Somerset Trust Holding Company

Updated October 31st, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$86	**5 Year Annual Expected Total Return:**	7.5%	**Market Cap:**	$217 M
Fair Value Price:	$89	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	12/10/26[1]
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.6%	**Dividend Payment Date:**	12/18/26
Dividend Yield:	2.0%	**5 Year Price Target**	$113	**Years Of Dividend Growth:**	64
Dividend Risk Score:	A	**Sector:**	Financials	**Rating:**	Buy

Overview & Current Events

Somerset Trust Holding Company, founded in 1889 and headquartered in Somerset, Pennsylvania, is a regional bank with 49 branches across Pennsylvania, Maryland, and Virginia. The company provides a full suite of financial services, including personal and business banking, wealth management, loans, and investments, with a strong commitment to community-driven banking. Still, the bank embraces modern banking innovations. In 2023, the bank introduced a new digital banking platform to enhance customer convenience and employ Robotic Process Automation (RPA) to improve operational efficiency. At the end of September 2026, Somerset had total deposits of $2.02 billion and net loans of $1.62 billion.

On August 31st, 2026, Scott Latuch became interim CFO following the prior CFO's departure.

On October 30th, Somerset published its results for the nine months ended September 30th, 2026. Net interest income rose 12.7% to $74.5 million as funding costs fell. Other income was $13.1 million versus $13.9 million, including $1.9 million in securities losses. Noninterest expenses rose 11.4% to $61.0 million. Net income increased 12.2% to $21.0 million, with EPS of $8.32 versus $7.41. Net interest margin widened to 4.20% from 3.82%, while nonperforming loans declined to 1.51% of total loans from 1.83%. We expect FY2026 EPS of $11.10.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$4.13	$2.71	$4.44	$4.53	$4.60	$5.56	$8.28	$9.21	$9.71	$9.92	***$11.10***	***$14.17***
DPS	$1.24	$1.31	$1.38	$1.44	$1.49	$1.53	$1.57	$1.61	$1.65	$1.70	***$1.76***	***$2.25***
Shares[2]	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	***2.5***	***2.6***

Somerset's EPS growth trajectory over the past decade reflects the bank's navigation through various economic cycles and external factors. After stable earnings in 2016, EPS saw a slight drop in 2017 due to the Tax Cuts and Jobs Act, which caused one-time charges from the revaluation of deferred tax assets. EPS bounded in 2018 and 2019, due to a strong economy and rising interest rates.

During the pandemic in 2020, the bank showed resilience with stable EPS due to government stimulus and conservative risk management. In 2021, EPS surged as the economy recovered and loan demand increased. The significant growth in 2022 and 2023 was driven by the Federal Reserve's aggressive interest rate hikes, which boosted interest income.

Moving forward, we believe the company is poised to grow its EPS at a CAGR of 5%. This is well below its five- and nine-year averages of 14.8% and 10.2%, to account for the fact that the company is coming off a rather favorable environment. We expect local market expansion, deeper customer relationships, and disciplined funding costs to support medium-term growth.

Note that Somerset Trust features a tremendous dividend growth track, spanning 64 consecutive annual increases. The dividend has grown at a rather slow pace, with its five- and nine-year CAGRs standing at 2.8% and 3.6%, respectively.

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[1]Upcoming ex-dividend and payment dates are estimated based on historical cadence.

[2] Shares in millions

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Still, we appreciate management's prudent capital management. We expect the dividend to grow at a 5% CAGR through 2031 in line with EPS.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	8.9	15.1	9.5	9.5	8.8	7.2	4.8	4.6	4.2	5.5	***7.7***	***8.0***
Avg. Yld.	3.4%	3.2%	3.3%	3.4%	3.7%	3.8%	3.9%	3.8%	4.0%	3.1%	***2.0%***	***2.0%***

Somerset Trust's valuation has historically hovered well below that of its industry peers. Regional bank usually trade in the high-single to low-double digits in terms of P/E. Somerset's valuation has virtually never scratched the surface of the upper echelon of that range. We believe this is due to the company's particularly localized operations and the fact that its shares don't trade on a major exchange. Today, the stock is trading at just 7.7 times our expected EPS for the year. While we do believe that stock deserves a modest discount we find Somerset to be modestly undervalued at its current price. Note that the company's book value stands at about $70.60 as of September 2026, meaning the stock is trading above book value. The dividend yield, at 2.0%, is not hefty, but it will contribute to the stock's total return prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

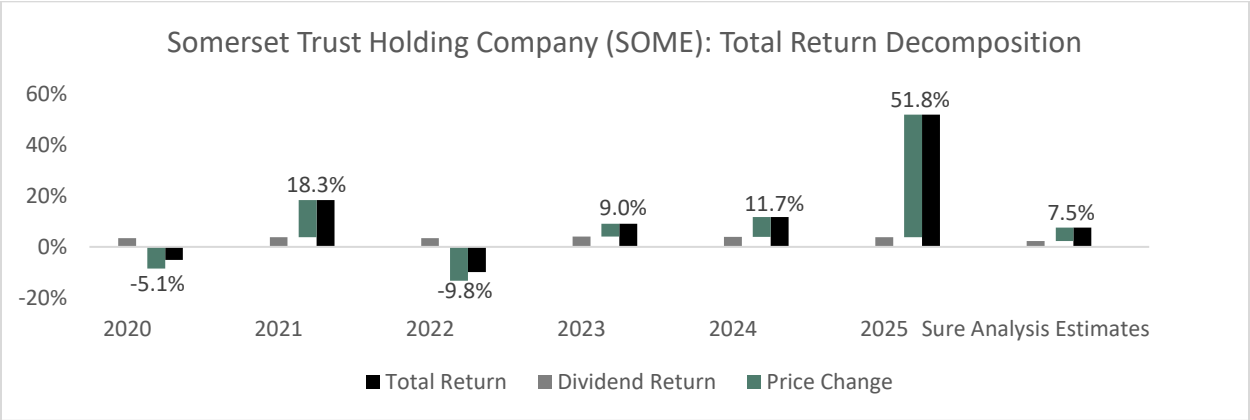
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	30%	48%	31%	32%	32%	28%	19%	17%	17%	17%	***16%***	***16%***

Somerset Trust has established a solid competitive edge through its deep-rooted presence in the local communities it serves. With a history dating back to 1889, it has built long-lasting relationships, especially in rural areas of Pennsylvania, Maryland, and Virginia, where larger banks have less focus. This community-oriented approach gives Somerset Trust a loyal customer base, allowing it to thrive in less saturated markets. Further, its conservative lending practices helped it remain profitable through both the Great Financial Crisis and the COVID-19 pandemic. During the former, Somerset avoided heavy losses by maintaining prudent lending standards, while in 2020, PPP lending supported its loan portfolio. Still, its small size may limit growth in competitive markets, while trading liquidity remains limited. Nevertheless, we believe Somerset's dividend is safe, supported by one of the longest dividend growth streaks worldwide.

Final Thoughts & Recommendation

Somerset features an interesting investment case. Its deep community ties, strong earnings history, and exceptional dividend growth track record are all quite noteworthy. Moving forward, we believe the stock can deliver annualized total returns of 7.5% backed by our growth estimates, the starting yield, and the possibility of a valuation expansion. Hence, Somerset Trust earns a buy rating. Still, we advise caution regarding the company's OTC listing.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	---	---	66	75	80	87	96	98	107
Noninterest Exp.	---	---	N/A	N/A	60	61	66	68	74
D&A Exp.	---	---	3	3	4	4	4.5	5	5
Net Profit	---	---	11	12	14	21	23	24	25
Net Margin	---	---	16.7%	15.4%	17.5%	24.1%	24.1%	24.9%	23.3%
Free Cash Flow	---	---	9	6	12	18	11	12.4	7.9
Income Tax	---	---	1	1	2	3	4	5	5

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	---	---	1,336	1,611	1,867	2,017	2,199	2,316	2,440
Cash & Equivalents	---	---	27	69	151	40	42	45	46
Interest Receivable	---	---	---	---	7	10	10	11	12
Goodwill & Int. Ass.	---	---	N/A	N/A	N/A	N/A	N/A	0.02	0.02
Total Liabilities	---	---	1,218	1,480	1,727	1,915	2,057	2,164	2,252
Borrowings	---	---	N/A	N/A	121	238	249	259	222
Shareholder's Equity	---	---	118	131	140	103	143	151	189

Profitability & Per Share Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	---	---	---	0.8%	0.8%	1.1%	1.1%	1.1%	1.1%
Return on Equity	---	---	---	9.3%	10.3%	17.2%	18.0%	16.7%	14.7%
ROIC	---	---	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Shares Out.	---	---	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Revenue/Share	---	---	27.08	29.85	31.71	34.39	38.22	38.93	42.60
FCF/Share	---	---	3.77	2.20	4.63	7.06	4.36	4.90	3.11

Notes: Revenue is net interest income plus noninterest income before credit provisions. Free cash flow is operating cash flow less purchases of premises, equipment, and software. Borrowings include short-term funding; ROIC is not meaningful for a bank. Unavailable historical figures are marked N/A or ---; all dollar figures are in millions unless per share.

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