

Mutual conversions could be M&A targets following 3-year anniversary

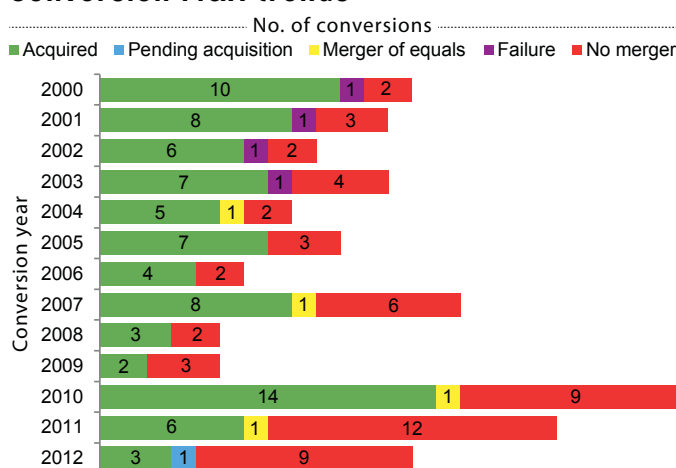
By Robert Clark

Jan. 18, 2017

There is a time for converting, and there is a time for selling. With ballooning valuations across the banking sector, now may be the time for companies that have completed a mutual conversion to consider selling.

2010. The merger percentage slides to 75% in 2001 and 78% in 2002, ranges between 67% and 75% for the following four years, drops to 60% in 2007 and 2008 and falls to 40% for the class of 2009.

Conversion M&A trends



Data compiled Jan. 11, 2017.
Analysis includes banking institutions that completed a standard or second-stage conversion between 2000 and 2012. Includes all merger activity since conversion, including pending mergers of equals.
Source: SNL Financial, an offering of S&P Global Market Intelligence

Regulators generally prohibit converted banking institutions from selling for at least three years following the IPO. Some converted companies waste little time in announcing a sale of the company, while some wait much longer. For most mutual conversions, an eventual sale is inevitable given lackluster profitability and a bevy of potential suitors.

S&P Global Market Intelligence examined all standard and second-stage deals from 2000 to 2012, measuring the pace of merger activity. Not surprisingly, the percentage of merged conversions (acquired, pending acquisition, merger of equals or failure) generally increases going back further in time. Ten of the 13 conversions from the class of 2000 have been acquired, plus TierOne Corp. unit TierOne Bank in Lincoln, Neb. failed in

The class of 2010 represents a break in the trend, with 14 of the 24 conversions already acquired, in addition to Monroeville, Pa.-based Standard Financial Corp.'s pending MOE with Pittsburgh, Pa.-based Allegheny Valley Bancorp Inc. Three of the deals were completed in 2016: Pittsburgh, Pa.-based United-American Savings Bank; Hatboro, Pa.-based Fox Chase Bancorp Inc.; and certain assets and substantially all the liabilities of Harvard, Ill.-based Harvard Illinois Bancorp Inc. unit Harvard Savings Bank. The fastest to announce a sale was SP Bancorp Inc. in Plano, Texas, at 3.5 years after its standard conversion.

Of all the mutual conversions completed since 1995, just two are currently pending merger targets. Georgetown, Mass.-based Georgetown Bancorp Inc. completed a second-stage conversion in 2012 and was a Schedule 13D position of Joseph Stilwell and related entities. Garfield, N.J.-based Wavel Bank (MHC) is merging with Carteret, N.J.-based United Roosevelt Savings Bank in a remutualization transaction.

Converted companies that are pending merger targets

Company (ticker)	Announced price/tangible book value (%)	
	Merger announcement date	Years until sale [^]
Georgetown Bancorp Inc. (GTWN)	10/06/16 4.2	147.8
Wavel Bank (MHC) (WAWL)*	08/29/16 12.4	60.8

Data compiled Jan. 11, 2017.
Analysis includes banking institutions that have completed a mutual conversion since 1995, and are currently the target of a pending acquisition. Excludes mergers of equals.
[^] Represents the number of years between the merger announcement date and the most recent IPO date.
* Announced P/TBV represents price-to-minority tangible book value.
IPO date = initial public offering; when a company becomes fully public and lists its shares for trading, except in the case of Wavel Bank (MHC)
Source: SNL Financial, an offering of S&P Global Market Intelligence

Converted companies sold since 2016

Company	Announced price/tangible book value (%)		
	Merger announcement date	Years until sale [^]	
La Porte Bancorp Inc.	03/10/16	3.4	116.1
Polonia Bancorp Inc.	06/02/16	3.6	101.0
Cheviot Financial Corp.	11/24/15	3.9	123.4
Naugatuck Valley Financial Corp.	06/04/15	3.9	125.9
Eureka Financial Corp.	09/03/15	4.5	146.9
Fraternity Community Bancorp Inc.	10/13/15	4.5	97.6
Harvard Savings Bank*	05/21/15	5.1	NA
United-American Savings Bank	12/30/15	5.4	166.8
Fox Chase Bancorp Inc.	12/08/15	5.4	134.3
Ocean Shore Holding Co.	07/13/16	6.6	132.0
Cape Bancorp Inc.	01/05/16	7.9	139.2
Chicopee Bancorp Inc.	04/04/16	9.7	119.7
First Clover Leaf Financial Corp.	04/26/16	9.8	130.2
First Niagara Financial Group Inc.	10/30/15	12.8	168.4
Pulaski Financial Corp.	12/03/15	17.0	177.0
River Valley Bancorp	10/26/15	18.9	157.1
Park Bancorp Inc.	01/15/16	19.4	6.5
Lexington B&L Financial Corp.	02/23/16	19.7	106.2
Your Community Bankshares Inc.	05/03/16	21.1	172.8

Data compiled Jan. 11, 2017.

Analysis includes banking institutions that have completed a mutual conversion since 1995, and have completed a sale of the company since 2016. Excludes mergers of equals.

[^] Represents the number of years between the merger announcement date and the most recent IPO date.

* Harvard Illinois Bancorp Inc. unit Harvard Savings Bank sold certain assets and substantially all of its liabilities.

IPO date = initial public offering; when a company becomes fully public and lists its shares for trading

NA = not available

Source: SNL Financial, an offering of S&P Global Market Intelligence

Nineteen of the mutual conversions since 1995 have merged with other institutions during the last year. Two Indiana-based institutions were at opposite ends of the spectrum: La Porte Bancorp Inc. in La Porte announced a sale just 3.4 years after its second-stage deal, while the announcement from Your Community Bankshares Inc. in New Albany took more than 21 years. Buffalo, N.Y.-based First Niagara Financial Group Inc. was the largest acquisition in the group, as well as one of the most expensive by price-to-tangible book value.

banking institutions that completed a conversion to go fully public have become eligible to merge since 2016. Woodbridge, N.J.-based Northfield Bancorp Inc. stands out, with the most total assets and the highest current price-to-tangible book value. On the flip side, Warrensburg, Mo.-based Quarry City Savings and Loan Association trades at the lowest TBV ratio among the group, and is the smallest public thrift by assets in S&P Global Market Intelligence's coverage universe.

Converted companies now eligible to merge

Company (ticker)	City, state	IPO date	Sept. 30, 2016		Jan. 10, 2017
			Total assets (\$M)	TCE/TA (%)	P/TBV (%)
United Community Bancorp (UCBA)	Lawrenceburg, IN	01/10/13	528.1	12.92	100.8
Northfield Bancorp Inc. (NFBK)	Woodbridge, NJ	01/25/13	3,784.6	15.50	163.3
Charter Financial Corp. (CHFN)	West Point, GA	04/08/13	1,438.4	12.14	148.4
Westbury Bancorp Inc. (WBB)	West Bend, WI	04/10/13	702.6	11.33	107.8
Sunnyside Bancorp Inc. (SNNY)	Irvington, NY	07/16/13	91.4	13.24	87.2
Quarry City Savings and Loan Association (QRRY)	Warrensburg, MO	07/26/13	51.5	16.25	68.4
AJS Bancorp Inc. (AJSB)	Midlothian, IL	10/10/13	204.8	15.81	102.2
Prudential Bancorp Inc. (PBIP)	Philadelphia, PA	10/10/13	559.5	20.38	121.4
Delanco Bancorp Inc. (DLNO)	Delanco, NJ	10/18/13	128.8	10.40	82.2
Group median			528.1	13.24	102.2

Data compiled Jan. 11, 2017.

Analysis includes banking institutions that have completed a standard or second-stage conversion, and that have reached their third anniversary as a fully public company since 2016.

IPO date = initial public offering; when a company becomes fully public and lists its shares for trading

TCE/TA = tangible common equity as a percentage of tangible assets

P/TBV = price-to-tangible book value

Source: SNL Financial, an offering of S&P Global Market Intelligence

Converted companies that will reach 3rd anniversary by 2017-end

Company (ticker)	City, state	IPO date	Sept. 30, 2016		Jan. 10, 2017
			Total assets (\$M)	TCE/TA (%)	P/TBV (%)
Coastway Bancorp Inc. (CWAY)	Warwick, RI	01/15/14	632.9	10.95	103.1
Edgewater Bancorp Inc. (EGDW)	St. Joseph, MI	01/17/14	154.0	8.75	78.5
Waterstone Financial Inc. (WSBF)	Wauwatosa, WI	01/23/14	1,795.0	22.79	130.8
Clifton Bancorp Inc. (CSBK)	Clifton, NJ	04/02/14	1,312.2	23.08	127.5
Sugar Creek Financial Corp. (SUGR)	Trenton, IL	04/09/14	95.5	12.89	92.2
Home Bancorp Wisconsin Inc. (HWIS)	Madison, WI	04/24/14	140.5	8.79	81.1
Investors Bancorp Inc. (ISBC)	Short Hills, NJ	05/08/14	22,536.0	13.49	144.2
Sunshine Bancorp Inc. (SBCP)	Plant City, FL	07/15/14	564.0	11.32	146.5
Blue Hills Bancorp Inc. (BHBK)	Norwood, MA	07/22/14	2,313.7	16.45	129.7
Meridian Bancorp Inc. (EBSB)	Peabody, MA	07/29/14	4,173.1	14.03	172.6
Entegra Financial Corp. (ENFC)	Franklin, NC	10/01/14	1,218.4	11.12	100.5
Pilgrim Bancshares Inc. (PLRM)	Cohasset, MA	10/13/14	250.9	12.88	101.1
Pathfinder Bancorp Inc. (PBHC)	Oswego, NY	10/17/14	717.1	7.59	104.7
Melrose Bancorp Inc. (MELR)	Melrose, MA	10/22/14	266.7	16.23	106.9
MB Bancorp Inc. (MBCQ)	Forest Hill, MD	12/30/14	136.2	23.30	87.0
Group median			632.9	12.89	104.7

Data compiled Jan. 11, 2017.

Analysis includes banking institutions that have completed a standard or second-stage conversion, and that will reach their third anniversary as a fully public company by the end of 2017.

IPO date = initial public offering; when a company becomes fully public and lists its shares for trading

TCE/TA = tangible common equity as a percentage of tangible assets

P/TBV = price-to-tangible book value

Source: SNL Financial, an offering of S&P Global Market Intelligence

companies that completed a standard or second-stage conversion in 2014 are slated to reach their three-year anniversary this year. By far the largest company is Short Hills, N.J.-based Investors Bancorp Inc., with \$22.54 billion in total assets at Sept. 30, 2016. Forest Hill, Md.-based MB

Bancorp Inc.; Clifton, N.J.-based Clifton Bancorp Inc.; and Wauwatosa, Wis.-based Waterstone Financial Inc. still have tangible common capital ratios in excess of 22%. And four of the institutions were trading under tangible book value as of Jan. 10.