



Hovde

Financial Institutions
Monthly Overview

Capital Markets
Economic Data Review
M&A Statistics

August 2008

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August 2008 - Hovde Monthly Overview

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*“Why is there so much month left
at the end of the money?”*
—Anonymous

The banking and thrift industry must be asking itself this same question with each passing month...if not week. Although earnings season for the second quarter of 2008 appeared to offer some signs of stabilization—such as a modest four basis point widening of net interest margins (NIM) from the first quarter to 3.37% and the fact that more companies met or exceeded expectations (134) than fell short of consensus estimates (132)—net capital destruction persisted as credit losses and investment write-downs continued to burn a hole in the industry’s pocket and earnings power contracted even further. FDIC insured institutions reported net income of only \$5 billion in the second quarter—nearly \$32 billion, or 87% lower, than a year earlier—and the average ROA plummeted to 0.15%, compared to a year-ago figure of 1.21%. Worse still, as the quarter progressed, capital became even scarcer for banks and thrifts (and more costly for those that still had access to it), as projections for the “bottom” in home prices—and, by extension, the peak in credit and securities losses as well as prospects for earnings recovery—were increasingly pushed out to 2010.

According to SNL, the 400 largest publicly traded companies in the sector lost \$6.7 billion in the second quarter—or roughly 50% more than they lost during the “kitchen sink” fourth quarter of 2007, when more than \$30 billion in provisions for loan losses were set aside and many pundits predicted that the worst had passed. The second quarter also marked the fourth consecutive quarter of earnings declines for the 400 largest publicly traded banks and thrifts, as median EPS fell 8.6% sequentially and 24.3% from a year ago. These figures were even worse for the 35 largest banking companies, which reported a median decline in EPS of over 20% sequentially and nearly 41% year-over-year. It is worth noting that, according to First Call, those banks with sell-side coverage already saw their earnings estimates for the year cut by 22% during the first two quarters of 2008. Despite these significantly lowered hurdles, nearly half of these banks still managed to miss these revised estimates. In fact, 18 of the 35 largest banks still missed their estimates, in spite of numerous pre-announcements. As has been customary, sell-side analysts again ratcheted down their EPS estimates for 2009, which now stand 23% lower than they were on January 1st. Following such historically negative quarterly results, we wonder how much lower analysts will revise their estimates (again) in hopes of predicting the bottom. According to the FDIC, these most recent bank and thrift

earnings were the second lowest quarterly total since 1991 and the total assets of these institutions declined by nearly \$70 billion—the first time they have decreased since 2002 and the largest quarterly decline since 1991.

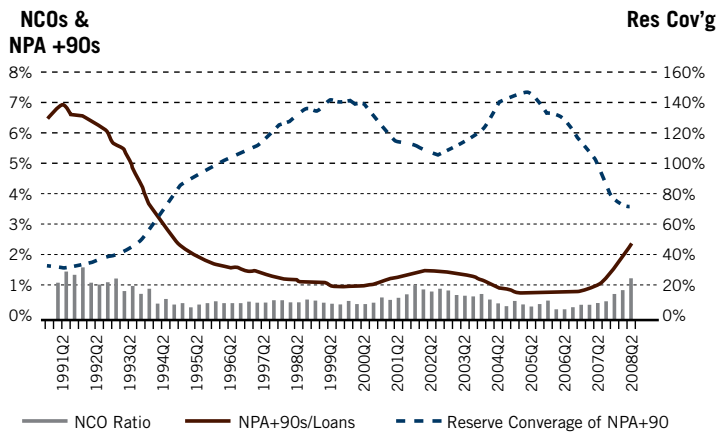
An additional troubling issue for the banking industry during the quarter was that a number of banks that did not report an earnings loss still saw their capital bases shrink. While 70% of institutions in the SNL Bank & Thrift Index were able to earn the dividend declared during the quarter, TBV per share actually *declined* by an average of 3%—as unrealized losses on many investment securities and other financial products on the banking industry’s balance sheets flowed through to equity along with the impact of higher credit losses. These negative marks have been particularly significant during this credit cycle given the more exotic and toxic nature of the numerous types of securities that the banking industry now holds (many of which did not exist in the past)—including: non-agency MBS, subprime or Alt-A backed securitizations, Trust Preferred (TruPS) CDOs, SIVs, and other illiquid and hard-to-value Level III assets.

Consequently, banks and thrifts are vulnerable on a number of different fronts to sudden book value erosion and face significant risks from plummeting earnings and the broader U.S. economic slowdown. The latest blow: a sharp decline in the market value of \$31 billion of preferred stocks issued by Fannie Mae and Freddie Mac (a significant amount of which is held by banks and thrifts). In other words, not only are profitability metrics contracting on a quarterly (and historical) basis amidst the worst U.S. housing and credit environment since the Great Depression—thereby hindering internal capital *generation*—but capital *preservation* also is suffering...calling into question many banks’ ability to earn their way out of trouble this time.

The principal factor driving the continued downward spiral in earnings has obviously been further credit deterioration, as credit metrics have deteriorated meaningfully from the first quarter with the housing and real estate markets continuing to worsen and the economic slowdown now appearing to be spreading to other industries. Loss provisions for the second quarter more than *quadrupled* from a year earlier to over \$50 billion, reflecting an increase in reserves required for not only mortgage-related loans as property values and defaults worsened but also for other loan types (e.g., credit cards, auto loans, commercial loans) as the employment outlook and overall business conditions have worsened. Additionally, net charge-offs (NCOs) for publicly traded banks and thrifts rose from 1.16% of average loans to 1.51%, while nonperforming assets and 90-day delinquencies (NPA+90s) increased by 21%. As of the second quarter 2008, not only have NCOs and NPA+90s

levels already surpassed those of any quarter during the 2001 to 2002 recession, but NPA+90s are at a point not seen in 14 years, and the most recent NCO ratio was last reached in the early 1990s. Meanwhile, the reserve coverage of NPA+90s is now below 75%, suggesting that management at most banks and thrifts have quite benign loss expectations or face material reserve “catch-ups” in future quarters.

Problem Loans & Reserves (All U.S. Banks & Thrifts)



source: SNL Financial

At the end of June, if we include loans that are past due 30-days or more, publicly traded banks and thrifts were holding \$250 billion—a *quarter of a trillion dollars*—of nonperforming or delinquent loans (not to mention another \$56 billion of non-current loans held by privately owned banks). *Furthermore*, the pace at which banks are discovering new problem assets has continued to increase with industry-wide inflows of new problem loans (either onto non-accrual status or 90-days past due) totaling a record \$62 billion in the second quarter, up from \$53 billion in the first quarter.

As we cited in our May *Financial Institutions Monthly Overview*, skipped loan payments tend to be the best measure of the financial health of commercial and consumer borrowers. While delinquencies in nearly every commercial and consumer loan category jumped higher during the quarter, it is worth mentioning that banks saw double-digit increases in not only overdue construction loans, but also in commercial and industrial (C&I) lending, owner-occupied commercial real estate, residential mortgages (both first and second liens), and home equity lines of credit (HELOCs). Recall that we also noted in our May *Monthly Overview* that the first quarter decline in 30-89 day delinquencies in certain mortgage and consumer loan categories should not have come as a surprise or have been viewed as a lasting improvement in consumer credit

trends, but merely as a seasonal trend due to the timing of the annual tax refund checks. What is troubling for the second quarter is that the growth in problem assets occurred despite a consumer economic stimulus package of more than \$160 billion—confirming our expectations of a further downturn in housing and a disappointing spring home-selling season, a deepening economic slowdown, and a weakening employment landscape. (You will excuse our cynicism, but it also should not come as a surprise that this taxpayer burden did not provide a long-term boost to the economy and the consumer, as many market pundits and policy experts led the public to believe.)

Unfortunately, for the banking industry and our economy, we believe that the continued pressures from the ongoing housing and credit market meltdown, a slumping U.S. and now global economy, and the numerous headwinds that the consumer is facing have the potential to ultimately result in hundreds of bank and thrift failures—which may not be limited to just the lesser-known, small- and mid-sized institutions but possibly some of the larger U.S. financial institutions, as well. At a minimum, even if some of these institutions *are* able to survive, it will not be without meaningful injections of new, highly-dilutive capital. As analysts and the media debate “who is next,” we would note that there are now nearly 400 banks and thrifts in the U.S. with a so-called Texas Ratio (NPA+90s as a percentage of tangible equity and reserves) already in excess of 50% and the number of institutions on the FDIC’s “Problem List” most recently increased from 90 to 117—a 30% quarter-to-quarter surge and a figure that we expect will be dwarfed by the final analysis.

Unfortunately, as we have been opining upon for some time in our *Monthly Overviews* and our last *Industry Update*, we still believe that we are closer to the *beginning* of the current credit cycle than to the end—placing the already struggling bank and thrift industry in a most unfavorable and dangerous predicament. And the truly alarming part is that we do not expect the overall level of nonperforming or delinquent loans (or the rate of increases in problem assets) to meaningfully improve for the foreseeable future, as the housing and credit markets continue to deteriorate and the rest of the U.S. economy begins to significantly weaken amidst a global economic slowdown. The economics of the challenges facing the bank and thrift industry are evident: many institutions simply do not have enough capital on hand—nor the means by which to attain further capital—and there is still too much time remaining in this credit cycle and housing downturn to hope that many of these businesses will be able to ride out the storm and come into the clear once the worst has subsided.

Federal Reserve Aggregate Bank Data

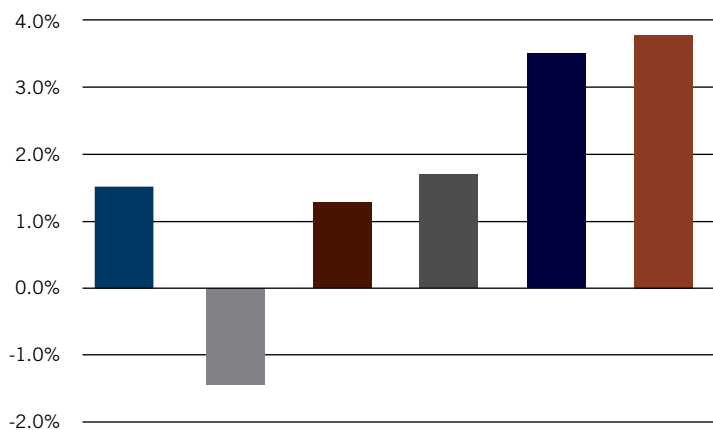
	7/2007	11/2007	12/2007	1/2008	2/2008	3/2008	4/2008	5/2008	6/2008	7/2008	MoM	YoY
ASSETS												
Securities												
Secs in Bank Credit	2,312	2,466	2,441	2,431	2,469	2,577	2,531	2,489	2,468	2,486	0.7%	7.5%
Treasury & Agency	1,184	1,119	1,111	1,103	1,108	1,128	1,110	1,115	1,114	1,116	0.2%	-5.8%
Other	1,131	1,346	1,330	1,328	1,361	1,449	1,420	1,374	1,354	1,370	1.2%	21.1%
Loans and Leases												
C&I	1,278	1,412	1,435	1,449	1,458	1,479	1,491	1,494	1,504	1,514	0.7%	18.5%
Real Estate	3,422	3,569	3,584	3,602	3,621	3,656	3,650	3,650	3,645	3,624	-0.6%	5.9%
Consumer	770	792	805	815	813	815	821	825	832	839	0.9%	9.1%
Other	585	664	673	697	692	679	647	646	642	635	-1.0%	8.5%
Other Assets	880	951	961	982	971	1,020	1,013	996	1,003	1,021	1.8%	16.0%
Total Assets	10,121	10,781	10,853	10,929	10,994	11,182	11,087	11,042	11,027	11,043	0.1%	9.1%
LIABILITIES												
Deposits												
Transaction	610	608	593	615	617	614	636	616	605	621	2.8%	1.8%
Nontransaction	5,692	6,032	6,070	6,098	6,159	6,260	6,220	6,270	6,307	6,263	-0.7%	10.0%
Large time	1,774	2,032	2,020	2,058	2,095	2,105	2,081	2,103	2,126	2,132	0.3%	20.1%
Other	3,918	4,000	4,050	4,040	4,063	4,155	4,139	4,166	4,181	4,132	-1.2%	5.5%
Borrowings	2,115	2,241	2,324	2,268	2,278	2,303	2,294	2,320	2,322	2,331	0.4%	10.2%
Other Liabilities	600	672	660	701	710	788	743	695	680	674	-0.8%	12.3%
Total Liabilities	9,068	9,659	9,758	9,794	9,839	10,027	9,923	9,872	9,891	9,839	-0.5%	8.5%
Residual (assets less liabilities)	1,053	1,122	1,095	1,135	1,155	1,155	1,164	1,169	1,136	1,204	6.0%	14.4%

all values in \$ billions

SOURCE: Federal Reserve Documents

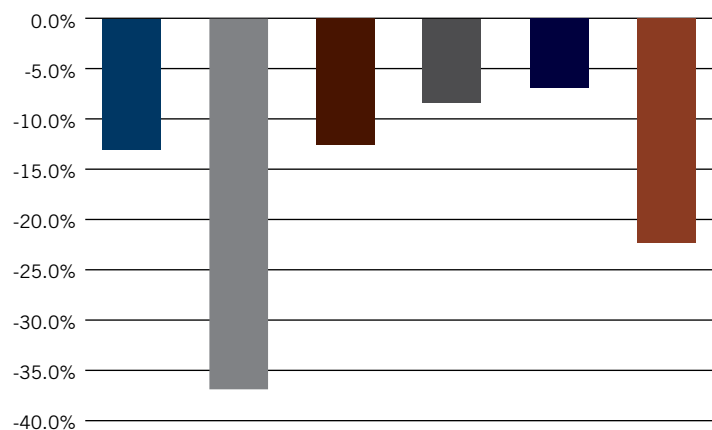
Major Market Index Performance

August 2008



SOURCE: Bloomberg, LLC

Last Twelve Months



SOURCE: Bloomberg, LLC

- Dow Jones
- S&P Financial
- S&P 500
- NASDAQ
- Russell 2000
- NASDAQ Bank

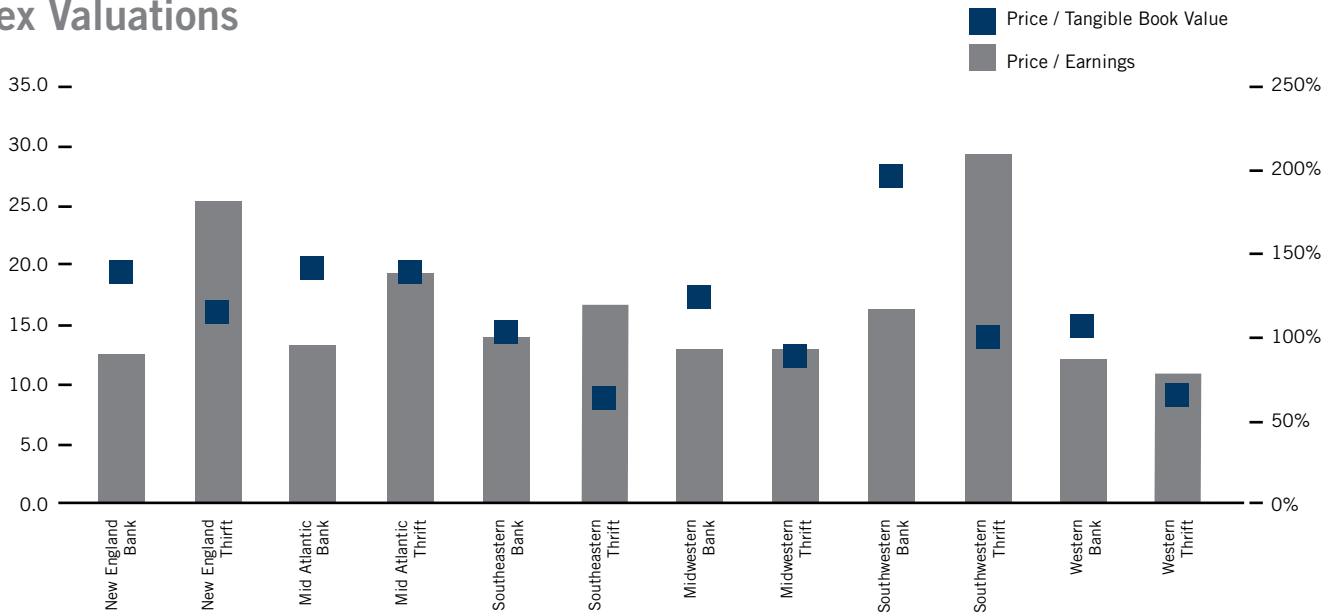
	9/2007	10/2007	11/2007	12/2007	1/2008	2/2008	3/2008	4/2008	5/2008	6/2008	7/2008	8/2008
Dow Jones	3.7%	0.2%	-4.0%	-0.8%	-4.6%	-3.0%	0.0%	4.5%	-1.4%	-10.2%	0.2%	1.5%
S&P Financial	2.0%	-2.0%	-8.0%	-5.7%	-0.6%	-7.7%	-3.1%	6.3%	-6.4%	-18.7%	6.8%	-1.3%
S&P 500	3.6%	1.5%	-4.4%	-0.9%	-6.1%	-3.5%	-0.6%	4.8%	1.1%	-8.6%	-1.0%	1.2%
NASDAQ	4.0%	5.8%	-6.9%	-0.3%	-9.9%	-5.0%	0.3%	5.9%	4.6%	-9.1%	1.4%	1.8%
Russell 2000	1.6%	2.8%	-7.3%	-0.2%	-6.9%	-3.8%	0.3%	6.1%	2.5%	-7.8%	3.6%	3.5%
NASDAQ Bank	0.1%	-2.9%	-3.9%	-5.4%	2.7%	-8.6%	2.0%	0.3%	-2.7%	-17.5%	9.6%	3.8%

SOURCE: Bloomberg, LLC

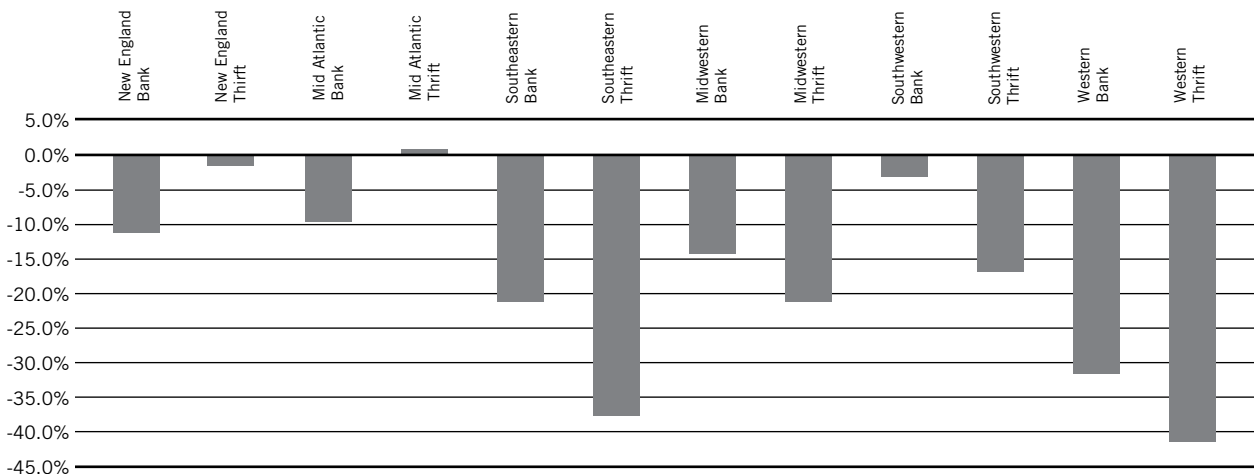
Bank and Thrift Index Valuations

		Price / Earnings		Price / Book Value		Price / TBV		Price Performance			Component Companies
		Weighted Avg	Median	Weighted Avg	Median	Weighted Avg	Median	1 Mo	YTD	12 Mo	
New England	Bank	10.4	13.2	136%	118%	202%	141%	3.0%	-10.9%	-15.0%	19
	Thrift	27.7	25.9	107%	103%	141%	121%	4.3%	-1.4%	-10.0%	22
Mid Atlantic	Bank	14.1	14.3	114%	113%	239%	146%	3.5%	-9.9%	-18.0%	90
	Thrift	13.1	19.0	147%	121%	206%	141%	1.8%	1.0%	-9.5%	54
Southeastern	Bank	9.9	14.8	85%	88%	158%	107%	2.5%	-20.4%	-33.3%	135
	Thrift	11.2	16.6	51%	62%	66%	64%	7.5%	-37.3%	-52.1%	10
Midwestern	Bank	10.0	14.0	154%	98%	233%	128%	5.4%	-14.8%	-23.4%	90
	Thrift	16.4	14.0	152%	75%	157%	83%	1.0%	-21.9%	-31.9%	47
Southwestern	Bank	13.0	16.0	144%	141%	219%	195%	8.0%	-3.0%	-12.7%	19
	Thrift	28.6	29.0	136%	98%	138%	101%	-6.3%	-16.9%	-21.8%	6
Western	Bank	12.5	13.7	134%	94%	172%	115%	6.8%	-31.2%	-44.8%	69
	Thrift	8.7	11.1	44%	61%	56%	65%	0.9%	-41.1%	-53.6%	15

Index Valuations



YTD Price Performance



Economic Data Points - August 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
8/1	Change in Nonfarm Payrolls	JUL	-75k	-51k	-62k	8/15	U. of Michigan Confidence	AUG P	62	61.7	61.2
8/1	Unemployment Rate	JUL	5.60%	5.70%	5.50%	8/19	Producer Price Index (MoM)	JUL	0.60%	1.20%	1.80%
8/1	Change in Manufact. Payrolls	JUL	-40K	-35K	-33K	8/19	PPI Ex Food & Energy (MoM)	JUL	0.20%	0.70%	0.20%
8/1	ISM Manufacturing	JUL	49	50	50.2	8/19	Producer Price Index (YoY)	JUL	9.30%	9.80%	9.20%
8/1	ISM Prices Paid	JUL	88	88.5	91.5	8/19	PPI Ex Food & Energy (YoY)	JUL	3.20%	3.50%	3.00%
8/1	Construction Spending MoM	JUN	-0.30%	-0.40%	-0.40%	8/19	Housing Starts	JUL	960K	965K	1066K
8/1	Total Vehicle Sales	JUL	13.6M	12.5M	13.6M	8/19	Building Permits	JUL	970K	937K	1091K
8/1	Domestic Vehicle Sales	JUL	9.9M	9.1M	9.9M	8/25	Existing Home Sales	JUL	4.91M	5.00M	4.86M
8/4	Challenger Job Cuts YoY	JUL	--	140.80%	46.70%	8/25	Existing Home Sales MoM	JUL	1.00%	3.10%	-2.60%
8/4	Personal Income	JUN	-0.20%	0.10%	1.90%	8/26	S&P/CaseShiller Home Price Ind	JUN	167.2	167.69	168.54
8/4	Personal Spending	JUN	0.40%	0.60%	0.80%	8/26	S&P/CS Composite-20 YoY	JUN	-16.20%	-15.92%	-15.78%
8/4	PCE Deflator (YoY)	JUN	3.70%	4.10%	3.10%	8/26	S&P/Case-Shiller US HPI	2Q	--	155.32	159.2
8/4	PCE Core (MoM)	JUN	0.20%	0.30%	0.10%	8/26	S&P/Case-Shiller US HPI YOY%	2Q	-16.20%	-15.40%	-14.10%
8/4	PCE Core (YoY)	JUN	2.20%	2.30%	2.10%	8/26	Consumer Confidence	AUG	53	56.9	51.9
8/4	Factory Orders	JUN	0.70%	1.70%	0.60%	8/26	New Home Sales	JUL	525K	515K	530K
8/5	ISM Non-Manf. Composite	JUL	48.8	49.5	48.2	8/26	New Home Sales MoM	JUL	-0.90%	2.40%	-0.60%
8/5	U.S. Federal Reserve Open Market Committee Meeting					8/26	House Price Index MoM	JUN	-0.40%	0.00%	-0.30%
8/5	FOMC Rate Decision	5-Aug	2.00%	2.00%	2.00%	8/26	House Price Purchase Index QoQ	2Q	-1.50%	-1.40%	-1.70%
8/7	Pending Home Sales MoM	JUN	-1.00%	5.30%	-4.70%	8/26	Minutes of Aug. 5 FOMC Meeting				
8/7	ICSC Chain Store Sales YoY	JUL	3.40%	2.60%	4.30%	8/27	Durable Goods Orders	JUL	0.00%	1.30%	0.80%
8/7	Consumer Credit	JUN	\$6.3B	\$14.3B	\$7.8B	8/27	Durables Ex Transportation	JUL	-0.70%	0.70%	2.00%
8/13	Import Price Index (MoM)	JUL	1.00%	1.70%	2.60%	8/28	GDP QoQ (Annualized)	2Q P	2.70%	3.30%	1.90%
8/13	Import Price Index (YoY)	JUL	20.40%	21.60%	20.50%	8/28	Personal Consumption	2Q P	1.60%	1.70%	1.50%
8/13	Advance Retail Sales	JUL	-0.10%	-0.10%	0.10%	8/28	GDP Price Index	2Q P	1.10%	1.20%	1.10%
8/13	Retail Sales Less Autos	JUL	0.50%	0.40%	0.80%	8/28	Core PCE QoQ	2Q P	2.10%	2.10%	2.10%
8/14	Consumer Price Index (MoM)	JUL	0.40%	0.80%	1.10%	8/29	Personal Income	JUL	-0.20%	-0.70%	0.10%
8/14	CPI Ex Food & Energy (MoM)	JUL	0.20%	0.30%	0.30%	8/29	Personal Spending	JUL	0.20%	0.20%	0.60%
8/14	Consumer Price Index (YoY)	JUL	5.10%	5.60%	5.00%	8/29	PCE Deflator (YoY)	JUL	4.50%	4.50%	4.10%
8/14	CPI Ex Food & Energy (YoY)	JUL	2.40%	2.50%	2.40%	8/29	PCE Core (MoM)	JUL	0.30%	0.30%	0.30%
8/14	CPI Core Index SA	JUL	--	216.23	215.526	8/29	PCE Core (YoY)	JUL	2.40%	2.40%	2.30%
8/14	Consumer Price Index NSA	JUL	219.075	219.964	218.815	8/29	U. of Michigan Confidence	AUG F	62	63	61.7

SOURCE: Bloomberg, LLC

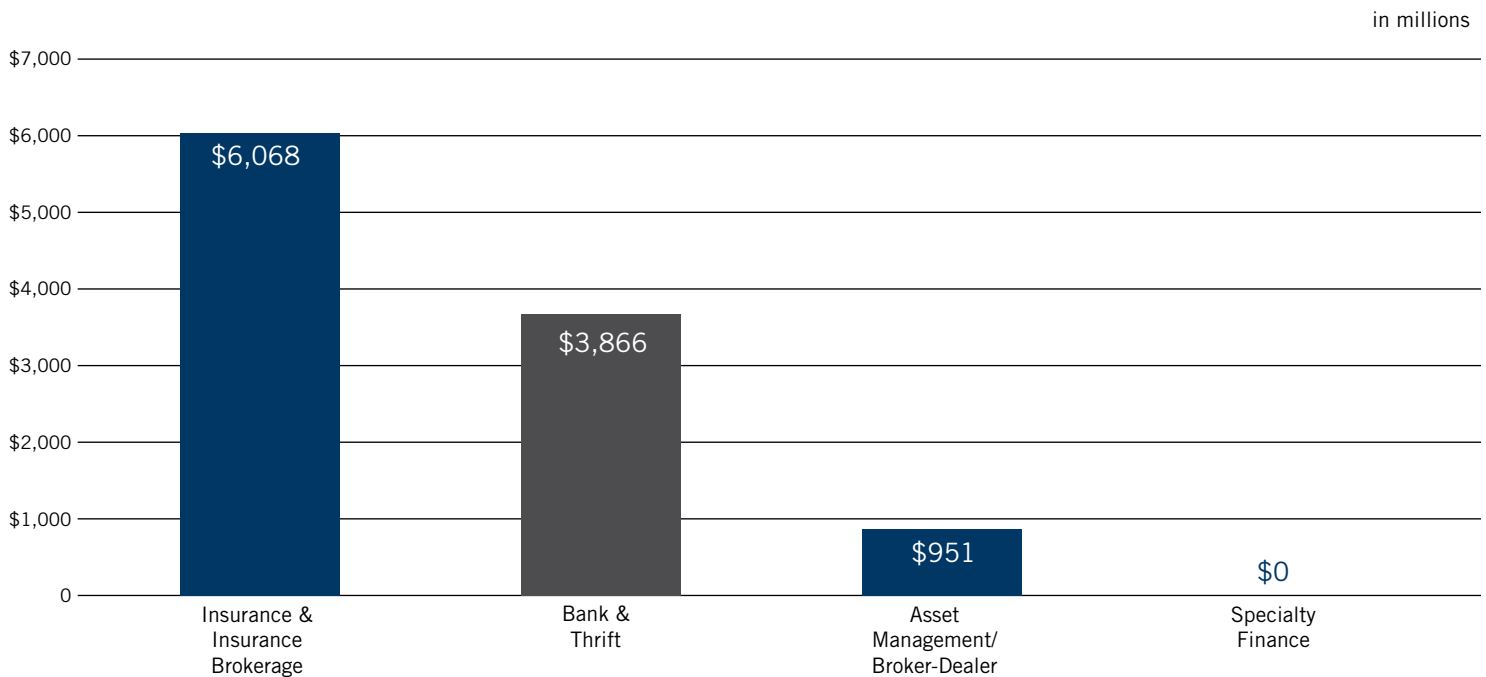
Economic Data Points - September 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
9/2	ISM Manufacturing	AUG	50	49.9	50	9/16	Consumer Price Index (YoY)	AUG	--	--	5.60%
9/2	ISM Prices Paid	AUG	82	77	88.5	9/16	CPI Ex Food & Energy (YoY)	AUG	--	--	2.50%
9/2	Construction Spending MoM	JUL	-0.40%	-0.60%	-0.40%	9/16	CPI Core Index SA	AUG	--	--	216.23
9/3	Domestic Vehicle Sales	AUG	9.4M	--	--	9/16	Consumer Price Index NSA	AUG	--	--	219.964
9/3	Total Vehicle Sales	AUG	13.0M	--	12.5M	9/16	NAHB Housing Market Index	SEP	--	--	16
9/3	Challenger Job Cuts YoY	AUG	--	--	140.80%	9/16	U.S. Federal Reserve Open Market Committee Meeting				
9/3	Factory Orders	JUL	1.00%	--	1.70%	9/16	FOMC Rate Decision	16-Sep	2.00%	--	2.00%
9/4	ADP Employment Change	AUG	-30K	--	9K	9/17	Housing Starts	AUG	--	--	965K
9/4	Nonfarm Productivity	2Q F	3.50%	--	2.20%	9/17	Building Permits	AUG	--	--	937K
9/4	ISM Non-Manf. Composite	AUG	49.5	--	49.5	9/23	House Price Index MoM	JUL	--	--	0.00%
9/4	ICSC Chain Store Sales YoY	AUG	--	--	2.60%	9/24	Existing Home Sales	AUG	--	--	5.00M
9/5	Change in Nonfarm Payrolls	AUG	-75k	--	-51k	9/24	Existing Home Sales MoM	AUG	--	--	3.10%
9/5	Unemployment Rate	AUG	5.70%	--	5.70%	9/25	Durable Goods Orders	AUG	--	--	1.30%
9/5	Change in Manufact. Payrolls	AUG	-35K	--	-35K	9/25	Durables Ex Transportation	AUG	--	--	0.70%
9/5	Mortgage Delinquencies	2Q	--	--	6.35%	9/25	New Home Sales	AUG	--	--	515K
9/8	Consumer Credit	JUL	\$8.5B	--	\$14.3B	9/25	New Home Sales MoM	AUG	--	--	2.40%
9/9	Pending Home Sales MoM	JUL	-1.00%	--	5.30%	9/26	GDP QoQ (Annualized)	2Q F	--	--	3.30%
9/11	Import Price Index (MoM)	AUG	-1.40%	--	1.70%	9/26	Personal Consumption	2Q F	--	--	1.70%
9/11	Import Price Index (YoY)	AUG	--	--	21.60%	9/26	GDP Price Index	2Q F	--	--	1.20%
9/12	Producer Price Index (MoM)	AUG	-0.40%	--	1.20%	9/26	Core PCE QoQ	2Q F	--	--	2.10%
9/12	PPI Ex Food & Energy (MoM)	AUG	0.20%	--	0.70%	9/26	U. of Michigan Confidence	SEP F	--	--	--
9/12	Producer Price Index (YoY)	AUG	10.20%	--	9.80%	9/29	Personal Income	AUG	--	--	-0.70%
9/12	PPI Ex Food & Energy (YoY)	AUG	3.80%	--	3.50%	9/29	PCE Deflator (YoY)	AUG	--	--	4.50%
9/12	Advance Retail Sales	AUG	0.10%	--	-0.10%	9/29	Personal Spending	AUG	--	--	0.20%
9/12	Retail Sales Less Autos	AUG	-0.20%	--	0.40%	9/29	PCE Core (MoM)	AUG	--	--	0.30%
9/12	U. of Michigan Confidence	SEP P	63.9	--	63	9/29	PCE Core (YoY)	AUG	--	--	2.40%
9/15	Empire Manufacturing	SEP	--	--	2.8	9/30	S&P/CaseShiller Home Price Ind	JUL	--	--	167.7
9/16	Consumer Price Index (MoM)	AUG	--	--	0.80%	9/30	S&P/CS Composite-20 YoY	JUL	--	--	-15.90%
9/16	CPI Ex Food & Energy (MoM)	AUG	--	--	0.30%	9/30	Consumer Confidence	SEP	--	--	56.9

SOURCE: Bloomberg, LLC

M&A Transaction Update

Announced Transactions - August 2008



SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - August 2008

Insurance & Insurance Brokerage	23
Asset Management & Broker/Dealer	14
Bank & Thrift	10
Specialty Finance	1

SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - 2008 YTD

Insurance & Insurance Brokerage	154
Asset Management & Broker/Dealer	98
Bank & Thrift	75
Specialty Finance	35

SOURCE: SNL Financial, Bloomberg, Factiva

Top Financial Advisors in Bank and Thrift Transactions

Last Two Years, Sell-Side Advisory Transactions

Rank	Firm	# of Deals
1	Sandler, O'Neill & Partners, L.P	45
2	Keefe, Bruyette & Woods, Inc	41
3	Hovde Financial	34
4	Howe Barnes Hofer & Arnett, Inc.	24
5	Stifel, Nicolaus & Company, Incorporated	22
6	Sheshunoff & Co. Investment Banking LP	15
7	Austin Associates, LLC	9
8	McAdams Wright Ragen, Inc.	7
8	Professional Bank Services, Inc.	7
8	SAMCO Capital Markets, Inc.	7

SOURCE: SNL Financial (data from 8/31/2006 - 8/31/2008)

Bank & Thrift Transactions - August 2008

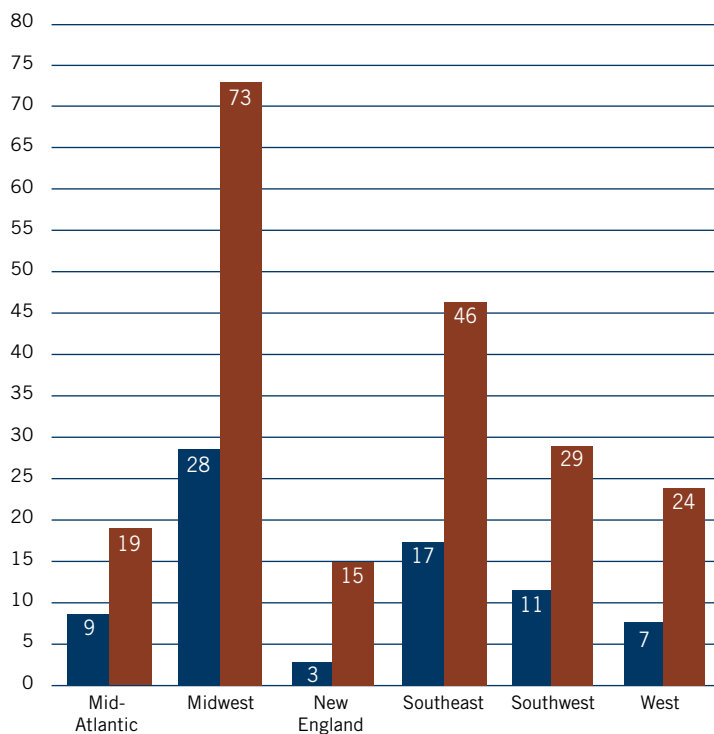
Buyer	Buyer State	Target	Target State	Announced	DV (\$MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
Hamilton State Bancshares, Inc.	GA	Jefferson State Bank	GA	8/2/08	NA	NA	NA	NA
Highlands State Bank	NJ	Noble Community Bank	NJ	8/6/08	4.2	NM	NM	NM
Sidhu Advisors, LLC		Federal Trust Corporation	FL	8/11/08	30.0	NA	NA	NA
Wells Fargo & Company	CA	Century Bancshares, Inc.	TX	8/13/08	NA	NA	NA	NA
C-B-G, Inc.	IA	Washington Bancorp	IA	8/14/08	0.5	NA	NA	NA
Planters Holding Company	MS	Cleveland Community Bank, S.S.B.	MS	8/14/08	NA	NA	NA	NA
Mitsubishi UFJ Financial Group, Inc.	Japan	UnionBanCal Corporation	CA	8/18/08	3,808.1	18.7	233.3	18.94
Glacier Bancorp, Inc.	MT	Bank of the San Juans Bancorporation	CO	8/19/08	23.2	12.4	189.6	10.43
Linden State Bancorp	IN	New Ross Bancorp	IN	8/22/08	NA	NA	NA	NA
USAmeriBancorp Inc.	FL	Liberty Bank	FL	8/25/08	NA	NA	NA	NA

SOURCE: SNL Financial

Bank & Thrift Transactions

by Region

■ YTD 2008 – 75 deals
■ YTD 2007 – 206 deals



SOURCE: SNL Financial

Deal Pricing by Region - 2008 YTD

Region	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern	P/ Core Dep Prem
Mid-Atlantic	\$432	184.3	22.8	13.8
Midwest	\$472	178.3	30.3	9.5
New England	\$185	168.5	22.5	9.6
Southeast	\$1,255	228.0	27.0	15.2
Southwest	\$300	252.3	17.1	11.4
West	\$8,177	104.9	39.1	6.0
Total	\$10,821	192.2	27.2	11.2

SOURCE: SNL Financial

Deal Pricing by Quarter

Quarter	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern	P/ Core Dep Prem
1Q2006	\$17,446	240.6	26.4	19.9
2Q2006	\$47,289	241.6	27.0	18.3
3Q2006	\$6,438	265.8	25.3	19.9
4Q2006	\$37,247	259.0	25.5	21.9
1Q2007	\$21,258	280.4	27.0	23.5
2Q2007	\$30,955	227.5	26.5	16.9
3Q2007	\$9,187	226.9	26.2	17.9
4Q2007	\$11,604	207.1	24.1	13.4
1Q2008	\$2,502	32.1	NA	12.8
2Q2008	\$1,816	203.7	31.4	9.4
3Q2008	\$3,917	156.9	25.8	9.9

SOURCE: SNL Financial

Insurance and Insurance Brokerage Transactions - August 2008

Buyer	Target	Announced	DV (\$MM)
Humana Inc.	PHP Companies, Incorporated	8/1/2008	245.0
Apex Global Partners, Inc.	Benefit Partners, Inc.	8/1/2008	NA
Brown & Brown, Inc.	Fullerton & Company, Inc.	8/1/2008	NA
Risk Strategies Company, LLC	Blaich Associates, Inc.	8/1/2008	NA
Tower Group, Inc.	CastlePoint Holdings, Ltd.	8/4/2008	457.8
Hanover Insurance Group, Inc.	AIX Holdings, Inc.	8/5/2008	100.0
Fidelity National Financial, Inc.	Colorado title insurance operations	8/5/2008	NA
Eastern Insurance Holdings, Inc.	Employers Security Holding Company, Inc.	8/6/2008	12.0
Nationwide Mutual Group	Nationwide Financial Services, Inc.	8/6/2008	2,470.7
Brown & Brown, Inc.	Burt & Associates Benefit Planning, Inc.	8/8/2008	NA
Eastern Bank Corporation	Kittredge Insurance Agency, Inc.	8/11/2008	NA
Brown & Brown, Inc.	Reed Brothers Insurance Group, Inc.	8/12/2008	NA
Security National Financial Corporation	Southern Security Life Insurance Company, Inc.	8/13/2008	2.8
QBE Insurance Group Limited	PMI Mortgage Insurance Asia Limited	8/14/2008	56.0
QBE Insurance Group Limited	PMI Mortgage Insurance Australia (Holdings) Pty Limited	8/14/2008	920.5
Cherry Creek Insurance Agency, Inc.	Hanes Hathaway Inc	8/15/2008	NA
Brown & Brown, Inc.	Advanced Insurance Concepts, Inc.	8/18/2008	NA
Pentegra Retirement Services	RSG Insurance Agency Inc.	8/18/2008	NA
Arthur J. Gallagher & Co.	Wm. W. George & Associates, Inc.	8/19/2008	NA
Donegal Mutual Insurance Company	Conestoga Title Insurance Co.	8/22/2008	NA
Aon Corporation	Benfield Group Limited	8/22/2008	1,583.2
CastlePoint Holdings, Ltd.	Hermitage Insurance Group, Inc.	8/26/2008	135.0
Blue Cross and Blue Shield of Florida, Inc.	Florida Health Care Plan, Inc.	8/28/2008	85.0

SOURCE: Factiva, AM Best

Asset Management/Broker-Dealer Transactions - August 2008

Buyer	Target	Announced	DV (\$MM)
Ameriprise Financial, Inc.	Brecek & Young Advisors, Inc.	8/5/2008	NA
Annaly Capital Management, Inc.	Merganser Capital Management LP	8/5/2008	NA
FolioDynamics Inc.	Sungard Advisor Technologies, Inc.	8/11/2008	NA
Ameriprise Financial, Inc.	H&R Block Financial Advisors, Inc.	8/12/2008	315.0
Lazard Ltd.	Lazard Asset Management LLC	8/14/2008	240.0
Fisher Investments, Inc.	Lighthouse Capital Management LP	8/18/2008	NA
Pentegra Retirement Services	Retirement System Investors Inc	8/18/2008	NA
Pentegra Retirement Services	RSGroup Trust Company	8/19/2008	NA
Macquarie Group Limited	Shatkin Arbor, Inc.	8/19/2008	NA
Pentegra Retirement Services	Retirement System Distributors Inc.	8/19/2008	NA
Direct Edge Holdings, LLC	ISE Stock Exchange	8/22/2008	NA
WA Holdings, Inc.	1st Source Corporation Investment Advisors, Inc.	8/25/2008	11.7
Credit Suisse Group AG	Asset Management Finance Corporation	8/26/2008	384.0
Cantor Fitzgerald LP	Liquidez DTVM Ltda.	8/26/2008	NA

SOURCE: Factiva, Bloomberg

Specialty Finance Transactions - August 2008

Buyer	Target	Announced	DV (\$MM)
Ryder System, Inc.	Gordon Truck Leasing	8/6/2008	NA

SOURCE: Factiva, Bloomberg, Reuters