



Hovde

Financial Institutions
Monthly Overview

Capital Markets
Economic Data Review
M&A Statistics

January 2010

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January 2010 - Hovde Monthly Overview

Economic Outlook.....	page 1
Capital Markets	page 5
Proprietary Index Valuations.....	page 6
Economic Data Review	page 7
Mergers & Acquisitions.....	page 8

About Hovde

The Hovde Organization is an investment banking, asset management and private equity firm focused exclusively on the financial services sector. Founded in 1987 and possessing a distinguished industry heritage, Hovde draws from many years of experience and the comprehensive financial services expertise of our team members to develop innovative and value-added solutions for our clients. Hovde has regional offices in major areas of the United States and services the needs of financial services institutions, institutional investors, and private clients both domestically and internationally.

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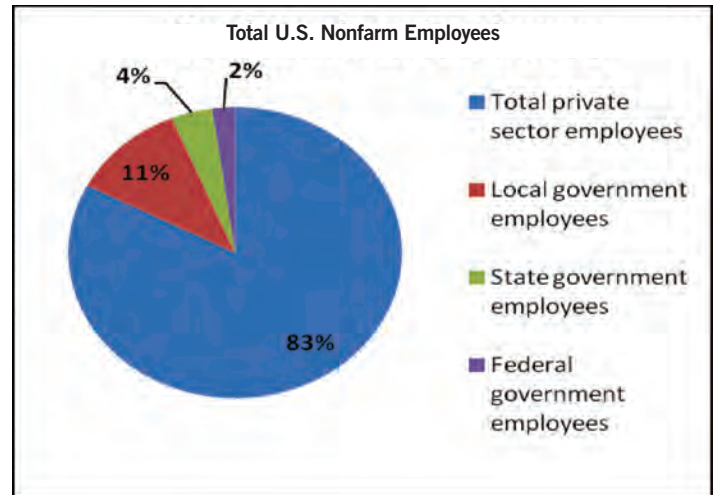
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“If you fail to plan, you plan to fail.”
-Old saying

The Great Recession has proven that all parties—individuals, corporations, and governments, alike—failed to foresee that their reckless spending habits and uninhibited risk-taking would ultimately evolve into the ongoing financial crisis. As readers of our publications, you are aware that we have opined at length since the onset of this crisis regarding the extreme financial and social duress which millions of Americans are now experiencing on account of the overleveraging of individual balance sheets and the use of their homes as a personal ATM machine during the housing bubble. We have also discussed the conspicuous roles which the large Wall Street investment banks and other behemoth financial institutions played in helping to create this turmoil. In turn, we have taken the time to analyze and dissect how the policymakers and politicians on both sides of the aisle have myopically focused on propping up the largest financial entities while jeopardizing the health of the overall banking industry—the lifeblood of the American economy—and placing U.S. taxpayers in a very precarious position. One important aspect of our economy and this financial crisis, which we have touched on in past pieces but have not discussed at length, is the huge budget deficits facing state and local governments—the ramifications of which, we believe, will, unfortunately, have a very negative impact upon the country and our society.

While many are rejoicing about the significant equity market rally in 2009—which we feel was primarily a function of the unprecedented liquidity provided by the Federal Reserve—and are rejoicing over the positive fourth quarter 2009 GDP print of 5.7%, we would caution CEOs and investors alike not to become overly optimistic. There are still significant headwinds facing the economy—with one of, if not the most, severe issues likely being what is occurring at the state and local government levels. Although we have seen a steadier flow of news and commentary as it pertains to these troubles, we still do not believe that it is being given the attention it deserves nor do we feel that the general public fully appreciates the utter severity of the situation—for not only 2010 and 2011,

but likely for years beyond, as well. Given that these state and local governments employ 15% of the U.S. workforce (as illustrated below), the challenges they are facing could prove to have significant economic and social implications for small towns and large states alike.



Source: Bureau of Labor Statistics

To understand how states and local municipalities ended up in their perilous fiscal positions, it makes sense to first provide a brief synopsis of how these governments dug the proverbial hole out of which they are now desperately trying to pull themselves. During the housing boom from 2002 until 2007, most municipalities—particularly those in the frothier real-estate markets such as California, Florida, Nevada, and Arizona—projected inflated property-tax revenues, as they were banking on the real estate market continuing on its meteoric rise. After all—if you will excuse our sarcasm—real estate “experts” and television talking heads, alike, were predicting that the housing market would keep going skywards for years to come. With prices in the frothier markets appreciating at a more than 30% annualized rate and with prices in the most overblown metro areas—such as Las Vegas and Phoenix—increasing at an over 50% annual rate, many bought into this notion that the good times would keep on rolling. The housing market became such a cash cow for local governments that, from 2002 to 2007, property taxes rose by nearly 30%, as municipalities did not want to be left out of the explosion in the real estate market and, as such, kept hiking assessed property values. Consequently, the escalating revenue streams from property taxes—which

account for over 70% of collected taxes—led to swelling budgets, significant increases in payrolls, and mounting future pension liabilities. Essentially, municipalities hung their collective hats on the notion that the housing market would continue its upward trajectory—as would their tax revenues—famous last words! As the masses finally began to realize that the mushrooming housing bubble was nothing more than a house of cards perpetrated by unscrupulous lenders, unethical real estate agents, and fueled by the insatiable greed of Wall Street—made possible by the Federal Reserve’s extremely cheap cost of credit—the housing market began to unravel at a precipitous pace.

This brings us to today and the challenges facing state and municipal governments. With home values in some metro areas down by as much as 55% on a peak-to-trough basis and national commercial real estate values lower by 43% from their peak, assessed property values have plunged in lock-step. Despite raising property tax rates in a veiled attempt to put a floor on their single greatest source of tax revenues, municipalities are now facing significant budget shortfalls because these funding bases are drastically shrinking. Concurrently, state budgets—whose deficit figures we discuss further on—are facing devastating shortfalls with the national unemployment rate at 9.7% (and the “real” unemployment rate at 16.5%) and as state labor markets continue to deteriorate. According to the Labor Department’s most recent monthly report on state unemployment, 43 states reported rising jobless rates in December, versus 36 in November, while all 50 states had a higher unemployment rate from a year earlier—led by Michigan at 14.6% and Nevada at 13%, respectively. Consequently, in this extremely weak labor market, consumers are not spending as much money; thus, suppressing sales taxes, which accounted for 47% of all state taxes collected as of 2007 (the most recent, broken out year-end data available). Further, with increased job losses come lower personal income tax revenues, which accounted for 35% of state taxes. The loss of these funding streams is already apparent as, according to the Nelson A. Rockefeller Institute of Government, state tax revenues dropped 13.3% in the first three quarters of 2009 versus the same period in 2008—the most in 46 years. As the Center on Budget and Policy Priorities noted in its latest

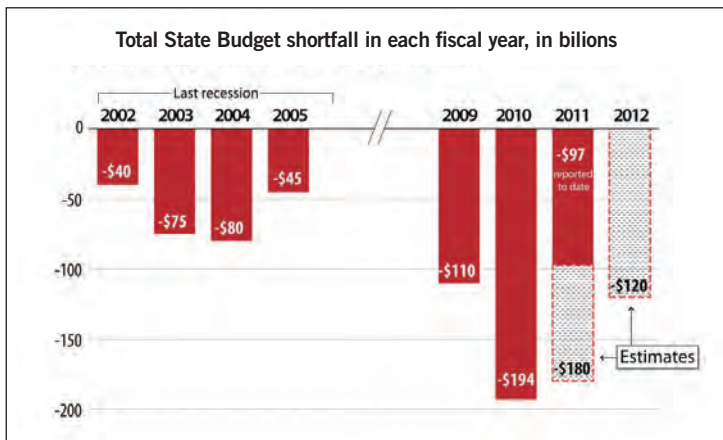
report (which you can view by clicking [here](#)), as a result of tax revenues drying up, “state budget gaps will continue to be significantly larger than in the last recession, and last longer.”

Because local and state governments projected considerable revenue increases and failed to plan ahead should their tax bases (as we discussed above) in fact dry up, their budgets became bloated. In addition, they are now also facing major pension fund liabilities—with shortfalls estimated to be as much as \$2 billion in aggregate, according to the chairman of New Jersey’s fund—an underfunding crisis which had already been brewing for the better part of a decade. In addition to the issues which pension plans are facing on account of the deteriorating tax revenues, it is important to understand that these plans also have been negatively impacted by the slew of toxic and complex securities which the large Wall Street investment banks created, marketed, and sold to these unsuspecting investors. These are the same types of mortgage-backed securities (MBS) and collateralized debt obligations (CDOs) which led to the death spiral of the securitization market and imploded within many financial institutions’ balance sheets. Which leads us to the question that, if supposed sophisticated institutional investors and now-defunct large independent Wall Street investment banks, such as Bear Stearns and Merrill Lynch—which helped to create and sell many of these products themselves—could not fully comprehend the risks and ramifications associated with such securities, how are the investment officers of public pension funds supposed to wrap their heads around the intricacies of these ticking time bombs? Now, this is not to imply that we are questioning the intelligence of the pension plan investment officers. Instead, we just want to emphasize that these complex products should never have found their way into funds that millions of Americans rely upon for their retirement and savings—pension funds that are now facing the distinct possibility of no longer being fully funded as many of these and other investments entered into during the credit bubble go sour. **Similar to how a financial advisor recommending a dot com technology company to an elderly client during the Internet bubble of the late 1990’s was a clear violation of the suitability standards under the securities regulation,**

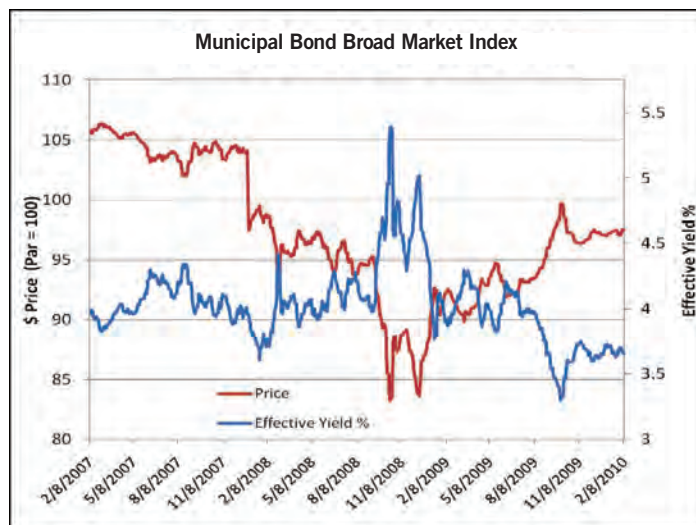
Wall Street investment banks marketing and selling toxic MBS and other securitized assets to their state and municipal clientele during the housing boom of the mid-2000's was just as egregious a practice. This conduct should warrant immediate investigation by the Securities and Exchange Commission (SEC) and other law enforcement agencies, as well as the undertaking of legal actions against those found to have violated the securities laws—including, criminal prosecution where appropriate. Moreover, the SEC and Congress should immediately review existing law and regulation to ensure that the proper protections are in place and enforced to protect these public pension funds from such destructive predatory practices.

The combination of inflated budget projections, drastically decreased revenue streams on account of the bursting of the housing bubble and mounting job losses, and the implosion of the toxic assets sold by Wall Street to pension plans, have all resulted in staggering deficits. According to the Center on Budget and Policy Priorities, 48 states are facing budget shortfalls for fiscal year 2010, resulting in an estimated \$194 billion in cumulative deficits, or 28% of state budgets—the largest gaps on record—and an estimated \$180 billion deficit for 2011 (as illustrated in the chart below). Again, to fully grasp the magnitude of these amounts on a state-by-state basis—led by California, which on its own would be the eighth largest economy in the world, and its staggering 2010 deficit of \$52 billion—we would encourage you to click [here](#) to read the Center on Budget and Policy Priorities' latest report.

The prospect of budget shortfalls is a problematic issue for states during any economic environment—let alone during the worst financial crisis in 80 years. Yet another reason why these budget shortfalls could not have come at a worse time is that state and local governments face the potential of increased funding costs stemming from their perceived ability to pay back existing debt and the increased cost of capital when it comes to issuing new debt. Although the municipal bond market is not in the same dire straits in which it found itself when the credit market first began to freeze up in the beginning of 2008—which we discussed in our *March 2008 Monthly Overview*—or during the perilous months leading up to the close of 2008 and in the beginning of 2009 (as shown below), the fact is that weaker municipalities will still need assistance from their states or be forced to pay much higher rates in order to entice investors.



Source: Center on Budget and Policy Priorities



Source: Bank of America/Merrill Lynch

To conclude, state and municipal governments will have little choice but to increase taxes in an attempt to recoup the revenues they have lost from declining property taxes amidst plummeting home and commercial property values, and a decrease in sales and personal income taxes, as consumers hunker down on spending given high unemployment rates and falling income levels. In fact, according to the National Governors Association, 29 states have already passed tax and fee increases totaling \$24 billion for the 2010 budget year, up from \$1.5 billion a

year ago. Tax hikes, which will likely be a consistent theme throughout 2010 across all levels of the economy, will only stunt any hopes of a sustainable economic recovery, as the ever-important U.S. consumer—accounting for 70% of GDP—will have less discretionary income to spend. In addition to increased taxes, states and local municipalities will also be forced to meaningfully cut back on the costliest part of any organization—their employees. This will no doubt mean further layoffs and the cancelation of contracts with vendors as well as eliminating or lowering payments to businesses and nonprofit organizations for services rendered.

Over the last two years, we have discussed at length how ill-advised decisions by the American consumer, Wall Street, and Washington, alike, have led to and only worsened the current financial crisis. By not stopping to think through the possible ramifications of their actions and by failing to plan ahead for the day that the credit bubble would finally begin to deflate, our economy and society are now faced with a disheartening outlook for the

immediate future. Unfortunately, even the choices made at the most basic levels of the American governmental system stand to have a negative impact on the livelihoods and futures of many of the state and local employees with whom we interface on a regular basis and upon whose services our communities have come to depend. These are not members of Congress or policymakers on Capital Hill. These are our public school teachers and our state university professors; our social service providers; our policemen and firemen; and, our sanitation workers. These are the people who work in small towns and are employed by large states, and who provide the services which hold the very fabric of our surrounding communities together. Without these services, our classrooms stand to become more crowded, our streets not quite as safe, and, from our highways to our local parks, our infrastructure will not be as well-tended. Unfortunately, like many of their working brethren in Corporate America who have already undergone widespread layoffs, these public employees and their families will also be the ones who suffer as a result of the negligent choices others have made as they failed to prepare for what has resulted in the Great Recession.

Federal Reserve Aggregate Bank Data

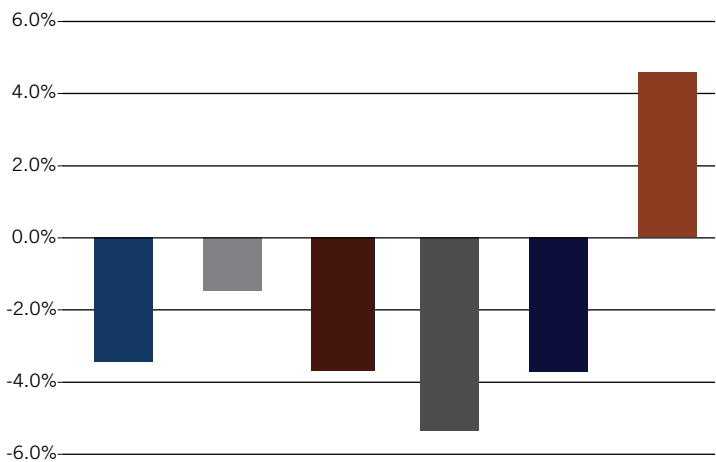
	12/2008	4/2009	5/2009	6/2009	7/2009	8/2009	9/2009	10/2009	11/2009	12/2009	MoM	YoY
ASSETS												
Securities												
Secs in Bank Credit	2,064	2,184	2,210	2,259	2,280	2,315	2,320	2,312	2,309	2,347	1.7%	13.7%
Treasury & Agency	1,240	1,262	1,266	1,300	1,324	1,361	1,384	1,380	1,381	1,426	3.3%	15.0%
Other	824	922	944	958	956	954	936	932	928	921	-0.7%	11.8%
Loans and Leases												
C&I	1,619	1,544	1,527	1,504	1,489	1,452	1,412	1,378	1,367	1,343	-1.7%	-17.0%
Real Estate	3,820	3,834	3,882	3,868	3,840	3,820	3,776	3,749	3,819	3,809	-0.3%	-0.3%
Consumer	862	863	863	860	850	847	849	847	842	832	-1.2%	-3.4%
Other	954	845	876	860	801	758	759	744	763	755	-1.1%	-20.9%
Other Assets	1,175	1,127	1,143	1,173	1,140	1,112	1,107	1,113	1,117	1,152	3.2%	-1.9%
Total Assets	12,264	12,054	12,151	12,024	11,869	11,807	11,773	11,799	11,769	11,681	-0.7%	-4.8%
LIABILITIES												
Deposits												
Large Time	1,900	1,840	1,870	1,885	1,907	1,908	1,883	1,886	1,880	1,892	0.6%	-0.4%
Other	5,324	5,482	5,589	5,644	5,611	5,647	5,712	5,754	5,802	5,792	-0.2%	8.8%
Borrowings	2,456	2,407	2,420	2,361	2,246	2,156	2,047	2,002	1,959	1,917	-2.1%	-22.0%
Other Liabilities	454	429	437	464	452	413	415	395	406	417	2.6%	-8.2%
Total Liabilities	11,050	10,813	10,887	10,809	10,639	10,556	10,537	10,545	10,529	10,418	-1.1%	-5.7%
Residual (assets less liabilities)	1,214	1,242	1,264	1,215	1,231	1,251	1,236	1,254	1,240	1,264	1.9%	4.1%

all values in \$ billions

SOURCE: Federal Reserve Documents

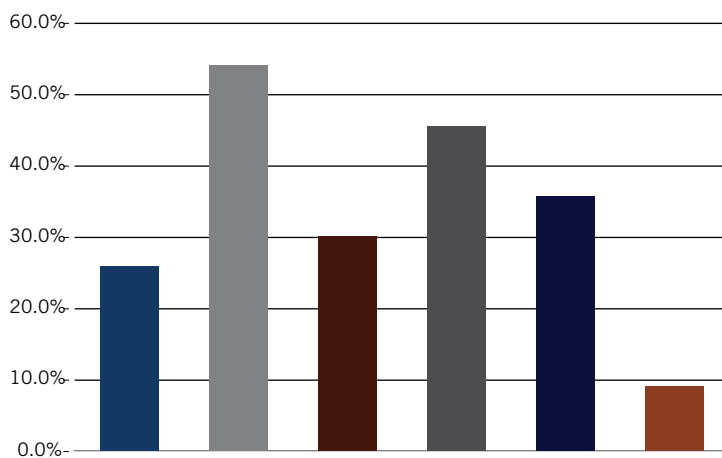
Major Market Index Performance

January 2010



SOURCE: Bloomberg, LLC

Last Twelve Months



SOURCE: Bloomberg, LLC

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

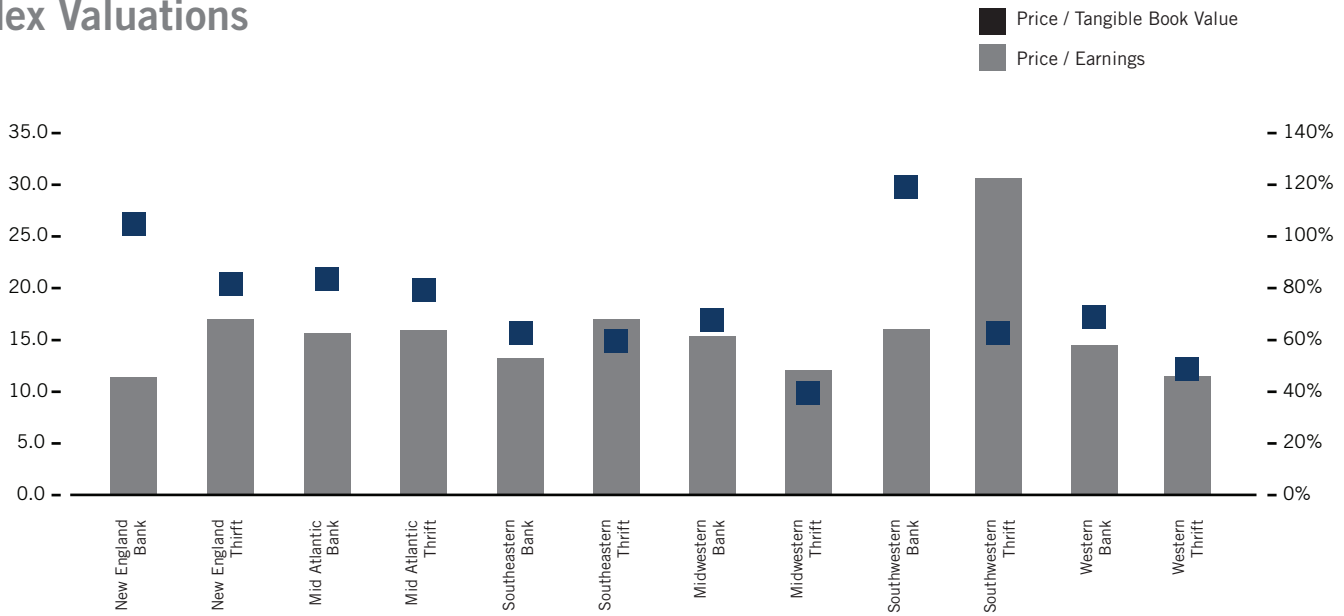
	2/2009	3/2009	4/2009	5/2009	6/2009	7/2009	8/2009	9/2009	10/2009	11/2009	12/2009	1/2010
Dow Jones	-11.7%	7.7%	7.3%	4.1%	-0.6%	8.6%	3.5%	2.3%	0.0%	6.5%	0.8%	-3.5%
S&P Financial	-18.4%	17.7%	22.2%	13.1%	-2.2%	8.8%	12.9%	1.9%	-6.0%	4.2%	-1.6%	-1.5%
S&P 500	-11.0%	8.5%	9.4%	5.3%	0.0%	7.4%	3.4%	3.6%	-2.0%	5.7%	1.8%	-3.7%
NASDAQ	-6.7%	10.9%	12.3%	3.3%	3.4%	7.8%	1.5%	5.6%	-3.6%	4.9%	5.8%	-5.4%
Russell 2000	-12.3%	8.7%	15.3%	2.9%	1.3%	9.5%	2.8%	5.6%	-6.9%	3.0%	7.9%	-3.7%
NASDAQ Bank	-11.9%	8.1%	5.1%	1.7%	-4.1%	8.4%	0.6%	0.2%	-6.9%	1.5%	3.3%	4.6%

SOURCE: Bloomberg, LLC

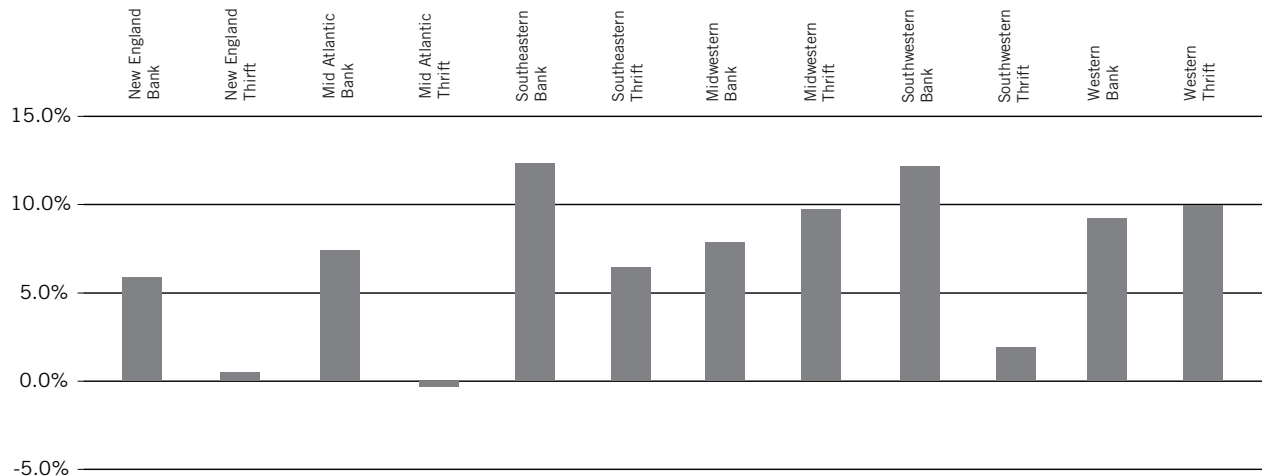
Bank and Thrift Index Valuations

		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	9.9	11.3	95%	89%	131%	106%	6.5%	5.8%	22.3%	20
	Thrift	26.5	17.0	82%	79%	102%	82%	0.7%	0.5%	5.2%	22
Mid Atlantic	Bank	11.9	15.6	94%	79%	139%	84%	6.3%	7.4%	0.2%	88
	Thrift	16.4	15.9	105%	76%	127%	80%	0.8%	-0.3%	2.3%	54
Southeastern	Bank	8.3	13.2	72%	55%	104%	63%	12.4%	12.3%	-11.0%	117
	Thrift	2.8	16.9	65%	49%	70%	59%	6.6%	6.4%	-15.0%	11
Midwestern	Bank	12.7	15.3	130%	63%	165%	67%	9.2%	7.8%	-1.4%	86
	Thrift	16.3	12.0	124%	41%	126%	39%	8.8%	9.7%	3.3%	43
Southwestern	Bank	12.1	16.0	115%	112%	139%	119%	11.5%	12.1%	14.7%	20
	Thrift	18.4	30.6	114%	62%	115%	62%	5.5%	1.9%	6.8%	7
Western	Bank	7.8	14.4	92%	58%	75%	69%	10.5%	9.2%	-12.1%	64
	Thrift	17.2	11.4	77%	46%	84%	48%	7.4%	9.9%	2.4%	12

Index Valuations



YTD Price Performance



Economic Data Points - January 2010

Date	Event	Period	Survey	Actual	Prior	Revised	Date	Event	Period	Survey	Actual	Prior	Revised
1/4	ISM Manufacturing	DEC	54.3	55.9	53.6	--	1/20	Producer Price Index (MoM)	DEC	0.00%	0.20%	1.80%	--
1/4	ISM Prices Paid	DEC	57.2	61.5	55	--	1/20	PPI Ex Food & Energy (MoM)	DEC	0.10%	0.00%	0.50%	--
1/4	Construction Spending MoM	NOV	-0.50%	-0.60%	0.00%	-0.50%	1/20	Producer Price Index (YoY)	DEC	4.50%	4.40%	2.40%	--
1/5	Factory Orders	NOV	0.50%	1.10%	0.60%	0.80%	1/20	PPI Ex Food & Energy (YoY)	DEC	1.00%	0.90%	1.20%	--
1/5	Pending Home Sales MoM	NOV	-2.00%	-16.00%	3.70%	3.90%	1/20	Housing Starts	DEC	572K	557K	574K	580K
1/5	Pending Home Sales YoY	NOV	31.00%	19.30%	28.60%	28.70%	1/20	Building Permits	DEC	580K	653K	584K	589K
1/5	Total Vehicle Sales	DEC	11.00M	11.23M	10.92M	--	1/21	Initial Jobless Claims	16-Jan	440K	482K	444K	446K
1/5	Domestic Vehicle Sales	DEC	8.36M	8.63M	8.36M	--	1/21	Continuing Claims	9-Jan	4598K	4599K	4596K	4617K
1/6	MBA Mortgage Applications	1-Jan	0.10%	0.50%	-22.80%	--	1/21	RPX Composite 28dy YoY	NOV	--	-4.19%	-7.46%	--
1/7	Initial Jobless Claims	2-Jan	440K	434K	432K	433K	1/21	RPX Composite 28dy Index	19-Nov	--	193.69	193.43	--
1/7	Continuing Claims	26-Dec	4962K	4802K	4981K	--	1/21	Philadelphia Fed.	JAN	18	15.2	20.4	22.5
1/7	ICSC Chain Store Sales YoY	DEC	--	2.80%	-0.30%	-0.20%	1/21	Leading Indicators	DEC	0.70%	1.10%	0.90%	1.00%
1/8	Change in Nonfarm Payrolls	DEC	OK	-85K	-11K	4K	1/25	Existing Home Sales	DEC	5.90M	5.45M	6.54M	--
1/8	Unemployment Rate	DEC	10.00%	10.00%	10.00%	--	1/25	Existing Home Sales MoM	DEC	-9.80%	-16.70%	7.40%	--
1/8	Wholesale Inventories	NOV	-0.30%	1.50%	0.30%	0.60%	1/25	Dallas Fed Manf. Activity	JAN	6.00%	8.30%	3.80%	--
1/8	Consumer Credit	NOV	-\$5.0B	-\$17.5B	-\$3.5B	-\$4.2B	1/26	S&P/CaseShiller Home Price Ind	NOV	146.8	146.28	146.58	146.6
1/12	NFIB Small Business Optimism	DEC	--	88	88.3	--	1/26	S&P/CS Composite-20 YoY	NOV	-5.00%	-5.32%	-7.28%	-7.27%
1/12	Trade Balance	NOV	-\$34.6B	-\$36.4B	-\$32.9B	-\$33.2B	1/26	S&P/CS 20 City MoM% SA	NOV	0.30%	0.24%	0.37%	0.26%
1/13	MBA Mortgage Applications	8-Jan	--	14.30%	0.50%	--	1/26	Consumer Confidence	JAN	53.5	55.9	52.9	53.6
1/14	Advance Retail Sales	DEC	0.50%	-0.30%	1.30%	1.80%	1/26	House Price Index MoM	NOV	0.20%	0.70%	0.60%	0.40%
1/14	Retail Sales Less Autos	DEC	0.30%	-0.20%	1.20%	1.90%	1/26	Richmond Fed Manufact. Index	JAN	0	-2	-4	--
1/14	Retail Sales Ex Auto & Gas	DEC	0.20%	-0.30%	0.60%	1.00%	1/27	MBA Mortgage Applications	22-Jan	--	-10.90%	9.10%	--
1/14	Initial Jobless Claims	9-Jan	437K	444K	434K	433K	1/27	New Home Sales	DEC	366K	342K	355K	370K
1/14	Continuing Claims	2-Jan	4750K	4596K	4802K	4807K	1/27	New Home Sales MoM	DEC	3.00%	-7.60%	-11.30%	-9.30%
1/14	Business Inventories	NOV	0.30%	0.40%	0.20%	0.40%	1/27	FOMC Rate Decision	27-Jan	0.25%	0.25%	0.25%	--
1/15	Consumer Price Index (MoM)	DEC	0.20%	0.10%	0.40%	--	1/28	Chicago Fed Nat Activity Index	DEC	-0.4	-0.61	-0.32	-0.39
1/15	CPI Ex Food & Energy (MoM)	DEC	0.10%	0.10%	0.00%	--	1/28	Durable Goods Orders	DEC	2.00%	0.30%	0.20%	-0.40%
1/15	Consumer Price Index (YoY)	DEC	2.80%	2.70%	1.80%	--	1/28	Durables Ex Transportation	DEC	0.50%	0.90%	2.00%	2.10%
1/15	CPI Ex Food & Energy (YoY)	DEC	1.80%	1.80%	1.70%	--	1/28	Initial Jobless Claims	23-Jan	450K	470K	482K	478K
1/15	Empire Manufacturing	JAN	12	15.92	2.55	4.5	1/28	Continuing Claims	16-Jan	4593K	4602K	4599K	4659K
1/15	Industrial Production	DEC	0.60%	0.60%	0.80%	0.60%	1/29	GDP QoQ (Annualized)	4Q A	4.80%	5.70%	2.20%	--
1/15	Capacity Utilization	DEC	71.80%	72.00%	71.30%	71.50%	1/29	Personal Consumption	4Q A	1.80%	2.00%	2.80%	--
1/15	U. of Michigan Confidence	JAN P	74	72.8	72.5	--	1/29	GDP Price Index	4Q A	1.30%	0.60%	0.40%	--
1/19	Net Long-term TIC Flows	NOV	\$25.0B	\$126.8B	\$20.7B	\$19.3B	1/29	Core PCE QoQ	4Q A	1.30%	1.40%	1.20%	--
1/19	Total Net TIC Flows	NOV	--	\$26.6B	-\$13.9B	-\$25.4B	1/29	Chicago Purchasing Manager	JAN	57.2	61.5	60	58.7
1/19	NAHB Housing Market Index	JAN	17	15	16	--	1/29	U. of Michigan Confidence	JAN F	73	74.4	72.8	--
1/20	MBA Mortgage Applications	15-Jan	--	9.10%	14.30%	--	1/29	NAPM-Milwaukee	JAN	--	56	52	--

SOURCE: Bloomberg, LLC

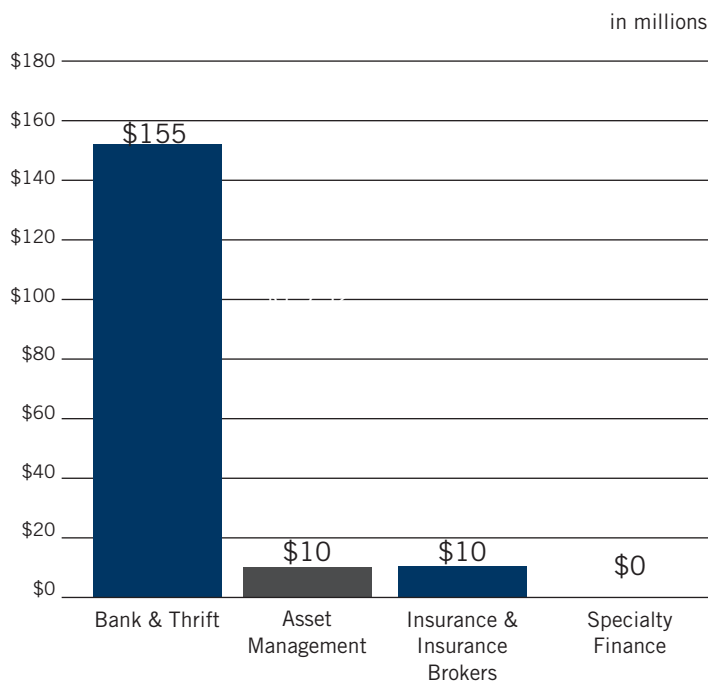
Economic Data Points - February 2010

Date	Event	Period	Survey	Actual	Prior	Revised	Date	Event	Period	Survey	Actual	Prior	Revised
2/1	Personal Income	DEC	0.30%	0.40%	0.40%	0.50%	2/12	U. of Michigan Confidence	FEB P	75	--	74.4	--
2/1	Personal Spending	DEC	0.30%	0.20%	0.50%	0.70%	2/12	Business Inventories	DEC	0.20%	--	0.40%	--
2/1	ISM Manufacturing	JAN	55.5	58.4	55.9	--	2/16	Empire Manufacturing	FEB	16	--	15.92	--
2/1	Construction Spending MoM	DEC	-0.50%	-1.20%	-0.60%	-1.20%	2/16	Total Net TIC Flows	DEC	--	--	\$26.6B	--
2/2	Pending Home Sales MoM	DEC	1.00%	1.00%	-16.00%	-16.40%	2/16	NAHB Housing Market Index	FEB	15	--	15	--
2/2	Pending Home Sales YoY	DEC	--	10.50%	19.30%	18.90%	2/17	Housing Starts	JAN	581K	--	557K	--
2/2	Domestic Vehicle Sales	JAN	8.39M	8.19M	8.63M	--	2/17	Building Permits	JAN	616K	--	653K	--
2/2	Total Vehicle Sales	JAN	10.90M	10.80M	11.23M	--	2/17	Housing Starts MoM%	JAN	4.30%	--	-4.00%	--
2/3	MBA Mortgage Applications	29-Jan	--	21.00%	-10.90%	--	2/17	Building Permits MoM%	JAN	-5.80%	--	10.90%	--
2/3	Challenger Job Cuts YoY	JAN	--	-70.40%	-72.90%	--	2/17	Industrial Production	JAN	0.70%	--	0.60%	--
2/3	ADP Employment Change	JAN	-30K	-22K	-84K	-61K	2/17	Capacity Utilization	JAN	72.50%	--	72.00%	--
2/3	ISM Non-Manf. Composite	JAN	51	50.5	50.1	--	2/17	Minutes of FOMC Meeting	17-Feb	--	--	--	--
2/4	Nonfarm Productivity	4Q P	6.50%	6.20%	8.10%	7.20%	2/18	Producer Price Index (MoM)	JAN	0.80%	--	0.20%	--
2/4	Unit Labor Costs	4Q P	-3.50%	-4.40%	-2.50%	-1.50%	2/18	PPI Ex Food & Energy (MoM)	JAN	0.10%	--	0.00%	--
2/4	Initial Jobless Claims	30-Jan	455K	480K	470K	472K	2/18	Producer Price Index (YoY)	JAN	4.50%	--	4.40%	--
2/4	Continuing Claims	23-Jan	4581K	4602K	4602K	4600K	2/18	PPI Ex Food & Energy (YoY)	JAN	0.80%	--	0.90%	--
2/4	Factory Orders	DEC	0.50%	1.00%	1.10%	1.00%	2/18	Initial Jobless Claims	13-Feb	--	--	--	--
2/4	ICSC Chain Store Sales YoY	JAN	--	3.00%	2.80%	3.60%	2/18	Continuing Claims	6-Feb	--	--	--	--
2/5	Change in Nonfarm Payrolls	JAN	15K	-20K	-85K	-150K	2/19	Consumer Price Index (MoM)	JAN	0.30%	--	0.10%	--
2/5	Unemployment Rate	JAN	10.00%	9.70%	10.00%	--	2/19	CPI Ex Food & Energy (MoM)	JAN	0.20%	--	0.10%	--
2/5	Change in Manuf. Payrolls	JAN	-20K	11K	-27K	-23K	2/19	Consumer Price Index (YoY)	JAN	2.80%	--	2.70%	--
2/5	Avg Hourly Earning MoM Prod	JAN	0.20%	0.30%	0.20%	--	2/19	CPI Ex Food & Energy (YoY)	JAN	1.80%	--	1.80%	--
2/5	Avg Hourly Earning YoY Prod	JAN	2.20%	2.50%	2.20%	2.40%	2/23	S&P/CS Composite-20 YoY	DEC	--	--	-5.30%	--
2/5	Consumer Credit	DEC	-\$10.0B	-\$1.7B	-\$17.5B	-\$21.8B	2/23	S&P/CS 20 City MoM% SA	DEC	--	--	0.24%	--
2/5	NFIB Small Business Optimism	JAN	--	89.3	88	--	2/23	Consumer Confidence	FEB	--	--	55.9	--
2/5	Wholesale Inventories	DEC	0.50%	-0.80%	1.50%	1.60%	2/24	New Home Sales	JAN	360K	--	342K	--
2/5	Avg Weekly Hours All Employees	JAN	--	33.9	33.8	--	2/24	New Home Sales MoM	JAN	--	--	-7.60%	--
2/5	Consumer Credit	DEC	-\$10.0B	-\$1.7B	-\$17.5B	-\$21.8B	2/25	Durable Goods Orders	JAN	1.50%	--	0.30%	--
2/9	NFIB Small Business Optimism	JAN	--	89.3	88	--	2/25	Durables Ex Transportation	JAN	--	--	0.90%	--
2/9	Wholesale Inventories	DEC	0.50%	-0.80%	1.50%	1.60%	2/25	Initial Jobless Claims	20-Feb	--	--	--	--
2/9	MBA Mortgage Applications	5-Feb	--	--	21.00%	--	2/25	Continuing Claims	13-Feb	--	--	--	--
2/10	Trade Balance	DEC	-\$35.8B	--	-\$36.4B	--	2/26	GDP QoQ (Annualized)	4Q S	5.00%	--	5.70%	--
2/10	Initial Jobless Claims	6-Feb	465K	--	480K	--	2/26	Personal Consumption	4Q S	--	--	2.00%	--
2/11	Continuing Claims	30-Jan	4595K	--	4602K	--	2/26	U. of Michigan Confidence	FEB F	--	--	--	--
2/11	Advance Retail Sales	JAN	0.30%	--	-0.30%	--	2/26	Existing Home Sales	JAN	--	--	5.45M	--
2/12	Retail Sales Less Autos	JAN	0.50%	--	-0.20%	--	2/26	Existing Home Sales MoM	JAN	--	--	-16.70%	--
2/12	Retail Sales Ex Auto & Gas	JAN	0.50%	--	-0.30%	--	2/26	NAPM-Milwaukee	FEB	--	--	56	--

SOURCE: Bloomberg, LLC

M&A Transaction Update

Announced Transactions - January 2010



SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - January 2010

Insurance & Insurance Brokerage	22
Asset Management & Broker/Dealer	13
Bank & Thrift	9
Specialty Finance	3

SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - 2009 YTD

Insurance & Insurance Brokerage	22
Asset Management & Broker/Dealer	13
Bank & Thrift	9
Specialty Finance	3

SOURCE: SNL Financial, Bloomberg, Factiva

Financial Deal Alert

Hovde Financial is pleased to announce its eighth FDIC-assisted transaction since 2008 with the signing of a purchase and assumption agreement between Bond Street Holdings, LLC and the FDIC to acquire Premier American Bank, located in Miami, Florida. Hovde Financial served as financial advisor to Bond Street Holdings and structured the winning bid.

Premier American Bank was established in 2001 and operated four branches in Miami-Dade County. The bank had \$351 million in assets and \$326 million in deposits as of September 30, 2009.

Top Financial Advisors in Bank and Thrift Transactions

Last Five Years, Sell-Side Advisory Transactions

Rank	Firm	# of Deals
1	Sandler, O'Neill & Partners, L.P	93
2	Keefe, Bruyette & Woods, Inc.	92
3	Hovde Financial	74
4	Howe Barnes Hoefer & Arnett, Inc.	51
5	Stifel, Nicolaus & Company, Inc.	40
6	Sheshunoff & Co. Investment Banking LP	23
7	Morgan Keegan & Company, Inc.	17
7	Austin Associates, LLC.	17
9	Carson Medin Company	15
9	Professional Bank Services Inc.	15

SOURCE: SNL Financial (data from 1/31/2005-1/31/2010)

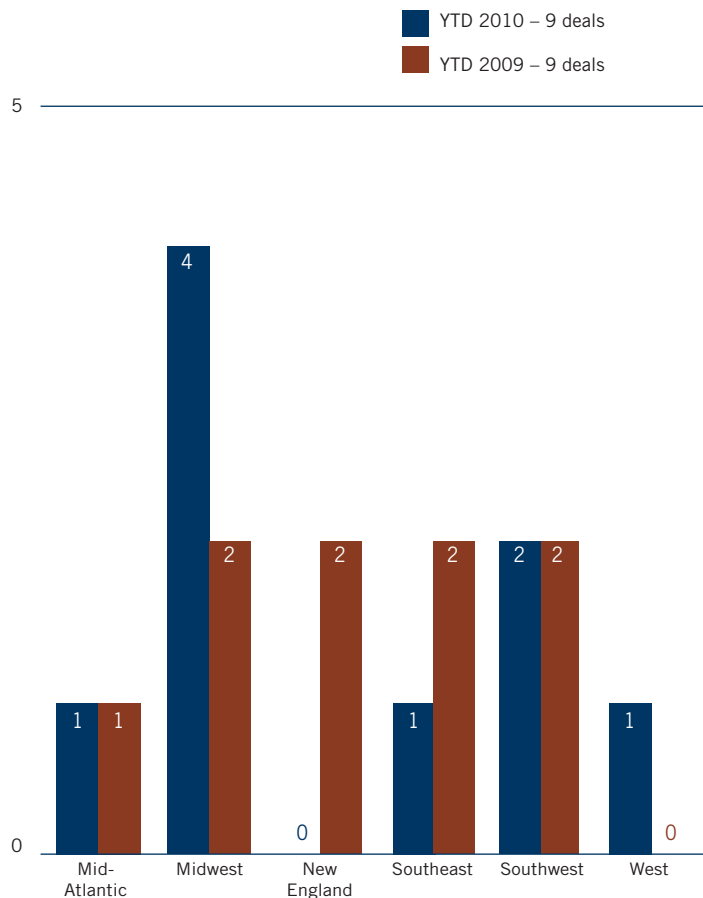
Bank & Thrift Transactions - January 2010

Buyer	Buyer State	Target	Buyer State	Announced	DV (\$MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
Chemical Financial Corporation	MI	O.A.K. Financial Corporation	MI	1/7/10	77.5	NM	108.70	1.32
Investor group		Adams Dairy Bank	MO	1/11/10	NA	NA	NA	NA
North Asia Investment Corporation		Pacific City Financial Corporation	CA	1/12/10	NA	NA	NA	NA
Investor group		Colonial American Bank	PA	1/14/10	NA	NM	79.73	-7.61
Management group		Bank of Las Colinas	TX	1/15/10	4.0	NM	141.65	7.31
Investor group	FL	Coastal Bancorporation, Incorporated	FL	1/19/10	NA	NA	NA	NA
NHI Financial Services, LLC	NE	Community Bank of Lincoln	NE	1/27/10	NA	NA	NA	NA
Steele Financial Corporation		East Texas Financial Services, Inc.	TX	1/28/10	23.5	34.62	122.20	4.67
National Australia Bank, Limited		F&M Bank-Iowa Central	IA	1/29/10	50.0	NM	110.35	1.44

SOURCE: SNL Financial

Bank & Thrift Transactions

by Region



SOURCE: SNL Financial

Deal Pricing by Region - 2010 YTD

Region	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern (x)	P/ Core Dep Prem (%)
Mid-Atlantic	NA	79.73	NA	(7.61)
Midwest	\$128	109.53	NA	1.38
New England	NA	NA	NA	NA
Southeast	NA	NA	NA	NA
Southwest	\$28	131.93	34.6	5.99
West	NA	NA	NA	NA
Total	\$155	112.53	34.6	11.57

SOURCE: SNL Financial

Deal Pricing by Quarter

Quarter	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern (x)	P/ Core Dep Prem (%)
3Q2007	\$9,324	215.3	26.2	17.9
4Q2007	\$11,660	197.6	23.5	11.9
1Q2008	\$5,093	190.3	26.9	12.4
2Q2008	\$1,855	197.3	30.1	8.4
3Q2008	\$27,195	152.5	25.9	9.0
4Q2008	\$1,680	123.0	32.6	2.1
1Q2009	\$260	88.6	18.8	-2.4
2Q2009	\$390	98.8	17.5	3.0
3Q2009	\$465	106.0	14.0	1.9
4Q2009	\$702	106.4	20.0	-0.5
1Q2010	\$155	112.5	34.6	1.4

SOURCE: SNL Financial

Insurance and Insurance Brokerage Transactions - January 2010

Buyer	Target	Announced	DV (\$MM)
Century Insurance Agency, Inc.	Mark Roden Insurance	1/1/10	NA
Frank Crystal & Co., Inc.	Gables Financial Group, Inc.	1/1/10	NA
Hylant Group, Inc.	W Group	1/1/10	NA
Main Street America Group Mutual Holdings, Inc.	Surety business of CAIC	1/4/10	NA
Diane M. Hendricks Enterprises, Inc.	American Patriot Insurance Agency, Inc.	1/4/10	NA
Investor Group	AIG United Guaranty Mortgage Insurance Company Canada	1/5/10	NA
Johnson & Johnson, Inc.	Sunbelt General Agency, Inc.	1/5/10	NA
Tiptree Financial Partners, L.P.	PFG Holdings, Inc.	1/6/10	NA
Hub International Limited	Ogilvy Hill Insurance	1/6/10	NA
InsureZone.com	McKinney Insurance Group	1/6/10	NA
Alltrust Insurance, Inc.	Caswell Insurance Services, Inc.	1/14/10	NA
Austin Mutual Insurance Company	Cooperative Mutual Insurance Company	1/15/10	NA
Hanover Insurance Group, Inc.	Campania Holding Company Inc.	1/18/10	NA
Blackstone Group L.P.	Almond Valley Insurance Services Inc.	1/19/10	NA
Guaranty Insurance Services, Inc.	Transwestern Risk & Insurance Management Company	1/19/10	NA
Hanover Insurance Group, Inc.	Benchmark Professional Insurance Services, Inc.	1/20/10	NA
Management group	Millennium Brokerage Group LLC	1/20/10	4.5
American International Group, Inc.	Fuji Fire and Marine Insurance Co., Ltd.	1/21/10	NA
White Mountains Insurance Group, Ltd.	Central National Insurance Company of Omaha	1/22/10	5
EAGiL Financial Group, LLC	Goebel Insurance Agency Inc.	1/26/10	NA
Norman Spencer McKernan, Inc.	Condon & Skelly, Inc.	1/26/10	NA
Moody Insurance Agency, Inc.	Smallwood Financial Services	1/29/10	NA

SOURCE: Factiva, AM Best

Asset Management/Broker-Dealer Transactions - January 2010

Buyer	Target	Announced	DV (\$MM)
Rehmann, LLC	Dawson Wealth Management Agency Inc.	1/1/10	NA
Rehmann, LLC	Two undisclosed Florida investment advisory firms	1/1/10	NA
AuGRID Global Holdings Corporation	J&K Futures, Inc.	1/4/10	NA
FX Alliance, LLC.	LavaFlow, Inc.	1/4/10	NA
Aviva Plc	River Road Asset Management, LLC	1/5/10	NA
NoCo A L.P.	Tokum Cap Mgmt Investment Team	1/11/10	NA
Williams Capital Group, L.P.	Utendahl Capital Partners, L.P.	1/12/10	NA
Empire Advisory Group, Inc.	Corporate Trust Department	1/13/10	NA
Rehmann, LLC	Two undisclosed Ohio investment advisory firms	1/13/10	NA
Summit Ventures VI-A, LP	Bridgewater Wealth Management, LLC	1/19/10	NA
Boston Private Financial Holdings, Inc.	KLS Professional Advisors Group, LLC	1/20/10	29.5
Infinium Capital Management, LLC	Fox River Partners LLC	1/20/10	NA
Hudson Holding Corporation	Equity Research and Investment Banking Business	1/21/10	NA
Evercore Partners Inc.	Morse, Williams & Co. Inc.	1/25/10	NA
Tetragon Financial Group Limited	Lyon Capital Management LLC	1/29/10	10

SOURCE: Factiva, Bloomberg

Specialty Finance Transactions - January 2010

Buyer	Target	Announced	DV (\$MM)
American Eagle Mortgage Corporation	Real Estate Mortgage Corporation	1/4/10	NA
Premium Financing Specialists Inc.	Universal Premium Acceptance Corporation	1/4/10	NA
North State Bancorp	North State Mortgage Operations	1/27/10	0.3

SOURCE: Factiva, Bloomberg, Reuters