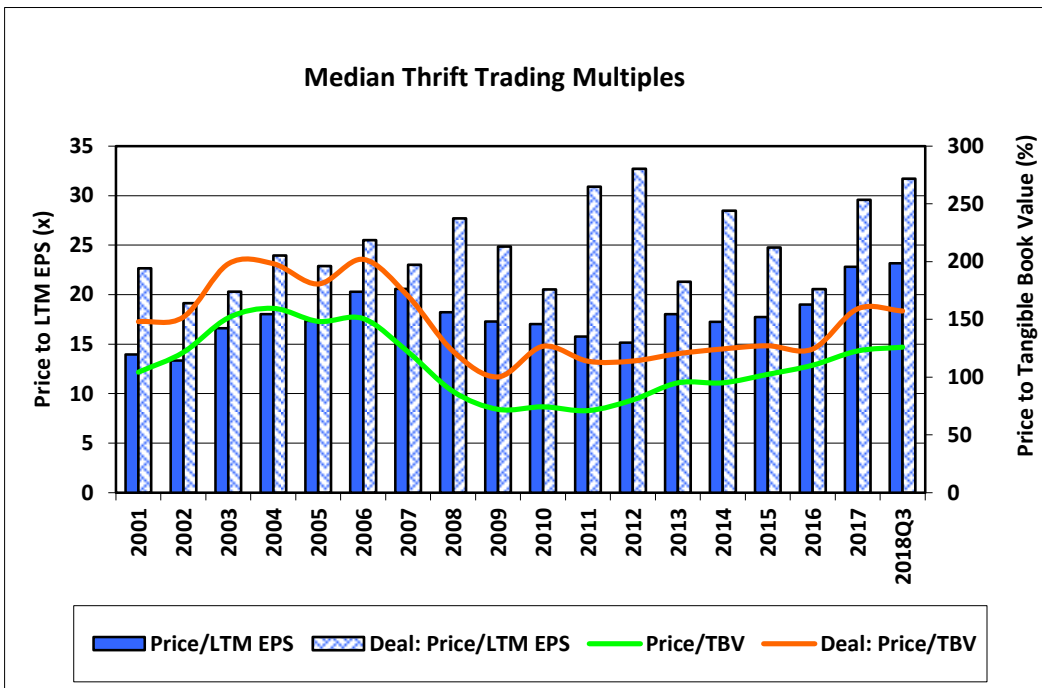
Source: S&P Global Market Intelligence. Pricing data as of December 20, 2018.

Figure 2



Includes all publicly traded U.S. banks
 Source: S&P Global Market Intelligence

Figure 3



Includes all publicly traded U.S. banks
 Source: S&P Global Market Intelligence

Investment Summary

We opine that consolidation activity in New Jersey will pick up in 2019, but not until markets adjust to reflect the generally lower stock prices of potential acquirers. Although moderate acquisition premiums may not create flashy headlines, more rationally priced stock deals should produce superior long-term returns due to greater potential price appreciation. We also opine that buyers are not as pressured to implement aggressive cost saving maneuvers when mergers are better priced. Because banks are sold; and not bought, we consider it more likely that once committed sellers lower their pricing expectations, more deals will occur. The root cause of the merger pricing disparity is because sellers focus on market premiums and buyers look at potential earnings, tangible book value dilution, and earn-back periods.

Asset quality issues— which can derail merger activity - continued to be strong through the September 2018 quarter; and there doesn't appear to be many signs that credit will deteriorate in the foreseeable future. As is the case with the vast majority of community banks, New Jersey institutions are challenged to better develop customer relationships, achieve a higher earnings growth rate, and gain market share.

Valley National, which has total assets of \$30.9 billion, is one of New Jersey's larger banks with the capacity to acquire. Valley, however, appears more interested in building its Florida/southeast U.S. franchise as evidenced by its purchases of USAmeriBancorp (2018), CNL Bancshares (2015), and 1st United Bancorp (2014). As aforementioned, it was reported that Investors Bancorp is considering selling and hired an investment banker. Investors completed its second step in 2014; and is no longer restricted by conversion regulations, which generally prohibit the sale of an institution within three years of its initial public offering. Also included among New Jersey's larger community banks is Provident Financial, which has total assets of \$9.7 billion and will face challenges if and when its total assets exceed \$10 billion. Among other items mandated by the Dodd-Frank Act, institutions which exceed \$10 billion are capped on fees it can charge retailers, face more extensive stress tests, and are directly regulated by the Consumer Finance Protection Board.

OceanFirst ranks among New Jersey's more active acquirers with four announced bank acquisitions since 2016. The company's merger strategy resulted in a significantly larger footprint in southern New Jersey markets, some of which include the Greater Philadelphia metropolitan areas. OceanFirst has the second largest deposit market share in southern Atlantic County (22.7%) and second largest deposit market share (12.2%) in Ocean County.

The graphs in Figure 4 and Figure 5 on the following page compare the yield curves from November 30, 2003 through 2006 (four years) with the current interest rate environment. Although the absolute level of interest rates is lower today, the changing slopes of the yield curves over the different time periods are eerily similar. (Particular attention should be focused on the green and purple lines within both graphs as the slopes look identical. It points to where we are going next year – the blue line.)

When the curve flattened in 2005 and then inverted by mid-2006, net interest margins compressed and eventually credit soured from pristine levels as banks tried to boost earnings through higher-yielding, but dicey loans and investment securities. Although credit quality generally remained steadfast through 2018, future losses and problem loans might increase significantly in the next credit cycle. **History may not repeat itself but merger and acquisition activity picked up considerably when the yield curve inverted in 2005-2006.**

Figure 4 – A picture is worth a thousand words

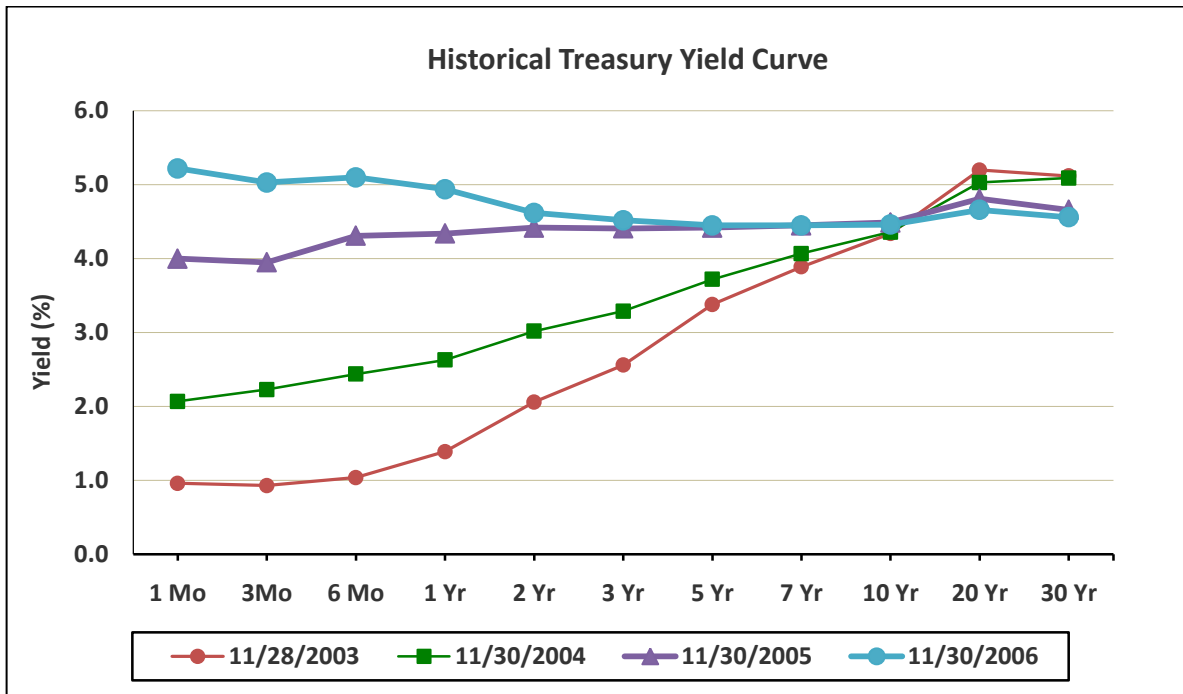
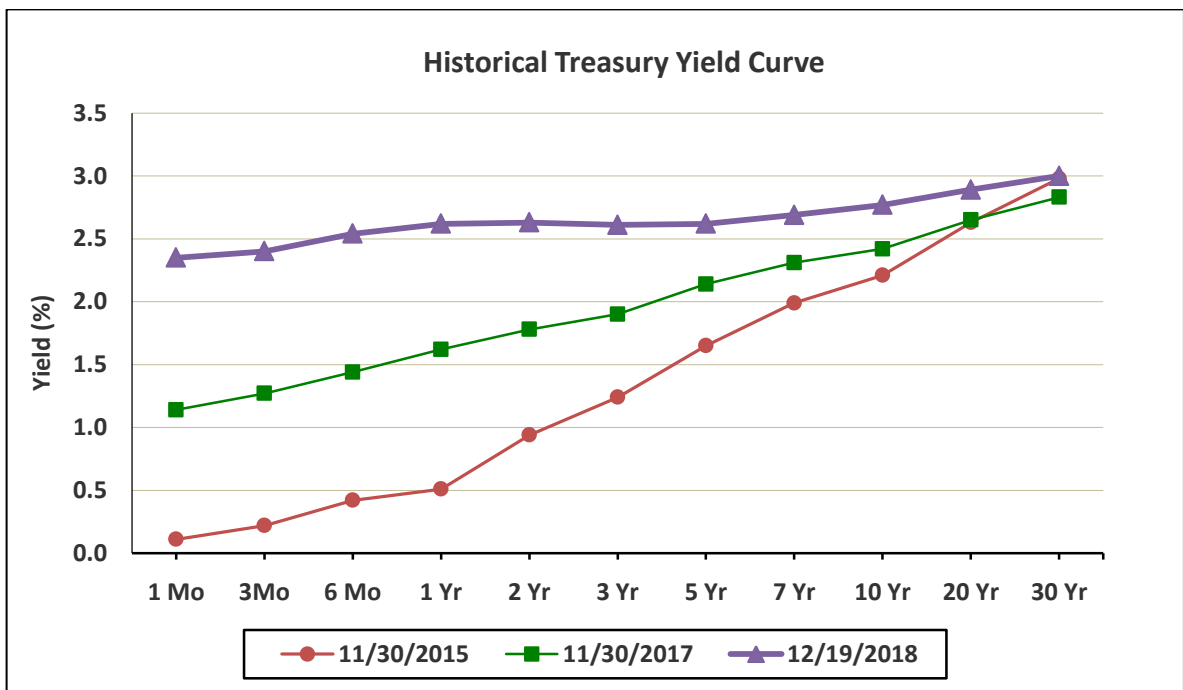


Figure 5 – Will next year’s yield curve resemble that of 2006?



Source: S&P Global Market Intelligence

Recent Deals with New Jersey Sellers

Figure 6

Buyer/Target Name	Status	Completion Date*	Deal Value (\$MM)	Price/Tangible Book (%)	Price/LTM Earnings (X)	Core Deposit Premium (%)
OceanFirst Financial Corp./Capital Bank of New Jersey	Pending	10/25/2018	77.5	174	15.6	8.8
Lakeland Bancorp, Inc./Highlands Bancorp, Inc.	Pending	8/23/2018	56.7	NA	22.5	8.3
SB One Bancorp/Enterprise Bank N.J.	Pending	6/20/2018	49.8	164	24.4	16.8
MB Mutual Holding Company/Metuchen, MHC	Completion	10/31/2018	NA	NA	NA	NA
William Penn Bancorp, Inc. (MHC)/Audubon Savings Bank	Completion	7/1/2018	NA	NA	NA	NA
First Bank/Delanco Bancorp, Inc.	Completion	4/30/2018	13.5	100	NM	-0.1
BCB Bancorp, Inc./IA Bancorp, Inc.	Completion	4/17/2018	12.4	102	NM	0.2
1st Constitution Bancorp/New Jersey Community Bank	Completion	4/11/2018	7.6	83	NM	NA
Kearny Financial Corp./Clifton Bancorp Inc.	Completion	4/2/2018	401.8	139	NM	19.0
Spencer Savings Bank, SLA/Wawel Bank (MHC)	Completion	3/26/2018	3.4	125	NM	3.1
Delmar Bancorp/Liberty Bell Bank	Completion	3/1/2018	16.8	170	NM	6.8
OceanFirst Financial Corp./Sun Bancorp, Inc.	Completion	1/31/2018	488.9	172	7.8	12.7
Sussex Bancorp/Community Bank of Bergen County, NJ	Completion	1/4/2018	46.9	159	27.9	6.1
Berkshire Hills Bancorp, Inc./ First Choice Bank**	Completion	12/2/2016	111.8	110	54.9	1.5
OceanFirst Financial Corp./Ocean Shore Holding Co.	Completion	11/30/2016	150.3	136	20.2	5.4
Lakeland Bancorp, Inc./Harmony Bank	Completion	7/1/2016	32.3	133	20.8	3.6
OceanFirst Financial Corp./Cape Bancorp, Inc.	Completion	5/2/2016	205.7	143	15.4	5.3
Regal Bank/Community First Bank	Completion	4/1/2016	9.6	112	NM	1.7
Northfield Bancorp, Inc./Hopewell Valley Comm. Bank	Completion	1/8/2016	54.4	154	22.4	5.0
Lakeland Bancorp, Inc./Pascack Bancorp, Inc.	Completion	1/7/2016	42.4	127	20.0	3.7
NexBank Capital, Inc./College Savings Bank	Completion	12/1/2015	NA	NA	NA	NA
M&T Bank Corporation/Hudson City Bancorp, Inc.	Completion	11/1/2015	3,812.4	85	NM	-3.6
Glen Rock Savings Bank/Llewellyn-Edison Savings Bank, FSB	Completion	10/2/2015	NA	NA	NA	NA
OceanFirst Financial Corp./Colonial American Bank	Completion	7/31/2015	11.5	119	NM	2.4
Cape Bancorp, Inc./Colonial Financial Services, Inc.	Completion	4/1/2015	55.9	89	NM	-1.6
Spencer Savings Bank/Assets and liabilities of NJM Bank FSB	Completion	12/5/2014	NA	NA	NA	NA
Center Bancorp, Inc./ConnectOne Bancorp, Inc.	Completion	7/1/2014	239.7	185	21.8	14.7
First Bank/Heritage Community Bank	Completion	3/7/2014	4.8	50	NM	-4.8
1st Constitution Bancorp/Rumson-Fair Haven Bank & Trust Co.	Completion	2/7/2014	24.4	130	22.7	3.9
Investors Bancorp, Inc. (MHC)/Gateway Community Fin'l Corp.	Completion	1/10/2014	NA	NA	NA	NA
Investors Bancorp, Inc. (MHC)/Roma Financial Corp. (MHC)	Completion	12/6/2013	459.3	214	NM	NA
Haven Bancorp, MHC/ Hilltop Community Bancorp, Inc.***	Completion	11/8/2013	26.9	130	29.4	NA
Wilshire Bancorp, Inc./BankAsiana	Completion	10/1/2013	31.4	132	14.2	7.8
TF Financial Corporation/Roebling Financial Corp, Inc.	Completion	7/2/2013	14.6	86	NM	-2.0
Lakeland Bancorp, Inc./Somerset Hills Bancorp	Completion	5/31/2013	65.7	157	18.8	7.9
BCB Bancorp, Inc./Allegiance Community Bank	Completion	10/14/2011	6.8	97	17.9	-0.2
Ocean Shore Holding Co./CBHC Financialcorp, Inc.	Completion	8/1/2011	11.9	130	10.3	1.6


Deals announced through December 20, 2018


*Announcement date is listed for pending deals


**Ambassador provided fairness opinion.


***Ambassador advised Haven Bancorp

Source: S&P Global Market Intelligence

-  On October 25, 2018, OceanFirst Financial, headquartered in Red Bank, announced the acquisition of Vineland-based, Capital Bank of New Jersey. The all-stock transaction was valued at approximately \$77 million and equated to a price-to-tangible book value of 174%. The transaction follows OceanFirst's acquisition of Mt. Laurel-based, Sun Bancorp on January 31, 2018. At completion, the Sun transaction was valued at approximately 163% of tangible book value and 7.7x trailing 12-month earnings. The core deposit premium was 11.3%. OceanFirst also acquired Ocean Shore Holding Co. and Cape Bancorp in 2016.


-  On August 23, 2018, Oak Ridge-based, Lakeland Bancorp (NASDAQ: LBAI) agreed to acquire Vernon, New Jersey-based Highlands Bancorp (OTC Pink: HSBK) in an all-stock transaction valued at approximately \$57 million. The transaction was valued at approximately 190% of tangible book value and 22.5 times trailing 12-month earnings. At September 30, 2018, Highlands had total assets of \$487.9 million and four branches.


-  Kearny Financial completed its acquisition of Clifton Bancorp on April 2, 2018, in an all-stock transaction valued at approximately \$348 million. The transaction expands Kearny's northern New Jersey presence through 12 additional branches. The transaction was valued at approximately 120% of tangible book value and the core deposit premium was 10.0%. The price-to-earnings ratio was not meaningful.


-  On January 4, 2018, Rockaway-based Sussex Bancorp (NASDAQ: SBBX), which is headquartered in Rockaway, New Jersey, completed its acquisition of Community Bank of Bergen County. At completion, the all-stock deal was valued at \$49.6 million, or 163.0% of book and tangible book value and 35.6x trailing 12-month earnings. The core deposit ratio was 7.2%. Sussex will expand into Bergen County by three branches and rank 23rd with a 0.67% deposit market share.


Due to Office of the Comptroller ("OCC") regulations that preclude a federally-chartered thrift from being acquired for a three year period following its initial mutual to stock conversion (including second steps), thrifts that converted to stock form in 2015 became eligible to be taken over in 2018. These conversion regulations are generally followed by the FDIC for state-chartered institutions.


Recent New Jersey conversions include:

-  **MSB Financial Corp. (NASDAQ: MSBF).** MSB, based in Millington, completed its second step in July 2015 and raised approximately \$38 million. MSB has a tangible equity capital ratio of approximately 11.9% and trades around 140% of tangible book value.

-  **Kearny Financial Corp.** Kearny, headquartered in Fairfield, operates in northern Jersey including several coastal areas. Kearny completed its second step offering in May 2015 and recently agreed to acquire Clifton Bancorp. Kearny has a tangible equity capital ratio around 15.8% and trades at approximately 121% of tangible book value.

-  **Investors Bancorp, Inc.** Investors, based in Short Hills, completed its large second step offering in 2014. The company generated net proceeds of approximately \$2 billion. Investors has a tangible equity capital ratio of 11.9% and trades at approximately 106% of tangible book value.

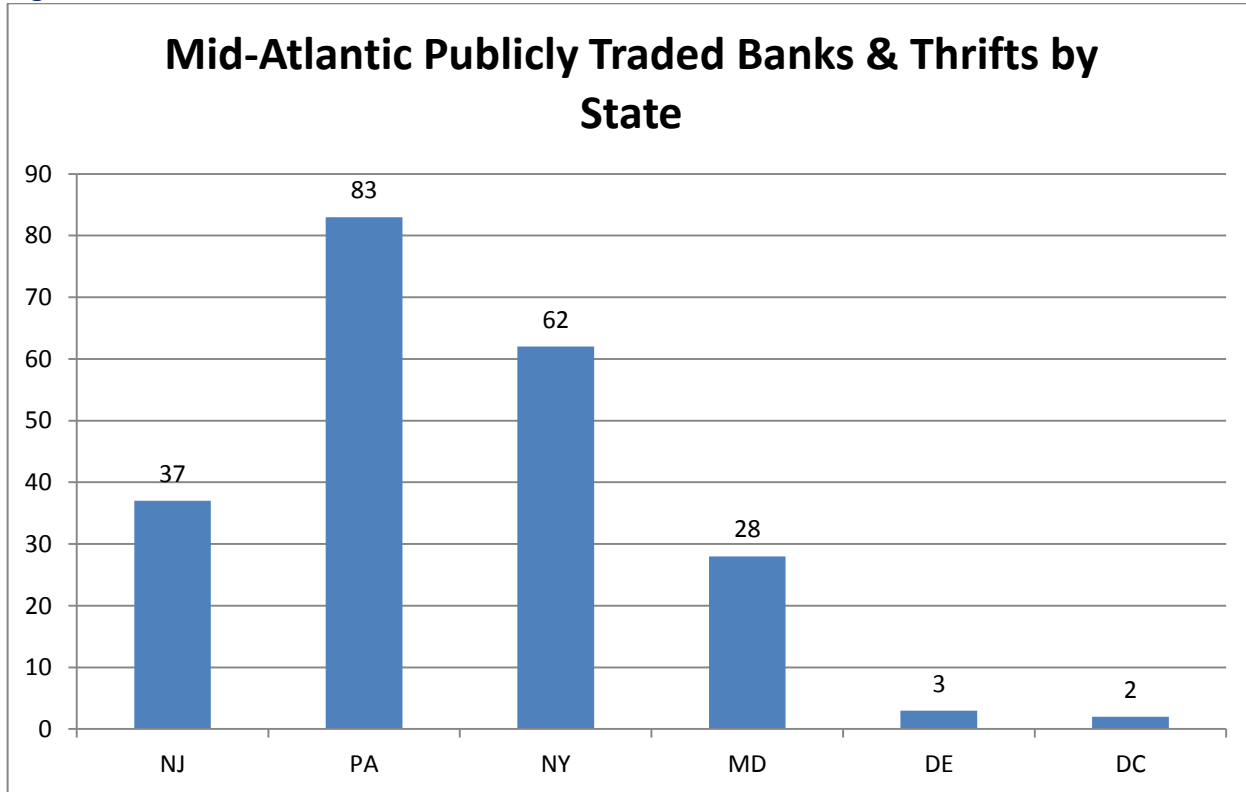
-  **Northfield Bancorp, Inc.** Headquartered in Woodbridge, Northfield completed its second step in 2013, has a tangible equity capital ratio around 14.5%, and trades at approximately 106% of tangible book value. Northfield completed its acquisition of Hopewell Valley, based in Pennington, New Jersey, on January 8, 2016.

-  **Oritani Financial Corp. (NASDAQ: ORIT).** Based in northern New Jersey, Oritani completed its second step in June 2010 and has a tangible equity capital ratio around 13.7%. The stock currently trades at approximately 122% of tangible book value.

Columbia Financial, Inc. (NASDAQ: CLBK), based in Fair Lawn, reorganized to the mutual holding company form of organization and completed its minority stock offering on April 19, 2018. As of September 30, 2018, Columbia had total assets of \$6.6 billion and a tangible equity capital ratio of approximately 14.3%.

New Jersey Market Demographics

Figure 7

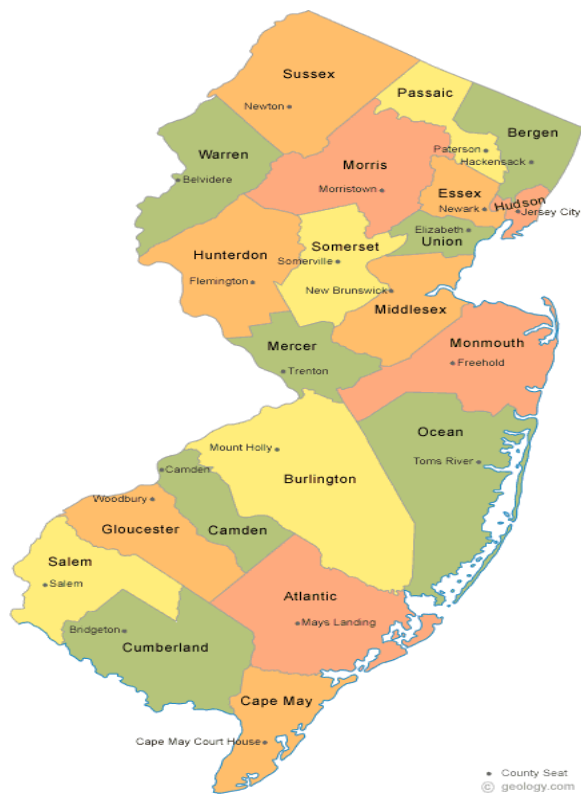


Source: S&P Global Market Intelligence

New Jersey, the nation's most densely populated state, is split economically and culturally between southern and northern New Jersey. The northern part of the state, which is near the New York City metropolitan area, is characterized by more urban and suburban markets. New Jersey has one of the higher median household income (\$76,000) in the country, however, the state's GDP has grown at an annual rate of only 0.9% since 2010, which is less than half of the national rate. Job creation, moreover, has generally been sluggish since the Great Recession. As of October 2018, the unemployment rate in New Jersey was 4.1%, compared with the national rate of 3.7%.

It can be argued that the state's economic growth has been stunted by state income and personal property tax rates that rank among the highest in the nation. The top tax rate of 8.97% on households with income greater than \$500,000 is among the top tier in the northeast quadrant of the United States. Property taxes are also high relative to other states. For example, the average tax bill on a median \$427,000 home in Essex County is approximately \$11,600, which is about double that for a similar home in Bucks County, Pennsylvania. The state's pension shortfall is approximately \$136 billion today, compared with \$54 billion in 2010. The hefty property taxes have burdened the middle class, particularly retirees.

Figure 8



There are 21 Fortune 500 companies headquartered in New Jersey, which are attracted by its proximity to roughly 40% of the United States population, or around 100 million potential customers. New Jersey also features easy access to global financial markets, numerous universities, and a well-trained and educated workforce. Manufacturing jobs are concentrated in Burlington County and counties relatively close to New York City. Along with various universities and health care service-related businesses, major New Jersey employers include Barnabas Health, Bristol-Myers Squibb, Campbell Soup, Colgate Palmolive, Johnson & Johnson, Lockheed Martin, Merck, Novartis, United Parcel Service, Verizon Communications, Wal-Mart Stores, and Wakefern Food Corporation.

Much of New Jersey's industrial power is concentrated in the northern part of the state as the southern inland region remains agricultural-based. Food and agriculture are the third largest industries in New Jersey as there are approximately 9,000 farms covering 720,000 acres. South Jersey is best-known for its cranberry and blueberry regions in the scrub pine areas. Atlantic City and nearby areas have suffered due to the collapse of the gaming industry, despite significant government support. New Jersey remains a popular summer vacation destination.

Important Disclosure: Ambassador Financial Group does and seeks to do business with companies included in this report. As a result, readers should be aware that the firm may have a conflict of interest that could affect the objectivity of the report. Information contained herein is provided for informational purposes only, is not a solicitation to sell or offer to buy, and is obtained from sources believed to be reliable. We do not guarantee its accuracy or completeness. Opinions expressed reflect that of the author and are subject to change without notice. Ambassador, its officers/directors/shareholders/ employees and affiliates will not be held liable for use of this information other than for informational purposes. Ambassador, its officers/directors/shareholders/employees/affiliates and family members, may make investments in a company/security mentioned herein. Ambassador may perform/seek to perform investment banking or other services for entities mentioned herein. Prices and availability are subject to change. Additional information on securities mentioned herein is available upon request.

Appendix A: New Jersey Publicly Traded Bank Highlights

Company Name	Ticker	Market Cap (\$MM)	Total Assets (\$MM)	Tang. Common Equity/ Assets (%)	NPAs*/ Loans & OREO (%)	LTM ROAA (%)	LTM ROAE (%)	Price/ LTM EPS (X)	Price/ Tang. Book Value (%)
1st Colonial Bancorp, Inc.	FCOB	54.9	539	7.7	0.53	0.87	11.7	12.4	132
1st Constitution Bancorp	FCCY	160.8	1,192	9.4	1.04	1.35	13.0	17.6	145
Absecon Bancorp	ASCN	9.4	151	9.7	0.65	0.61	6.3	11.9	64
Bancorp of New Jersey, Inc.	BKJ	93.8	892	9.8	1.50	0.80	8.1	23.3	107
Bank of Princeton	BPRN	184.1	1,235	14.5	0.46	1.19	8.3	15.0	102
BCB Bancorp, Inc.	BCBP	172.9	2,638	6.5	0.55	0.72	9.4	15.0	101
Brunswick Bancorp	BRBW	26.0	192	19.8	NA	0.34	1.7	40.6	69
Capital Bank of New Jersey	CANJ	72.4	495	9.3	0.01	1.79	19.6	NA	NA
Columbia Financial, Inc. (MHC)	CLBK	1,778.9	6,568	14.3	0.09	0.68	4.6	NA	189
ConnectOne Bancorp, Inc.	CNOB	581.6	5,369	8.6	1.19	1.54	13.5	11.2	130
Cornerstone Financial Corp.	CFIC	7.4	252	NA	NA	NA	NA	NA	NA
Elmer Bancorp, Inc.	ELMA	19.8	286	8.6	1.10	0.70	8.1	11.2	81
Enterprise Bank N.J.	ENBN	36.0	277	11.8	0.97	1.19	10.1	16.1	110
First Bank	FRBA	214.1	1,717	10.2	0.42	1.29	11.5	14.9	124
First Commerce Bank	CMRB	144.2	946	NA	2.88	1.53	11.5	NA	NA
Highlands Bancorp, Inc.	HSBK	40.4	488	6.2	0.70	0.81	12.8	15.1	134
Investors Bancorp, Inc.	ISBC	2,905.3	25,518	11.6	0.53	0.85	7.0	18.2	103
Kearny Financial Corp.	KRNY	1,147.7	6,656	15.8	0.45	0.68	3.5	41.7	116
Lakeland Bancorp, Inc.	LBAI	677.1	5,627	8.5	0.32	1.20	11.1	11.2	144
Lincoln Park Bancorp (MHC)	LPBC	18.5	341	4.4	NA	0.07	1.5	NM	NA
Magyar Bancorp, Inc. (MHC)	MGYR	71.2	624	8.2	NA	0.45	5.5	35.0	139
MSB Financial Corp.	MSBF	97.0	590	11.9	0.55	0.92	7.6	25.6	143
NMB Financial Corporation	NMBF	NA	360	9.7	0.73	1.53	15.2	NA	NA
Northfield Bancorp, Inc.	NFBK	630.3	4,286	14.5	0.31	0.85	5.6	21.4	103
OceanFirst Financial Corp.	OCFC	1,089.7	7,563	9.3	0.46	1.27	9.4	18.3	163
Oritani Financial Corp.	ORIT	675.5	4,110	13.7	0.30	1.29	9.6	14.6	120
Parke Bancorp, Inc.	PKBK	169.4	1,342	NA	0.68	1.92	16.8	10.2	125
Peapack-Gladstone Financial	PGC	456.2	4,436	9.5	0.28	0.99	9.7	10.5	111
Penn Bancshares, Inc.	PEBA	15.6	201	NA	NA	NA	NA	NA	NA
Provident Financial Services, Inc.	PFS	1,481.2	9,710	9.8	0.48	1.46	10.7	14.5	167
SB One Bancorp	SBBX	169.8	1,460	8.7	1.91	0.91	8.7	21.4	137
Shore Community Bank	SHRC	41.9	283	10.7	0.46	1.48	14.1	13.5	139
Stewardship Financial Corporation	SSFN	76.9	948	8.2	0.17	0.91	11.2	12.0	99
Two River Bancorp	TRCB	117.9	1,086	9.0	0.22	1.05	10.1	14.0	123
Unity Bancorp, Inc.	UNTY	222.7	1,553	8.4	0.48	1.52	16.8	12.2	171
Valley National Bancorp	VLY	2,937.0	30,882	6.6	0.37	0.91	8.4	14.3	151
Median				9.5	0.48	0.95	9.6	14.9	124
Average				10.2	0.67	1.05	9.8	17.7	125

*Excludes TDRs

Pricing data as of December 20, 2018

Financial data as of or for the period ending December 20, 2018, or if not available, September 30, 2018.

Source: S&P Global Market Intelligence

Appendix B: National M&A Metrics

Year	Number of Deals	Price/Earnings	Price/Tangible Common Book (%)	Buyer's Assets (in millions)	Seller's Assets (in millions)	Seller's LTM ROE	Seller's NPA's/Assets
Highest 3rd							
2018	42	25.3X	219%	\$7,538	\$810	7.62%	.65%
2017	47	21.9	209	6,857	1,010	10.17	.61
2016	38	20.3	179	5,015	805	9.25	.81
2015	47	23.7	181	5,948	647	8.09	.95
Middle 3rd							
2018	43	24.4X	174%	\$4,077	\$454	8.16%	.52%
2017	47	22.9	167	2,794	346	7.35	1.03
2016	39	20.0	141	2,481	311	7.14	1.03
2015	46	22.8	143	2,790	330	5.77	1.36
Lowest 3rd							
2018	43	24.7X	141%	\$1,376	\$192	6.25%	1.07%
2017	47	20.8	132	1,226	198	6.11	1.14
2016	39	18.2	116	1,225	186	5.67	1.54
2015	46	23.4	118	953	205	3.47	1.66

Excludes transactions under \$10 million, mutual transaction and mergers of equals. Pricing and financial data are medians. Source: S&P Global Market Intelligence. As of Dec. 19, 2018.