



Hovde

Financial Institutions
Monthly Overview

Capital Markets
Economic Data Review
M&A Statistics

June 2009

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June 2009 - Hovde Monthly Overview

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About Hovde

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Precursor for Losses to Come

Over the last 24 months, the Treasury and the Federal Reserve have worked overtime in their attempt to stem the financial crisis caused by the greatest asset and credit bubble in modern times. Today, there appears to be some traction in stabilizing the economy. However, the vital question, which few are asking, is what will be the eventual cost to taxpayers and the economy as a whole in the long-run from the slew of government actions? Unfortunately, we are starting to see some early signs that the costs for the bailouts of some of the largest U.S. financial institutions will be staggeringly high. Further, will the government's actions even be effective beyond the next 24 months? It is amazing that very few legislators and policymakers responsible for overseeing the government are even asking these two difficult questions. Then, again, it is probably not too surprising given that these were the same politicians and regulatory agencies that were supposed to be overseeing Wall Street's abusive practices over the last decade.

To date, the Federal Reserve and the Treasury have implemented no fewer than 15 programs during the last 18 months with such acronyms as TARP, TALF, PDCF, and TLGP. Further, the Federal Reserve has more than doubled its balance sheet from under \$900 billion in June 2007 to more than \$2 trillion today. Even more critical is the fact that the Federal Reserve's balance sheet has shifted from holding Treasury securities to holding or facilitating the financing of very questionable and hard to value assets. Lastly, the government has arranged for the bailouts of Bear Stearns, Fannie Mae, Freddie Mac, a large segment of the banking industry through the TARP, in addition to rescuing AIG and Citigroup on multiple occasions. When taking the government's capital injections, asset purchases, bank funding guarantees, and various liquidity operations in aggregate, the U.S. government has authorized \$11 trillion in total outlays in order to fund these programs and initiatives.

If we look at these bailouts today, the early indications are very disturbing. Let us first begin with Bear Stearns. In this case, the Federal Reserve used its balance sheet to take on \$29 billion of toxic and illiquid assets that J.P. Morgan was not willing to assume when it purchased Bear Stearns. At that time, if one recalls, Bear Stearns'

shareholders initially received \$2 a share and then were able to renegotiate their value to \$10 a share. The Federal Reserve, in the meantime, said that the taxpayers would be fully protected and would not take any losses on the \$29 billion in assets they had assumed. Now, leaping forward a year, the Federal Reserve has already had to mark down those assets by over \$4 billion, which is particularly disturbing given that Bear Stearns' shareholders were allowed to walk away with \$10 a share and the taxpayers, at a minimum, will lose \$4 billion.

Next, let us turn to Fannie Mae and Freddie Mac. These companies were placed into conservatorship last September after the Treasury provided Fannie and Freddie each with \$100 billion of preferred equity capital and took warrants representing 80% of the common shares. Since then, the Treasury has agreed to increase its potential funding to these government-sponsored enterprises (GSEs) to \$200 billion each. After Fannie and Freddie suffered losses of \$25 billion and \$50 billion, respectively, in the fourth quarter of 2008, the Treasury was initially forced to provide the GSEs with a total of \$60 billion of its commitment. Now, after losing a total of approximately \$34 billion more in the first quarter of 2009, the Treasury authorized the disbursement of an *additional* \$34 billion to Fannie and \$45 billion to Freddie to keep them solvent. In our view, due to the natural lag effect of recognizing losses by Fannie and Freddie—and let us not forget the FHA—the continued drop in housing prices, *and* the increasingly disturbing trend whereby banks are refinancing many of their future problem loans and then sending them directly to these GSEs and the FHA, instead of bearing the hits themselves, we expect losses only to accelerate at these entities. As such, it is not unreasonable to forecast that combined losses for U.S. taxpayers at these two GSEs and the FHA may reach well over \$500 billion.

Then, there is AIG. Via the multiple bailouts and credit facilities the government has already provided to AIG, the taxpayers are now on the hook for over \$170 billion in commitments. As part of this bailout, the Treasury has orchestrated a massive wealth transfer from taxpayers to AIG derivative counterparties—including the likes of Goldman Sachs and large foreign banks. The government has essentially used AIG to payoff these other financial parties at par on contracts that otherwise should have been resolved at lower prices. With the company now having a

tangible common equity hole of nearly -\$24 billion, losing billions every quarter, plus losing significant amounts of key employees and business, it is hard to see how taxpayers will ever be repaid in full. One has to wonder if the Treasury is trying to obfuscate where the total amount of obligations and losses as they relate to AIG will actually reside, as the government is now engaged in a shell game by creating special purpose vehicles (SPVs) in order to house the different operating subsidiaries of the parent company. Let us hope that, going forward, policymakers will actually place taxpayers on a higher rung in the capital structure before transferring further money to shareholders and bondholders of AIG.

Lastly, this brings us to Citigroup. The Treasury and the Federal Reserve have not only invested \$25 billion of original TARP capital, provided an additional \$20 billion through a capital injection in November, and will be converting \$25 billion of government preferred shares into common shares for up to a 34% equity stake, but they have arranged to provide capital loss protection on up to \$306 billion of Citigroup's most toxic loans. Given past precedence, we believe that it is safe to assume these loans are of highly questionable value. In essence, the arrangement calls for Citigroup to absorb the first losses in the portfolio up to \$29 billion, with any losses in excess of that amount absorbed 90% by the Treasury and only 10% by Citigroup. Essentially, the Treasury has assumed the potential for \$250 billion in taxpayer losses. And what did taxpayers receive in return for providing this guarantee? An insultingly low \$7 billion in Citigroup preferred shares. Given the rate of credit losses Citigroup has been and will continue to take over the next 18 months, it is more than a fair assumption that the taxpayers could lose tens of billions of dollars on this one-sided insurance contract.

When examining *all* of the liquidity and lending facilities, bailouts, capital injections, and arrangements, in addition to the ancillary government initiatives (e.g., the HOPE for Homeowners program and the Financial Stability Plan (FSP)), it is safe to assume that taxpayers could end up absorbing well over \$1 trillion in losses in the near future. Should this in fact occur, it will be coming at a point in time when the federal government is already projected to be running over a \$1 trillion deficit due to the economic stimulus package and the existing budget deficit. This could not come at a worse time, given that we are rapidly approaching 2012 when entitlements begin to shift into

gear as the Baby Boom generation turns 65 and begins receiving Social Security and Medicare benefits. This milestone will have a profoundly negative impact on future deficits due to the accounting gimmicks which Congress has used by taking in the revenues from Social Security but not accruing the future expense obligations.

At the end of the day, the trillion dollar question remains: how will the Treasury and Federal Reserve finance all of this? Today, the government has resorted to quantitative easing by which the Treasury is printing money and issuing debt, the Federal Reserve is purchasing the debt, and the Treasury is providing a funding line to the Federal Reserve to continue purchasing this debt. To say the least, this is not a long-term and sustainable arrangement. At some point, this practice will come to an end and the private sector will have to step in and finance this massive amount of debt. Already, we are beginning to see early indications of the pressures which Treasury securities are facing as a result of the government having thrown everything into the pot with the hope of stabilizing the financial system as their yields are starting to move higher. Even more troubling is that certain large foreign buyers and holders of U.S. government debt—such as China—have now become lukewarm to the U.S.'s recent spending binge. When the economy eventually does turn and the fear of inflation takes hold, the government will then have to both stop quantitative easing, and massively reduce all of its interjections into the capital markets and its stimulus spending. The outcome of those actions could very well give us an economic contraction every bit the equal of the crisis we are enduring today. It is hard to see how an economy that went awry with the Internet bubble and which policy makers then tried to address through decades-low interest rates—ultimately producing the housing and credit bubble—will now be righted via a massive government spending bubble. Maybe the least costly and best long-term solution is to deal with the pain today, and stop the growing government spending bubble that could be more devastating than any thus far.

Federal Reserve Aggregate Bank Data

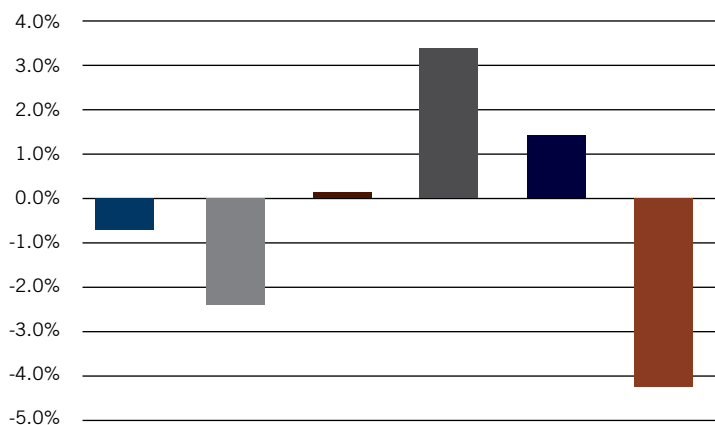
| | 5/2008 | 9/2008 | 10/2008 | 11/2008 | 12/2008 | 1/2009 | 2/2009 | 3/2009 | 4/2009 | 5/2009 | MoM | YoY |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|
| ASSETS | | | | | | | | | | | | |
| Securities | | | | | | | | | | | | |
| Secs in Bank Credit | 2,489 | 2,532 | 2,718 | 2,726 | 2,766 | 2,739 | 2,660 | 2,706 | 2,677 | 2,674 | -0.1% | 7.4% |
| Treasury & Agency | 1,115 | 1,155 | 1,227 | 1,261 | 1,256 | 1,276 | 1,253 | 1,274 | 1,265 | 1,271 | 0.4% | 14.0% |
| Other | 1,374 | 1,377 | 1,490 | 1,465 | 1,510 | 1,463 | 1,407 | 1,432 | 1,412 | 1,403 | -0.6% | 2.1% |
| Loans and Leases | | | | | | | | | | | | |
| C&I | 1,494 | 1,537 | 1,602 | 1,596 | 1,584 | 1,574 | 1,562 | 1,543 | 1,522 | 1,503 | -1.2% | 0.6% |
| Real Estate | 3,650 | 3,666 | 3,792 | 3,784 | 3,787 | 3,801 | 3,824 | 3,831 | 3,838 | 3,881 | 1.1% | 6.3% |
| Consumer | 825 | 852 | 870 | 876 | 882 | 892 | 901 | 893 | 881 | 881 | -0.1% | 6.7% |
| Other | 646 | 655 | 678 | 645 | 660 | 626 | 623 | 628 | 622 | 642 | 3.1% | -0.6% |
| Other Assets | 996 | 1,043 | 1,091 | 1,132 | 1,146 | 1,107 | 1,108 | 1,105 | 1,054 | 1,065 | 1.1% | 6.9% |
| Total Assets | 11,042 | 11,333 | 11,947 | 12,100 | 12,311 | 12,229 | 12,051 | 12,123 | 12,070 | 12,159 | 0.7% | 10.1% |
| LIABILITIES | | | | | | | | | | | | |
| Deposits | | | | | | | | | | | | |
| Transaction | 616 | 640 | 679 | 704 | 764 | 703 | 691 | 698 | 726 | 740 | 1.9% | 20.1% |
| Nontransaction | 6,270 | 6,432 | 6,448 | 6,360 | 6,498 | 6,657 | 6,653 | 6,685 | 6,632 | 6,745 | 1.7% | 7.6% |
| Large time | 2,103 | 2,161 | 2,066 | 1,938 | 1,984 | 1,993 | 1,927 | 1,876 | 1,884 | 1,919 | 1.9% | -8.8% |
| Other | 4,166 | 4,271 | 4,383 | 4,422 | 4,514 | 4,664 | 4,726 | 4,809 | 4,749 | 4,826 | 1.6% | 15.8% |
| Borrowings | 2,320 | 2,397 | 2,619 | 2,600 | 2,492 | 2,444 | 2,463 | 2,497 | 2,449 | 2,452 | 0.1% | 5.7% |
| Other Liabilities | 695 | 715 | 806 | 845 | 939 | 847 | 771 | 791 | 749 | 731 | -2.3% | 5.3% |
| Total Liabilities | 9,872 | 10,122 | 10,733 | 10,910 | 11,123 | 11,050 | 10,831 | 10,889 | 10,840 | 10,873 | 0.3% | 10.1% |
| Residual (assets less liabilities) | 1,169 | 1,211 | 1,215 | 1,190 | 1,188 | 1,179 | 1,220 | 1,235 | 1,230 | 1,286 | 4.5% | 10.0% |

all values in \$ billions

SOURCE: Federal Reserve Documents

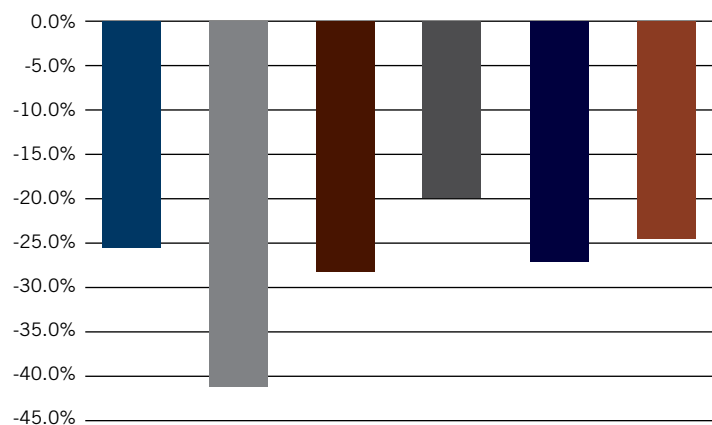
Major Market Index Performance

June 2009



SOURCE: Bloomberg, LLC

Last Twelve Months



SOURCE: Bloomberg, LLC

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

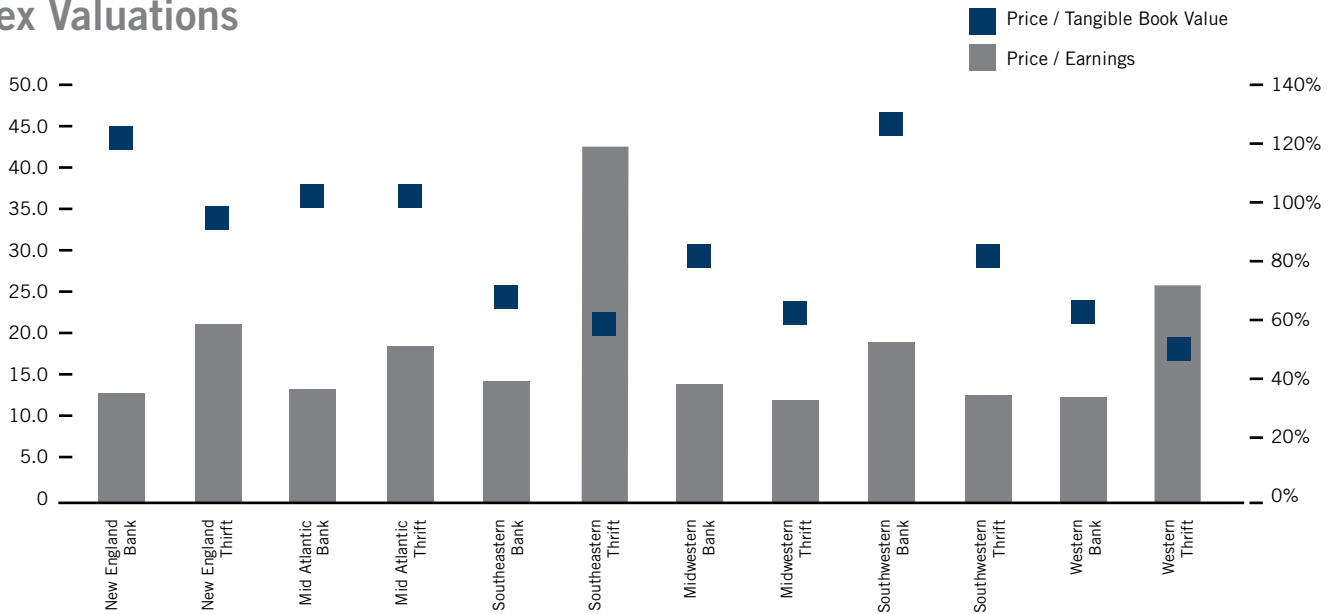
| | 7/2008 | 8/2008 | 9/2008 | 10/2008 | 11/2008 | 12/2008 | 1/2009 | 2/2009 | 3/2009 | 4/2009 | 5/2009 | 6/2009 |
|---------------|--------|--------|--------|---------|---------|---------|--------|--------|--------|--------|--------|--------|
| Dow Jones | 0.2% | 1.5% | -6.0% | -14.1% | -5.3% | -0.6% | -8.8% | -11.7% | 7.7% | 7.3% | 4.1% | -0.6% |
| S&P Financial | 6.8% | -1.3% | -5.2% | -22.7% | -18.7% | -0.7% | -26.5% | -18.4% | 17.7% | 22.2% | 13.1% | -2.2% |
| S&P 500 | -1.0% | 1.2% | -9.1% | -16.9% | -7.5% | 0.8% | -8.6% | -11.0% | 8.5% | 9.4% | 5.3% | 0.0% |
| NASDAQ | 1.4% | 1.8% | -11.6% | -17.7% | -10.8% | 2.7% | -6.4% | -6.7% | 10.9% | 12.3% | 3.3% | 3.4% |
| Russell 2000 | 3.6% | 3.5% | -8.1% | -20.9% | -12.0% | 5.6% | -11.2% | -12.3% | 8.7% | 15.3% | 2.9% | 1.3% |
| NASDAQ Bank | 9.6% | 3.8% | 4.0% | -7.3% | -8.8% | -1.2% | -21.8% | -11.9% | 8.1% | 5.1% | 1.7% | -4.1% |

SOURCE: Bloomberg, LLC

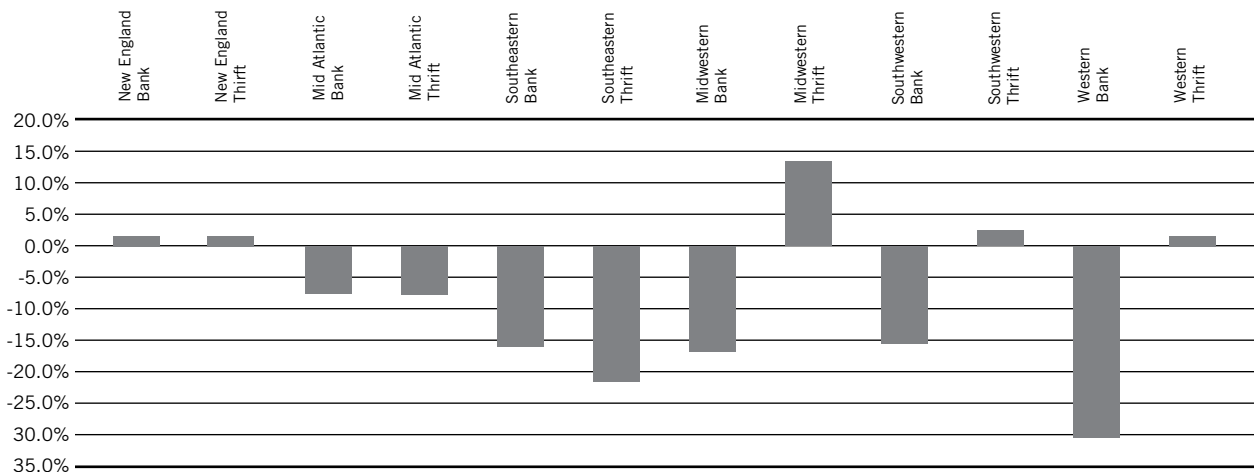
Bank and Thrift Index Valuations

| | | 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 | 10.9 | 13.2 | 115% | 102% | 171% | 124% | 3.5% | 1.9% | -12.7% | 20 |
| | Thrift | 24.0 | 21.6 | 88% | 87% | 112% | 91% | -2.6% | 1.7% | -13.8% | 22 |
| Mid Atlantic | Bank | 15.4 | 13.9 | 94% | 88% | 191% | 105% | -1.6% | -7.7% | -25.0% | 88 |
| | Thrift | 16.8 | 18.5 | 114% | 87% | 152% | 105% | -2.6% | -8.0% | -20.1% | 54 |
| Southeastern | Bank | 9.3 | 14.6 | 65% | 59% | 100% | 67% | -3.3% | -15.6% | -34.2% | 117 |
| | Thrift | 23.5 | 42.9 | 62% | 49% | 70% | 59% | -5.3% | -21.3% | -44.9% | 11 |
| Midwestern | Bank | 14.8 | 14.4 | 126% | 60% | 177% | 82% | -4.0% | -16.7% | -30.4% | 86 |
| | Thrift | 15.4 | 11.9 | 138% | 55% | 143% | 63% | -0.2% | 13.0% | -32.6% | 43 |
| Southwestern | Bank | 10.4 | 19.1 | 110% | 92% | 158% | 122% | -1.0% | -15.2% | -24.4% | 20 |
| | Thrift | 8.4 | 13.6 | 89% | 82% | 91% | 82% | -3.2% | 3.1% | -17.9% | 8 |
| Western | Bank | 6.9 | 13.2 | 85% | 52% | 134% | 62% | -10.8% | -30.1% | -40.7% | 64 |
| | Thrift | 14.2 | 25.5 | 66% | 44% | 71% | 51% | -5.2% | 2.4% | -36.8% | 12 |

Index Valuations



YTD Price Performance



SOURCE: SNL Financial and Bloomberg, LLC

Economic Data Points - June 2009

| Date | Event | Period | Survey | Actual | Prior | Revised | Date | Event | Period | Survey | Actual | Prior | Revised |
|------|------------------------------|--------|-----------|-----------|-----------|----------|------|--------------------------------|--------|---------|---------|---------|---------|
| 6/1 | ISM Manufacturing | MAY | 42.30% | 42.80% | 40.10% | -- | 6/16 | PPI Ex Food & Energy (MoM) | MAY | 0.10% | -0.10% | 0.10% | -- |
| 6/1 | ISM Prices Paid | MAY | 35.00% | 43.50% | 32.00% | -- | 6/16 | Producer Price Index (YoY) | MAY | -4.40% | -5.00% | -3.70% | -- |
| 6/1 | Construction Spending MoM | APR | -0.02 | 0.01 | 0.00 | 0.00 | 6/16 | PPI Ex Food & Energy (YoY) | MAY | 0.03 | 0.03 | 0.03 | -- |
| 6/2 | Pending Home Sales MoM | APR | 0.01 | 0.07 | 0.03 | -- | 6/16 | Housing Starts | MAY | 485K | 532K | 458K | 454K |
| 6/2 | Total Vehicle Sales | MAY | 9.4M | 9.9M | 9.3M | -- | 6/16 | Building Permits | MAY | 508K | 518K | 494K | 498K |
| 6/2 | Domestic Vehicle Sales | MAY | 7.0M | 7.4M | 7.0M | -- | 6/16 | Industrial Production | MAY | -1.00% | -1.10% | -0.50% | -0.70% |
| 6/3 | Challenger Job Cuts YoY | MAY | -- | 0.074 | 0.47 | -- | 6/16 | Capacity Utilization | MAY | 0.684 | 0.683 | 0.691 | 0.69 |
| 6/3 | ISM Non-Manf. Composite | MAY | 45 | 44 | 43.7 | -- | 6/17 | Consumer Price Index (MoM) | MAY | 0.003 | 0.001 | 0 | -- |
| 6/3 | Factory Orders | APR | 0.009 | 0.007 | -0.009 | -0.019 | 6/17 | CPI Ex Food & Energy (MoM) | MAY | 0.001 | 0.001 | 0.003 | -- |
| 6/4 | Nonfarm Productivity | 1Q F | 0.012 | 0.016 | 0.008 | -- | 6/17 | Consumer Price Index (YoY) | MAY | -0.009 | -0.013 | -0.007 | -- |
| 6/4 | Unit Labor Costs | 1Q F | 2.90% | 3.00% | 3.30% | -- | 6/17 | CPI Ex Food & Energy (YoY) | MAY | 1.80% | 1.80% | 1.90% | -- |
| 6/4 | Initial Jobless Claims | 30-May | 620K | 621K | 623K | 625K | 6/17 | CPI Core Index SA | MAY | -- | 218.91 | 218.594 | -- |
| 6/4 | Continuing Claims | 23-May | 6855K | 6735K | 6788K | 6750K | 6/17 | Consumer Price Index NSA | MAY | 214.445 | 213.856 | 213.24 | -- |
| 6/4 | ICSC Chain Store Sales YoY | MAY | -- | -4.60% | -2.70% | -- | 6/18 | Initial Jobless Claims | 13-Jun | 604K | 608K | 601K | 605K |
| 6/5 | Change in Nonfarm Payrolls | MAY | -520K | -345K | -539K | -504K | 6/18 | Continuing Claims | 6-Jun | 6840K | 6687K | 6816K | 6835K |
| 6/5 | Unemployment Rate | MAY | 9.20% | 9.40% | 8.90% | -- | 6/23 | Existing Home Sales | MAY | 4.82M | 4.77M | 4.68M | 4.66M |
| 6/5 | Change in Manufact. Payrolls | MAY | -150K | -156K | -149K | -154K | 6/23 | Existing Home Sales MoM | MAY | 0.03 | 0.02 | 0.03 | 0.02 |
| 6/5 | Average Hourly Earnings MoM | MAY | 0.001 | 0.001 | 0.001 | -- | 6/23 | House Price Index MoM | APR | -0.004 | -0.001 | -0.011 | -0.014 |
| 6/5 | Average Hourly Earnings YoY | MAY | 3.10% | 3.10% | 3.20% | -- | 6/24 | Durable Goods Orders | MAY | -0.90% | 1.80% | 1.90% | 1.80% |
| 6/5 | Consumer Credit | APR | -\$6.0B | -\$15.7B | -\$11.1B | -\$16.6B | 6/24 | Durables Ex Transportation | MAY | -0.50% | 1.10% | 0.80% | 0.40% |
| 6/9 | Wholesale Inventories | APR | -1.20% | -1.40% | -1.60% | -1.80% | 6/24 | New Home Sales | MAY | 360K | 342K | 352K | 344K |
| 6/10 | Monthly Budget Statement | MAY | -\$181.0B | -\$189.7B | -\$165.9B | -- | 6/24 | New Home Sales MoM | MAY | 2.30% | -0.60% | 0.30% | 2.70% |
| 6/10 | Fed's Beige Book | 11-Jun | | | | | 6/24 | FOMC Rate Decision | 24-Jun | 0.25% | 0.25% | 0.25% | -- |
| 6/11 | Advance Retail Sales | MAY | 0.50% | 0.50% | -0.40% | -0.002 | 6/25 | GDP QoQ (Annualized) | 1Q F | -5.70% | -5.50% | -5.70% | -- |
| 6/11 | Retail Sales Less Autos | MAY | 0.20% | 0.50% | -0.50% | -0.002 | 6/25 | GDP Price Index | 1Q | 2.80% | 2.80% | 2.80% | -- |
| 6/11 | Initial Jobless Claims | 6-Jun | 615K | 601K | 621K | 625K | 6/25 | Core PCE QoQ | 1Q | 1.50% | 1.60% | 1.50% | -- |
| 6/11 | Continuing Claims | 30-May | 6780K | 6816K | 6735K | 6757K | 6/25 | Initial Jobless Claims | 20-Jun | 600K | 627K | 608K | 612K |
| 6/11 | Business Inventories | APR | -1.00% | -1.10% | -1.00% | -1.30% | 6/25 | Continuing Claims | 13-Jun | 6714K | 6738K | 6687K | 6709K |
| 6/12 | Import Price Index (MoM) | MAY | 1.40% | 1.30% | 1.60% | 1.10% | 6/26 | U. of Michigan Confidence | JUN F | 69.00% | 70.80% | 69.00% | -- |
| 6/12 | Import Price Index (YoY) | MAY | -17.50% | -17.60% | -16.30% | -16.40% | 6/30 | S&P/CaseShiller Home Price Ind | APR | -- | 139.18% | 139.99% | 139.97% |
| 6/12 | U. of Michigan Confidence | JUN P | 69.5 | 69 | 68.7 | -- | 6/30 | S&P/CS Composite-20 YoY | APR | -18.63% | -18.12% | -18.70% | -18.72% |
| 6/16 | Producer Price Index (MoM) | MAY | 0.60% | 0.20% | 0.30% | -- | 6/30 | Consumer Confidence | JUN | 55.30% | 49.30% | 54.90% | 54.80% |

SOURCE: Bloomberg, LLC

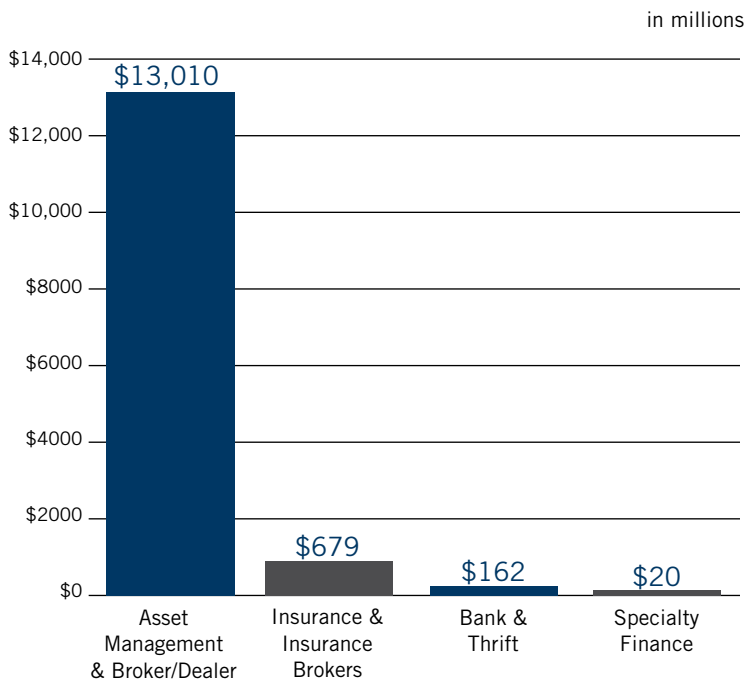
Economic Data Points - July 2009

| Date | Event | Period | Survey | Actual | Prior | Revised | Date | Event | Period | Survey | Actual | Prior | Revised |
|------|------------------------------|--------|----------|---------|----------|----------|------|---------------------------------|--------|---------|--------|---------|---------|
| 7/1 | ADP Employment Change | JUN | -394K | -473K | -532K | -485K | 7/15 | Consumer Price Index (MoM) | JUN | 0.60% | -- | 0.10% | -- |
| 7/1 | ISM Manufacturing | JUN | 44.90% | 44.80% | 42.80% | -- | 7/15 | CPI Ex Food & Energy (MoM) | JUN | 0.10% | -- | 0.10% | -- |
| 7/1 | ISM Prices Paid | JUN | 47 | 50 | 43.5 | -- | 7/15 | Consumer Price Index (YoY) | JUN | -0.016 | -- | -0.013 | -- |
| 7/1 | Construction Spending MoM | MAY | -0.60% | -0.90% | 0.80% | 0.60% | 7/15 | CPI Ex Food & Energy (YoY) | JUN | 1.70% | -- | 1.80% | -- |
| 7/1 | Pending Home Sales MoM | MAY | 0.00% | 0.10% | 6.70% | 7.10% | 7/15 | CPI Core Index SA | JUN | -- | -- | 218.91% | -- |
| 7/1 | Pending Home Sales YoY | MAY | -- | 4.60% | 3.30% | 3.80% | 7/15 | Consumer Price Index NSA | JUN | 215.53% | -- | 213.86% | -- |
| 7/1 | Total Vehicle Sales | JUN | 9.8M | 9.7M | 9.9M | -- | 7/15 | Industrial Production | JUN | -0.60% | -- | -1.10% | -- |
| 7/1 | Domestic Vehicle Sales | JUN | 7.4M | 7.2M | 7.4M | -- | 7/15 | Capacity Utilization | JUN | 0.679 | -- | 0.683 | -- |
| 7/2 | Change in Nonfarm Payrolls | JUN | -365K | -467K | -345K | -322K | 7/15 | Minutes of June 24 FOMC Meeting | | | | | |
| 7/2 | Unemployment Rate | JUN | 0.096 | 0.095 | 0.094 | -- | 7/16 | Initial Jobless Claims | 11-Jul | 555K | -- | 565K | -- |
| 7/2 | Change in Manufact. Payrolls | JUN | -150K | -136K | -156K | -- | 7/16 | Continuing Claims | 4-Jul | 6800K | -- | 6883K | -- |
| 7/2 | Average Hourly Earnings MoM | JUN | 0.10% | 0.00% | 0.10% | 0.20% | 7/17 | Housing Starts | JUN | 530K | -- | 532K | -- |
| 7/2 | Average Hourly Earnings YoY | JUN | 0.029 | 0.027 | 0.031 | 0.03 | 7/17 | Building Permits | JUN | 523K | -- | 518K | -- |
| 7/2 | Average Weekly Hours | JUN | 33.10% | 33.00% | 33.10% | -- | 7/22 | House Price Index MoM | MAY | -- | -- | -0.10% | -- |
| 7/2 | Initial Jobless Claims | JUN | 615K | 614K | 627K | 630K | 7/23 | Initial Jobless Claims | 18-Jul | -- | -- | -- | -- |
| 7/2 | Continuing Claims | JUN | 6740K | 6702K | 6738K | 6755K | 7/23 | Continuing Claims | 11-Jul | -- | -- | -- | -- |
| 7/2 | Factory Orders | MAY | 0.009 | 0.012 | 0.007 | 0.005 | 7/23 | Existing Home Sales | JUN | 4.85M | -- | 4.77M | -- |
| 7/6 | ISM Non-Manf. Composite | JUN | 46.00% | 47.00% | 44.00% | -- | 7/23 | Existing Home Sales MoM | JUN | 1.70% | -- | 2.40% | -- |
| 7/8 | Consumer Credit | MAY | -\$8.8B | -\$3.2B | -\$15.7B | -\$16.5B | 7/24 | U. of Michigan Confidence | JUL F | -- | -- | 64.60% | -- |
| 7/9 | Initial Jobless Claims | 4-Jul | 603K | 565K | 614K | 617K | 7/27 | New Home Sales | JUN | -- | -- | 342K | -- |
| 7/9 | Continuing Claims | 27-Jun | 6710K | 6883K | 6702K | 6724K | 7/27 | New Home Sales MoM | JUN | -- | -- | -0.60% | -- |
| 7/9 | Wholesale Inventories | MAY | -1.00% | -0.80% | -1.40% | -1.30% | 7/28 | S&P/CaseShiller Home Price Ind | MAY | -- | -- | 139.18% | -- |
| 7/9 | ICSC Chain Store Sales YoY | JUN | -- | -5.10% | -4.60% | -- | 7/28 | S&P/CS Composite-20 YoY | MAY | -- | -- | -18.12% | -- |
| 7/10 | Import Price Index (MoM) | JUN | 2.00% | 3.20% | 1.30% | 1.40% | 7/28 | Consumer Confidence | JUL | -- | -- | 49.30% | -- |
| 7/10 | Import Price Index (YoY) | JUN | -18.60% | -17.40% | -17.60% | -17.50% | 7/29 | Durable Goods Orders | JUN | -- | -- | 1.80% | -- |
| 7/10 | U. of Michigan Confidence | JUL P | 70 | 64.6 | 70.8 | -- | 7/29 | Durables Ex Transportation | JUN | -- | -- | 1.10% | -- |
| 7/13 | Monthly Budget Statement | JUN | -\$86.0B | -- | \$33.5B | -- | 7/29 | Fed's Beige Book | 23-Jul | | | | |
| 7/14 | Producer Price Index (MoM) | JUN | 0.80% | -- | 0.20% | -- | 7/30 | Initial Jobless Claims | 25-Jul | -- | -- | -- | -- |
| 7/14 | PPI Ex Food & Energy (MoM) | JUN | 0.10% | -- | -0.10% | -- | 7/30 | Continuing Claims | 18-Jul | -- | -- | -- | -- |
| 7/14 | Producer Price Index (YoY) | JUN | -5.30% | -- | -5.00% | -- | 7/31 | GDP QoQ (Annualized) | 2Q A | -- | -- | -5.50% | -- |
| 7/14 | PPI Ex Food & Energy (YoY) | JUN | 2.90% | -- | 3.00% | -- | 7/31 | Personal Consumption | 2Q | -- | -- | 0.014 | -- |
| 7/14 | Advance Retail Sales | JUN | 0.00 | -- | 0.01 | -- | 7/31 | GDP Price Index | 2Q | -- | -- | 2.80% | -- |
| 7/14 | Retail Sales Less Autos | JUN | 0.50% | -- | 0.50% | -- | 7/31 | Core PCE QoQ | 2Q | -- | -- | 1.60% | -- |
| 7/14 | Business Inventories | MAY | -0.80% | -- | -1.10% | -- | 7/31 | Employment Cost Index | 2Q | -- | -- | 0.30% | -- |

SOURCE: Bloomberg, LLC

M&A Transaction Update

Announced Transactions - June 2009



SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - June 2009

| | |
|----------------------------------|----|
| Insurance & Insurance Brokerage | 22 |
| Asset Management & Broker/Dealer | 13 |
| Bank & Thrift | 10 |
| Specialty Finance | 9 |

SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - 2009 YTD

| | |
|----------------------------------|----|
| Insurance & Insurance Brokerage | 80 |
| Bank & Thrift | 49 |
| Asset Management & Broker Dealer | 47 |
| Specialty Finance | 18 |

SOURCE: SNL Financial, Bloomberg, Factiva

Financial Deal Alert

Hovde Financial is pleased to announce that its client, Sunwest Bank (a unit of Western Acquisitions LLC.), headquartered in Tustin, California, purchased \$67 million and \$80 million of MetroPacific Bank's deposits and assets, respectively, from the FDIC following MetroPacific Bank being placed into receivership on June 26, 2009.

Sunwest Bank was founded in 1970 and, as of March 31, 2009, had \$286 million in assets.

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 | 101 |
| 2 | Keefe, Bruyette & Woods, Inc. | 95 |
| 3 | Hovde Financial | 82 |
| 4 | Howe Barnes Hofer & Arnett, Inc. | 53 |
| 5 | Stifel, Nicolaus & Company, Inc. | 39 |
| 6 | Sheshunoff & Co. Investment Banking LP | 27 |
| 7 | Austin Associates, LLC | 20 |
| 7 | Morgan Keegan & Company, Inc. | 20 |
| 9 | Professional Bank Services Inc. | 17 |
| 10 | Carson Medlin Company | 16 |

SOURCE: SNL Financial (data from 6/30/2004-6/30/2009)

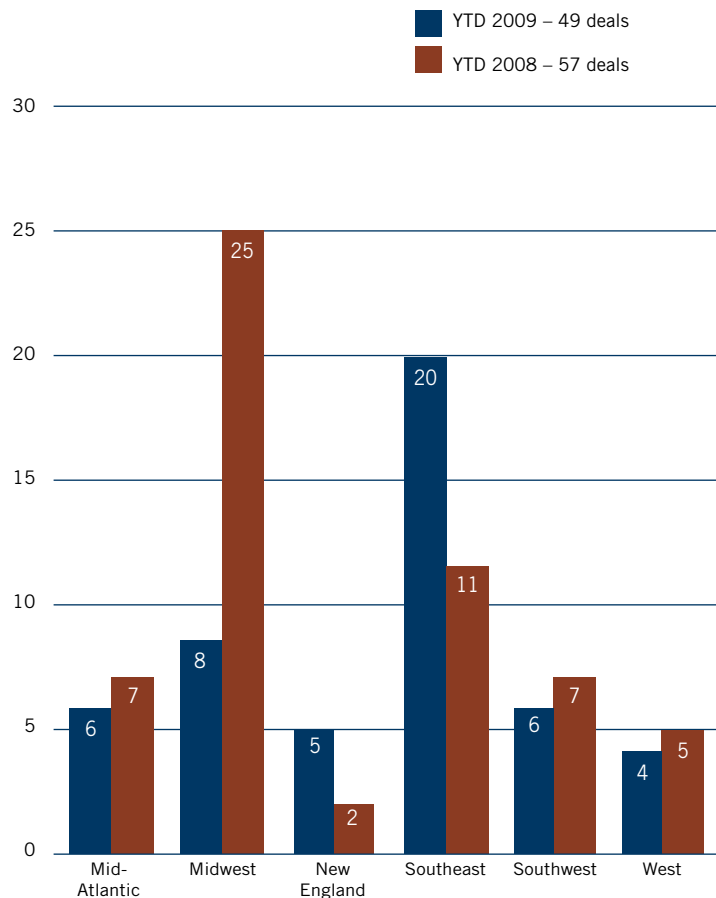
Bank & Thrift Transactions - June 2009

| Buyer | Buyer State | Target | Buyer State | Announced | DV (\$MM) | P/LTM Ern | P/TBV (%) | Core Deposit Premium (%) |
|--|-------------|---------------------------------------|-------------|-----------|-----------|-----------|-----------|--------------------------|
| CBM Florida Holding Company, Inc. | NY | Community Bank of Manatee | FL | 6/2/09 | 10.0 | NA | NA | NA |
| Carolina Trust Bank | NC | Carolina Commerce Bank | NC | 6/3/09 | 5.2 | NM | 53.37 | -6.55 |
| Central Bancorp, Inc. | CO | Farmers and Stockmens Bank of Clayton | NM | 6/9/09 | NA | NA | NA | NA |
| Piedmont Community Bank Holdings, Inc. | NC | VantageSouth Bank | NC | 6/10/09 | 6.9 | NM | NM | NA |
| MidAtlantic Bancorp, Inc. | VA | Greater Atlantic Financial Corp. | VA | 6/15/09 | 0.3 | NM | NM | NA |
| Danvers Bancorp, Inc. | MA | Beverly National Corporation | MA | 6/16/09 | 60.9 | NM | 144.40 | NA |
| VCH Bank | NY | Waterford Village Bank | NY | 6/22/09 | NA | NA | NA | NA |
| United Financial Bancorp, Inc. | MA | CNB Financial Corp. | MA | 6/25/09 | 24.8 | NM | 124.23 | NA |
| BCB Bancorp, Inc. | NJ | Pamrapo Bancorp, Inc. | NJ | 6/29/09 | 46.9 | 25.0 | 86.13 | -2.25 |
| NB&T Financial Group, Inc. | OH | Community National Corporation | OH | 6/30/09 | 6.9 | NM | 80.82 | -2.23 |

SOURCE: SNL Financial

Bank & Thrift Transactions

by Region



SOURCE: SNL Financial

Deal Pricing by Region - 2009 YTD

| Region | Deal Value (MM) | Price/TBV (%) | P/ LTM Ern (x) | P/ Core Dep Prem (%) |
|--------------|-----------------|---------------|----------------|----------------------|
| Mid-Atlantic | \$389 | 0.0 | 25.5 | -3.0 |
| Midwest | \$74 | 103.0 | 20.4 | 1.3 |
| New England | \$119 | 118.6 | NA | 0.9 |
| Southeast | \$278 | 78.0 | 20.0 | -0.2 |
| Southwest | \$33 | 97.3 | 14.5 | 0.3 |
| West | \$1,056 | 119.2 | 18.3 | 1.9 |
| Total | \$1,948 | 86.5 | 20.7 | 0.1 |

SOURCE: SNL Financial

Deal Pricing by Quarter

| Quarter | Deal Value (MM) | Price/TBV (%) | P/ LTM Ern (x) | P/ Core Dep Prem (%) |
|---------|-----------------|---------------|----------------|----------------------|
| 4Q2006 | \$37,379 | 253.4 | 26.1 | 20.4 |
| 1Q2007 | \$21,007 | 265.3 | 26.8 | 22.9 |
| 2Q2007 | \$30,841 | 229.3 | 26.5 | 16.4 |
| 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 | 149.9 | 25.9 | 9.0 |
| 4Q2008 | \$1,680 | 123.0 | 32.6 | 2.1 |
| 1Q2009 | \$280 | 93.4 | 18.8 | -1.8 |
| 2Q2009 | \$370 | 94.6 | 23.1 | 2.4 |

SOURCE: SNL Financial

Insurance and Insurance Brokerage Transactions - June 2009

| Buyer | Target | Announced | DV (\$MM) |
|---|--|-----------|-----------|
| Frenkel & Company Inc. | Higger & Associates, LLC | 6/1/09 | NA |
| Two Rivers Financial Group, Inc. | Premium Business Insurance, Inc. | 6/1/09 | NA |
| Wells Fargo & Company | John Grady Insurance, Inc. | 6/1/09 | NA |
| Professional Risk & Asset Manag. Ins. Services Inc. | Life of America Insurance Company | 6/2/09 | NA |
| Arthur J. Gallagher & Co. | Creative Benefit Solutions, LLC | 6/4/09 | NA |
| Medical Professional Mutual Insurance Company | FinCor Holdings, Inc. | 6/4/09 | 237.0 |
| American Financial Group, Inc. | Aon Non Profit and Employment Practices Liability book of business | 6/5/09 | NA |
| Arthur J. Gallagher & Co. | Walker Taylor Agency, Inc. | 6/5/09 | 3.3 |
| RenaissanceRe Holdings Ltd. | Spectrum Partners, Limited | 6/5/09 | 7.1 |
| Brower Insurance Agency, LLC | Aspen Insurance Associates | 6/9/09 | NA |
| Premier Insurance | Liberty Mutual Workers compensation policy renewal rights | 6/9/09 | NA |
| Propel Insurance | Liberty Mutual Workers compensation policy renewal rights | 6/9/09 | NA |
| Western States Insurance Agency | Liberty Mutual Workers compensation policy renewal rights | 6/9/09 | NA |
| ALPS Corporation | Investors Southern Corporation | 6/12/09 | 2.3 |
| Sun Life Financial Inc. | Lincoln National (UK) Plc | 6/15/09 | 321.0 |
| Ascension Insurance, Inc. | Personal Insurance Administrators, Inc. | 6/18/09 | NA |
| Ascension Insurance, Inc. | Portal Group Holdings Inc. | 6/18/09 | NA |
| Ascension Insurance, Inc. | Renaissance Agencies, Inc. | 6/18/09 | NA |
| Tower Group, Inc. | Specialty Underwriters' Alliance, Inc. | 6/21/09 | 108.3 |
| Lawson-Hawks Insurance Associates, Inc. | Truckee Insurance Agency | 6/23/09 | NA |
| Apex Global Partners, Inc. | Corrigan-Jordan Insurance Agency Inc. | 6/29/09 | NA |
| Catalina Holdings (Bermuda) Ltd | Alea Holdings UK Limited | 6/30/09 | NA |

SOURCE: Factiva, AM Best

Asset Management/Broker-Dealer Transactions - June 2009

| Buyer | Target | Announced | DV (\$MM) |
|------------------------------------|---|-----------|-----------|
| Morningstar, Inc. | Intech Pty Ltd | 6/1/09 | NA |
| Investor group | Cowen Group, Inc. | 6/3/09 | NA |
| Management group | Tortoise Capital Advisors, L.L.C. | 6/3/09 | NA |
| OTC Global Holdings, LP | Futures International, LLC | 6/3/09 | NA |
| OTC Global Holdings, LP | T&J Shuff Enterprises | 6/3/09 | NA |
| CManagement group | Carnegie Capital Asset Management Company | 6/5/09 | NA |
| apital Investment Companies | Buckingham Financial Group | 6/8/09 | NA |
| City National Corporation | Lee Munder Capital Group, LP | 6/9/09 | NA |
| BlackRock, Inc. | Barclays Global Investors business | 6/11/09 | 13,009.7 |
| Aquiline Capital Partners LLC | Conning & Company | 6/16/09 | NA |
| New York Life Insurance Group | Mariner Municipal Managers LLC | 6/16/09 | NA |
| BNP Paribas Group | Foreign-exchange prime brokerage platform | 6/19/09 | NA |
| Tocqueville Management Corporation | Delafield Asset Management | 6/23/09 | NA |

SOURCE: Factiva, Bloomberg

Specialty Finance Transactions - June 2009

| Buyer | Target | Announced | DV (\$MM) |
|---|---|-----------|-----------|
| Investor group | Argentina consumer finance operations | 6/2/09 | NA |
| Security One Lending | OMNI Reverse | 6/3/09 | NA |
| National Asset Direct, Inc. | United Residential Lending, LLC | 6/8/09 | NA |
| Carbiz, Inc. | Star Financial Services | 6/15/09 | NA |
| First Cash Financial Services, Inc. | Dallas Gold and Silver Exchange: two pawnshops | 6/17/09 | 1.3 |
| Desarrollo de Negocios/Inversiones DNI | AIG Consumer finance operations in Mexico | 6/24/09 | NA |
| JEN Partners, LLC | Municipal Mortgage Low income housing tax credit business | 6/26/09 | 18.7 |
| W.J. Bradley Mortgage Capital Corporation | State Mortgage | 6/26/09 | NA |
| PSA Peugeot Citroën S.A. | Russian consumer finance operations | 6/29/09 | NA |

SOURCE: Factiva, Bloomberg, Reuters