



Hovde

Financial Institutions
Monthly Overview

Capital Markets
Economic Data Review
M&A Statistics

March/April 2009

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About Hovde

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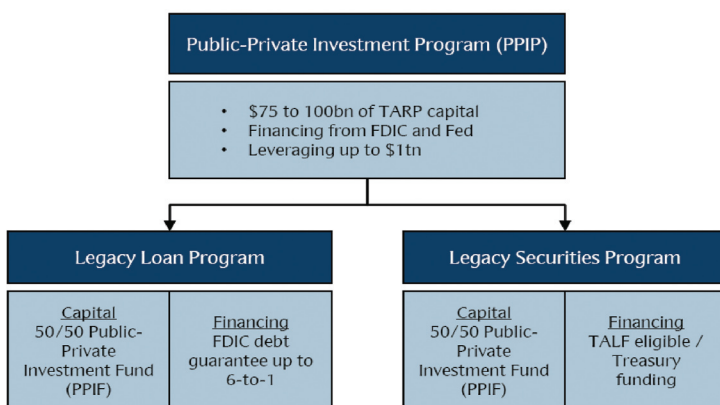
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“A leader is a dealer in hope.”
—Napoleon Bonaparte

With the breakdown of the U.S. financial system over the past few years, the government has now become the middle man between battered financial institutions—and the toxic assets that have poisoned their balance sheets—and investors who are struggling to maintain any semblance of hope that the credit markets and the health of the troubled institutions’ balance sheets will return to a normal level at some point in the near future. Despite pledging trillions of dollars in financial commitments in hope of restoring confidence to the financial markets, the government, thus far, has failed to prove itself as the clear leader during this financial crisis. The trillion dollar question is whether their latest initiative succeeds. At the time of our *January/February 2009 Monthly Overview*, which discussed the Financial Stability Plan (FSP), only a general framework had been released regarding the Public-Private Investment Program (PPIP) component. Since then, more details were released about the program and, as such, we wanted to further discuss this last piece of the FSP and provide our initial feedback.

Through the proposed PPIP program, the Treasury, in conjunction with the FDIC and the Federal Reserve, is planning to use between \$75 billion to \$100 billion of TARP capital, along with capital from private investors, in hopes of generating \$500 billion in purchasing power—and potentially expanding the size of the overall program to \$1 trillion. As currently constructed, the PPIP is segmented into two programs with one designed to purchase legacy loans and the other intended to purchase legacy securities off of financial institutions’ balance sheets.



Source: Barclays Capital, U.S. Treasury

- PPIP Legacy Loan Program: Public-Private Investment Funds (PPIFs) will bid on troubled loans from banks. Private capital and the Treasury will equally provide the equity financing for the program. The FDIC, for a yet-to-be determined fee, will provide a guarantee for any debt issued by the PPIFs that can be used as additional leverage to fund the purchases of legacy loans. The FDIC will also oversee the formation, funding, and operation of the PPIFs. The Treasury intends to match private equity investments on a 1:1 basis, with the FDIC providing up to 6:1 leverage through debt guarantees—which could result in up to \$700 billion of purchasing power:

Treasury equity from TARP	\$50B
+Private equity (matched 1:1 by Treasury)	+\$50B
<u>=Total equity</u>	<u>= \$100B</u>
+6:1 leverage via FDIC debt guarantees	+\$600B
<u>=Amount of potential purchasing power</u>	<u>= \$700B</u>

The sellers of eligible troubled loans to a PPIF—whose criteria is yet to be determined but is widely expected to primarily consist of residential and commercial real estate loans—include any insured U.S. bank or savings association. However, banks or savings associations owned or controlled by a foreign bank or holding company are not eligible.

Once a participating bank has identified a pool of loans that they wish to try to sell, they will notify the FDIC, which will then hire a third-party firm to analyze the individual asset pools and ultimately conduct and oversee the auction process. The amount of guaranteed debt financing or leverage provided by the FDIC will be determined on a pool-by-pool basis and will not exceed a 6:1 debt-to-equity ratio. Private investors—who are expected to include, but not be limited to, financial institutions, individuals, insurance companies, mutual funds, and pension funds—will bid on each pool of loans through an auction process and provide a refundable 5% cash deposit to the FDIC. Should the selling bank decide to accept the highest bid for their pool of loans, that bidder will then win access to the PPIP to fund 50% of the equity of that PPIF, with the Treasury contributing the remainder.

- **PPIP Legacy Securities Program: legacy securities PPIFs and an expansion of the TALF for legacy securities.** This program will combine financing from the Federal Reserve and the Treasury through the Term Asset Lending Facility (TALF), along with equity capital from both the private sector and the Treasury in order to support the purchase of legacy securities. It is estimated that this portion of the PPIP may provide up to \$400 billion for the purchase of troubled securities by using the leverage from the TALF (financing scenarios are presented further in this piece).

In the first part of this PPIP component, the Treasury intends to partner with private fund managers (FMs) in order to purchase legacy securities via PPIFs. It is anticipated that the Treasury will initially approve five FMs (expected to include large asset managers such as PIMCO, BlackRock, etc.) but it has left the door open to expand this number. FM applicants are to be pre-qualified based upon certain criteria, including the ability to raise at least \$500 million, having at least \$10 billion in assets under management (although the program may ultimately become open for smaller FMs), previous experience investing in the same type eligible assets that the program is targeting, and also possessing the operational capacity to manage legacy assets consistent with the Treasury's "investment objective" (i.e., to provide favorable returns to taxpayers and private investors). Once approved, FMs have a set amount of time to raise private capital and will then receive matching funds from the Treasury. These funds will be invested on a *pari passu* (side-by-side) basis with private investors in each PPIF; as such, the Treasury and PPIF will share in any profits and losses on a *pro rata* basis. The FMs will be able to apply to the Treasury to receive senior debt for the PPIFs consisting of up to 50% of the fund's total equity capital, although the Treasury will also consider requests for senior debt of up to 100% of the funds' total equity.

The PPIFs may also use the TALF, any other Treasury program, or other private debt sources to finance the purchase of eligible legacy assets—initially slated to include non-agency residential mortgage backed securities (RMBS) and commercial mortgage backed securities (CMBS). For RMBS, the funds will be permitted to purchase those securities issued prior to 2009 that had

an AAA rating at the time of origination. And, for CMBS, they will only be permitted to purchase securities that currently have an AAA rating. All eligible assets must be secured by mortgage loans, leases, or other assets—but not by other securities. Finally, the PPIFs can purchase eligible assets from a variety of financial institutions, including banks, credit unions, insurers, broker/dealers, and foreign companies with significant U.S. operations.

As for the second part of this program, the TALF will be expanded to make non-recourse loans to eligible borrowers to fund purchases of legacy securities, including certain originally AAA-rated non-agency RMBS and outstanding AAA-rated CMBS and ABS. Haircuts, lending rates, minimum loan sizes, and loan tenors (i.e., the time left until maturity of the asset) have not been determined. However, it is expected that that haircuts will likely be at or above the current TALF requirements and could range from 14% to 25% and there is speculation that loan tenors may be extended from the current three years, with longer loans available to finance longer-termed assets.

Although the securities portion of the PPIP can leverage the TALF in order to increase the overall purchasing power, it is important to note that the Treasury issued further clarification that even though the TALF and securities portion of the PPIP will work together, they will remain as two separate programs. Regardless, as currently laid out, we believe that the use of the TALF by investors will ultimately prove to be a key determining factor as it pertains to the amount and success of the legacy securities portion of the PPIP. As previously stated, the TALF can be used in conjunction with the PPIP securities program, thereby increasing the potential returns for private equity investors. However, as illustrated in the second scenario below, this added leverage still does not increase the overall "purchasing" power of the program given that the Treasury's maximum exposure is expected to be capped at \$50 billion whether investors choose the equity funding option (first scenario on page 3) or the equity and debt funding possibility (second scenario on page 3).

Equity funding+TALF leverage scenario (assuming program is fully subscribed and that the Treasury's exposure is capped at \$50B):

Private equity	\$50B
+Treasury equity from TARP (private capital matched 1:1 by Treasury)	+\$50B
<u>=Total equity</u>	<u>=\$100B</u>
+an assumed 25% TALF haircut for a non-recourse loan of 75% of total funding	+\$300B
<u>=Amount of potential purchasing power with added 3:1 TALF leverage</u>	<u>=\$400B</u> <u>(i.e., \$100B/25%)</u>

Treasury exposure capped at \$50B

Equity funding+debt financing+ TALF leverage scenario (assuming program is fully subscribed and that the Treasury's exposure is capped at \$50B):

Private equity	\$16.5B
+Treasury equity from TARP (private capital matched 1:1 by Treasury)	+\$16.5B
<u>=Total equity</u>	<u>=\$33B</u>
+up to 100% in Treasury debt financing	+\$33B
<u>=Total equity+debt financing</u>	<u>=\$66B</u>
+an assumed 25% TALF haircut for a non-recourse loan of 75% of total funding	+\$198B
<u>=Amount of potential purchasing power with added 3:1 TALF leverage</u>	<u>=\$264B</u> <u>(i.e., \$66B/25%)</u>

\$16.5B of Treasury equity+\$33B of Treasury debt financing=\$49.5B of Treasury exposure, capped at \$50B

- Our initial views regarding the overall PPIP:** In general, we believe that the PPIP's security program will meet with greater success and have a more meaningful impact than the legacy loan purchase program which we will discuss in greater detail below. Further, we believe that the PPIP is primarily aimed at providing assistance to the money center banks and large Wall Street firms by using taxpayer funding in an attempt to transfer toxic assets off of the large institutions' balance sheets and into private, government-funded coffers. Importantly, it is our view that, while this program may help to shrink balance sheets and reduce some of the excessive leverage in the banking system, it will have a marginal impact on revitalizing the lending markets. Moreover, by the Treasury and FDIC providing leverage, it will not necessarily make the underlying loans and securities any more valuable or make those assets any less toxic than

they are today—leverage is only a benefit to the pricing of an asset when you are confident in the return of your principal and some yield (for our views on the TALF, please refer to the *January/February Monthly Overview*). It is important to remember that leverage is a dual edged sword in that it does not create any value; it only magnifies both returns and losses. However, we do give the Treasury credit for attempting to lay out a program by which they are keeping the assets in the private sector where there is the infrastructure and economic incentive to properly manage and realize the highest and best value.

As it is currently constructed, the PPIP should have a much larger impact on the securities market as opposed to the loan market, given the sheer size of the overall amount of loans outstanding on banks' balance sheets relative to those securities that are eligible for purchase

under the program. For argument's sake, let us assume that the PPIP is fully subscribed and private investors take full advantage of all of the equity and debt financing that the government is willing to provide. As we previously discussed, while this would translate into an estimated \$700 billion in buying power for legacy assets, it would still only represent 16% of the roughly \$4.3 trillion in total residential and commercial mortgage loan assets on bank balance sheets—which although the final criteria for eligible assets is yet to be determined, they are expected to focus on these two types of real estate loan categories. This compares to the PPIP program targeting legacy securities, where the estimated \$400 billion in buying power equates to more than one-third of the approximately \$1.1 trillion in current market value of non-agency RMBS and CMBS eligible legacy securities.

- **Our initial views regarding the PPIP Legacy Loan Program:**

With regard to the legacy loan program, we believe that this program will meet with very limited success due to the fact that most whole loans on banks' balance sheets have not been written down and are currently being carried at par values. Banks do not have to mark-to-market whole loans as they only have to establish reserves based upon whether the whole loan is classified as "special mention," "substandard," or "doubtful." This is unless the loan is in complete default, which, at that point, the bank is required to complete a full analysis on the value of the underlying collateral in order to assess the magnitude of the bank's losses and even then, that value is subjective based upon appraisals and the bank's assumptions and models. As a result, the vast majority of banks will not be in a position to accept the prices that we believe investors will offer for their troubled whole loans due to the significant losses and hit to capital the banks will have to absorb. Again, as we cited earlier, leverage is only beneficial to the pricing of an asset when there is confidence in the return of the principal and some yield. Conversely, leverage will only magnify losses if there is not a return of principal. Consequently, investors that are contemplating buying these assets will likely opt to use the most conservative assumptions given not only the current credit and economic environment, but also the fact that the variable outcomes for these problem assets can be extreme.

For instance, consider the example of a bank that has written down a \$10 million loan for a commercial office building to an estimated carrying value of \$7.5 million. Interested investors will have to make a series of assumptions regarding this property. First, the property is most likely in default because the building has a high vacancy rate and/or is not achieving its expected rental rates. The investor will have to make assumptions as to how long it will take to lease up the building—as vacancy rates are concurrently rising in every market across the country. Second, what are the expected rental rates that the investor will need to achieve, which, again, will be difficult to attain given that leasing rates are falling precipitously? Third, what is the resale value three to five years down the road when the investor is likely to want to sell the asset? Each one of these assumptions will have significant variable outcomes and, when added together, the net realized value for that property can swing widely based upon the outcome of each of these assumptions. As a result, investors will apply more conservative assumptions because they are using higher levels of leverage which can result in the loss of their entire capital investment if they are pricing the property too aggressively. Furthermore, when these assumptions are then magnified over a large pool of assets, the eventual prices that investors will pay to the banks, in our opinion, will be significantly below not only the carrying value of these loans, but also well below the price at which the banks would be willing to sell these loans.

The only pool of assets in the banking industry where the legacy loan program could be effective is on those already defaulted residential mortgage loans that are in the foreclosure process where the regulators have already forced certain banks to substantially write-down the value of those loans. However, there is one major impediment for investors to buy these pools of residential mortgages that have defaulted: the FDIC has indicated that pools of residential mortgages may not be eligible for the typical foreclosure process but, instead, could be forced into a government loan modification program. As such, investors would have to assume that they are bidding on a pool of loans, where they have a limited say as to how these assets are "worked out," and that the loans they purchased will be forced into a modification

plan, where the interest rates on the mortgages in the pools could be suddenly slashed from 8% to 3% and have their outstanding principal balances reduced by an undetermined amount. Clearly, we find it difficult to foresee that many investors will be comfortable purchasing loans in such an environment where the government—as opposed to the purchaser—will likely dictate how the problem loans are resolved. As a result of these issues, it is our opinion that the PPIP legacy loan program will meet with very limited success.

- **Our initial views regarding the PPIP Legacy Securities**

Program: As we cited earlier, given that the potential purchasing power of the PPIP's securities program could account for over one-third of the current market value of the eligible legacy securities, the overall initiative stands to have a much greater impact on the securities market than the loan market. However, we believe that the legacy securities program will be primarily beneficial to those formerly-AAA rated securities where there is an extremely high probability of full repayment of principal. Many of these AAA securities' values have plunged in value more as a result of the collapse in interest rates than they have plummeted due to investors' concerns about the credit-worthiness of these assets. Numerous originally rated AAA securities only carry an interest yield of less than 1.5%—which is completely unacceptable to investors in today's market given that there is still a heightened level of credit anxiety. Most of these AAA-rated securities were priced at 50 to 100 basis points over some Libor or Treasury index or, in the case of private label RMBS, over the CODI or COFI indexes. Therefore, if investors can receive 8-to-1 leverage via equity funding from the Treasury and the TALF, with financing that costs them around 0.5% and they can purchase a security that is currently yielding 1.5%, then one can generate an 8% yield, which the marketplace would likely quickly bid down to a 4% to 5% yield—thus lifting the value of those securities. However, again, an investor would only do that if they are extremely confident that there will be a full repayment of the principal. In regard to the lower rated tranches (i.e., AA and below) where the cash flows are collapsing and the cumulative default rates are increasing rapidly, we believe it is highly unlikely that the legacy securities program will have any meaningful

beneficial impact on the pricing of these assets because, again, if investors make the wrong assumptions leverage will only magnify losses if there is not a return of principal.

A major impediment to the program's success and why we would not invest behind one of the FMs is the significant inherent conflict of interest which exists with these appointed five FMs. Not only do these FMs have a cozy relationship with the government and have been involved in helping structure this program—thus, being motivated to see it work—it is also highly likely that these anointed asset managers will face pressure by the government to ensure this program's success. Further, as typical with any asset manager, they are also motivated to raise capital and collect fees from private investors. As a result, because of these factors, the FMs may not be as focused on producing the best possible returns for their investors. Finally, these asset managers have another, even greater conflict of interest: they own many of the same securities that they will be buying from the banking industry. Consequently, if these security values rise, they will be able to more easily mark up the value of these assets in the other funds which they manage. However, we do believe that there will be enough unsophisticated money which will invest behind the FMs to enable this program to have some impact to the securities market.

The largest impediment to this program's success, in our view, is the government's recent pressuring of the Financial Accounting Standards Board (FASB) to relax mark-to-market accounting rules under FAS 157 (FASB's standard on fair-value measurements). Again, we find it ironic that the government is creating its own impediment, just as with the legacy loan program where investors will not be able to foreclose on defaulted residential mortgages. In this case, the government has made it less enticing for banks to participate in the legacy securities program by applying pressure on FASB to relax their accounting rules. In essence, the updated guidance allows banks to shift toxic securities from Level 2 asset categorizations—or valuations based on “observable market data,” such as asset sales by competitors—to Level 3 asset categorizations, which tend to involve valuations based on internal models or management estimates given the illiquid markets for

certain securities. Consequently, financial institutions are now able to mark many of these securities at higher valuations, as opposed to using more realistic market valuations. Therefore, if an institution can write-up an asset, such as an AAA security, to 85 to 90 cents on the dollar, there is no incentive for them to participate in the PPIF where the same asset could be purchased for 50 cents on the dollar. As a result, now that the banks can carry securities at higher values they may, instead, just hold them until maturity and not sell them at the current market rate because they will not have to take the capital hit. Therefore, the aforementioned government pressure to alter FAS 157 will potentially make even the legacy securities program completely ineffective.

- **Our concluding views regarding the PPIF:** In sum, we believe that the PPIF will have some limited degree of success but it will largely fail in its attempt to unclog the toxic assets from the financial services industry. Again, we credit the Treasury with laying out a plan that is attempting to keep these assets in the private sector where there is the infrastructure and economic

incentive to realize the highest and best value. However, the single biggest impediment to the success of this plan is where the banks will value these assets versus private investors and, even though the largest banks are being recapitalized through the government, the banks simply will not want to take the capital hits that will be required to move these assets at their current valuations. Banks will have a grander perception of the value of these assets, and operate on the hope that the economy will turn around and that they will be able to sell these assets at some future date at much higher levels. The only parties that we see benefiting from this program are the five FMs, which may raise large amounts of unsophisticated investors' capital to buy large pools of assets where their main motivation is to generate large asset management fees. Essentially, the FMs find themselves in a win-win situation: should the assets they purchase work out, then both the investors and the asset manager will turn a profit; yet, even if the assets fail to perform and the investors lose money, the FMs will still collect their management fees.

Federal Reserve Aggregate Bank Data

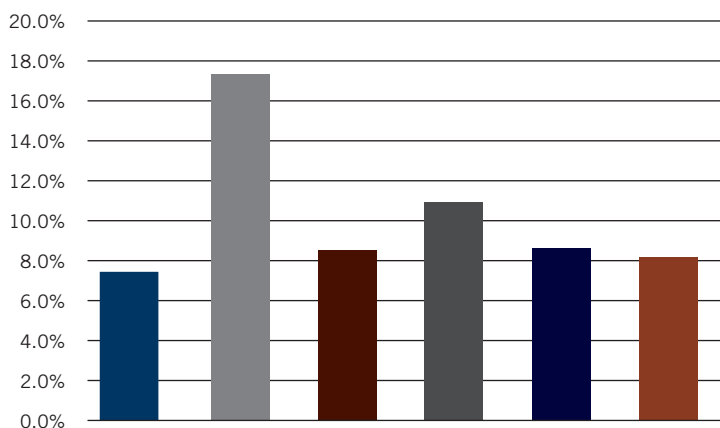
	2/2008	6/2008	7/2008	8/2008	9/2008	10/2008	11/2008	12/2008	1/2009	2/2009	MoM	YoY
ASSETS												
Securities												
Secs in Bank Credit	2,469	2,468	2,486	2,476	2,532	2,718	2,726	2,766	2,739	2,660	-2.9%	7.8%
Treasury & Agency	1,108	1,114	1,116	1,129	1,155	1,227	1,261	1,256	1,276	1,253	-1.8%	13.1%
Other	1,361	1,354	1,370	1,347	1,377	1,490	1,465	1,510	1,463	1,407	-3.8%	3.4%
Loans and Leases												
C&I	1,458	1,504	1,514	1,514	1,537	1,602	1,596	1,584	1,574	1,562	-0.7%	7.2%
Real Estate	3,621	3,645	3,624	3,642	3,666	3,792	3,784	3,787	3,801	3,824	0.6%	5.6%
Consumer	813	832	839	845	852	870	876	882	892	901	1.0%	10.9%
Other	692	642	635	630	655	678	645	660	626	623	-0.5%	-10.1%
Other Assets	971	1,003	1,021	1,022	1,043	1,091	1,132	1,146	1,107	1,108	0.0%	14.0%
Total Assets	10,994	11,027	11,043	11,058	11,333	11,947	12,100	12,311	12,229	12,051	-1.5%	9.6%
LIABILITIES												
Deposits												
Transaction	617	605	621	600	640	679	704	764	703	691	-1.8%	12.0%
Nontransaction	6,159	6,307	6,263	6,314	6,432	6,448	6,360	6,498	6,657	6,653	-0.1%	8.0%
Large time	2,095	2,126	2,132	2,131	2,161	2,066	1,938	1,984	1,993	1,927	-3.3%	-8.0%
Other	4,063	4,181	4,132	4,183	4,271	4,383	4,422	4,514	4,664	4,726	1.3%	16.3%
Borrowings	2,278	2,322	2,331	2,357	2,397	2,619	2,600	2,492	2,444	2,463	0.8%	8.1%
Other Liabilities	710	680	674	673	715	806	845	939	847	771	-9.0%	8.6%
Total Liabilities	9,839	9,891	9,839	9,852	10,122	10,733	10,910	11,123	11,050	10,831	-2.0%	10.1%
Residual (assets less liabilities)	1,155	1,136	1,204	1,206	1,211	1,215	1,190	1,188	1,179	1,220	3.5%	5.6%

all values in \$ billions

SOURCE: Federal Reserve Documents

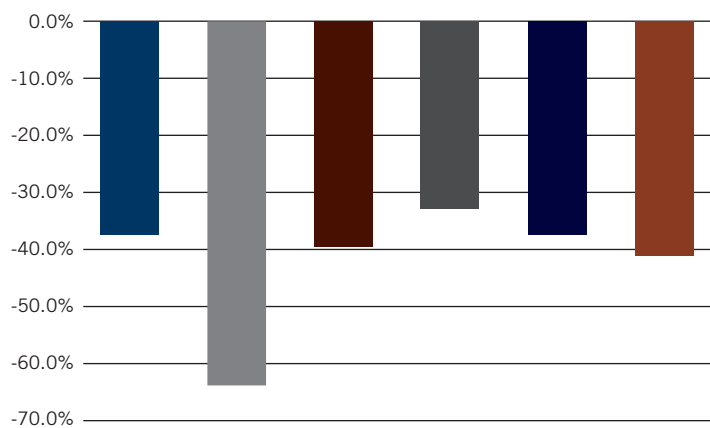
Major Market Index Performance

March 2009



SOURCE: Bloomberg, LLC

Last Twelve Months



SOURCE: Bloomberg, LLC

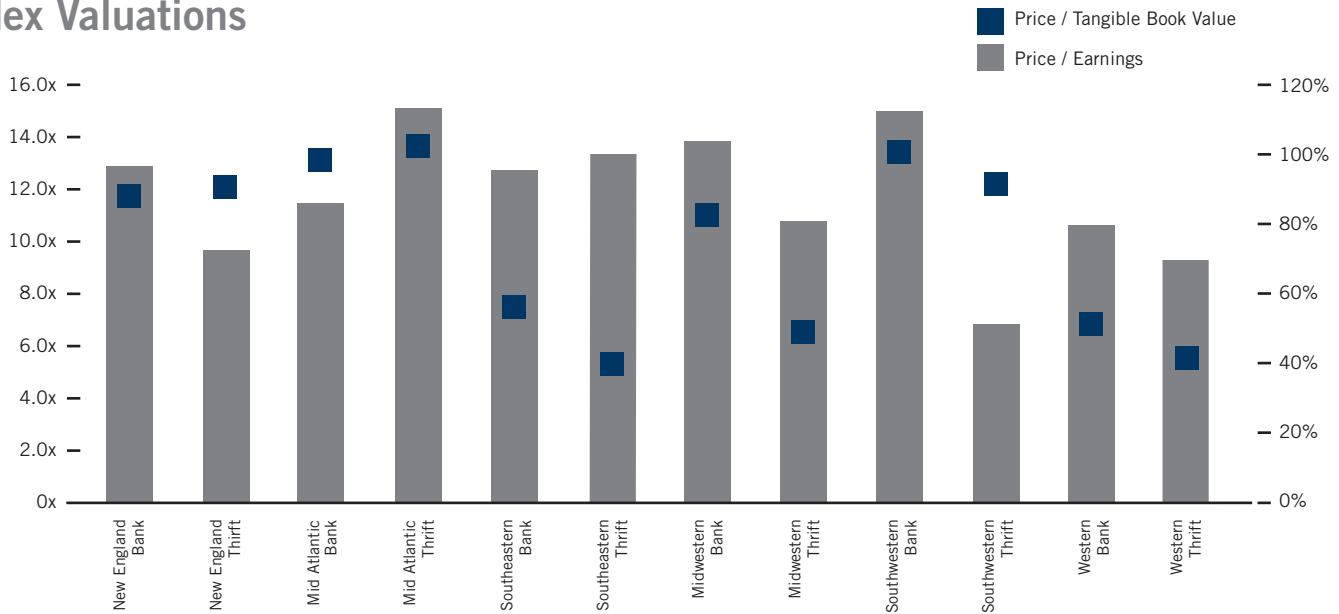
	4/2008	5/2008	6/2008	7/2008	8/2008	9/2008	10/2008	11/2008	12/2008	1/2009	2/2009	3/2009
Dow Jones	4.5%	-1.4%	-10.2%	0.2%	1.5%	-6.0%	-14.1%	-5.3%	-0.6%	-8.8%	-11.7%	7.7%
S&P Financial	6.3%	-6.4%	-18.7%	6.8%	-1.3%	-5.2%	-22.7%	-18.7%	-0.7%	-26.5%	-18.4%	17.7%
S&P 500	4.8%	1.1%	-8.6%	-1.0%	1.2%	-9.1%	-16.9%	-7.5%	0.8%	-8.6%	-11.0%	8.5%
NASDAQ	5.9%	4.6%	-9.1%	1.4%	1.8%	-11.6%	-17.7%	-10.8%	2.7%	-6.4%	-6.7%	10.9%
Russell 2000	6.1%	2.5%	-7.8%	3.6%	3.5%	-8.1%	-20.9%	-12.0%	5.6%	-11.2%	-12.3%	8.7%
NASDAQ Bank	0.3%	-2.7%	-17.5%	9.6%	3.8%	4.0%	-7.3%	-8.8%	-1.2%	-21.8%	-11.9%	8.1%

SOURCE: Bloomberg, LLC

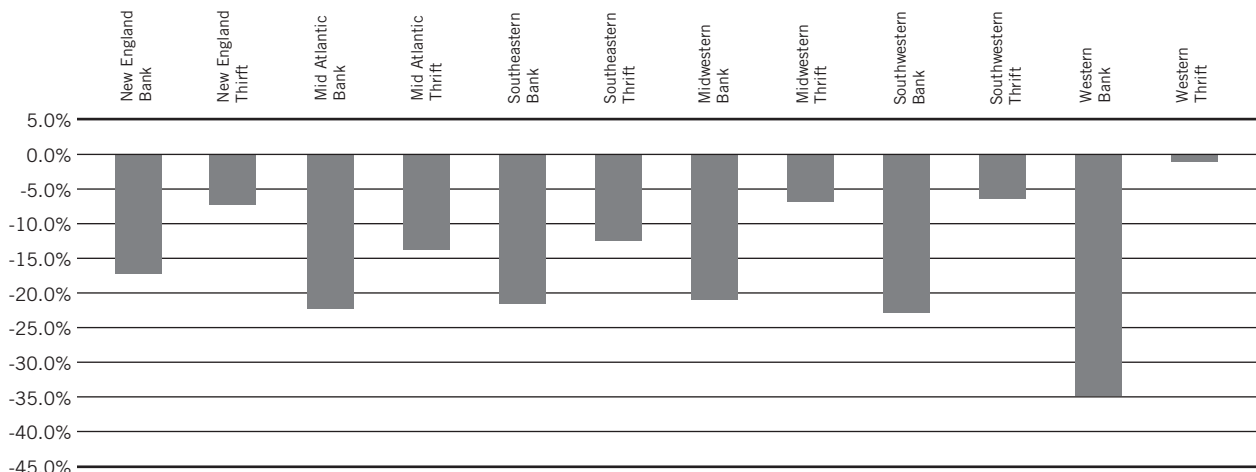
Bank and Thrift Index Valuations

		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	14.5	12.8	88%	80%	136%	88%	1.6%	-17.0%	-38.1%	18
	Thrift	22.0	9.8	90%	75%	117%	89%	3.1%	-7.5%	-25.4%	22
Mid Atlantic	Bank	3.2	11.8	73%	74%	146%	99%	10.1%	-21.9%	-42.0%	83
	Thrift	11.4	15.0	104%	88%	138%	103%	6.6%	-14.3%	-29.4%	50
Southeastern	Bank	5.5	12.6	46%	48%	67%	57%	11.9%	-21.2%	-53.0%	121
	Thrift	10.2	13.7	25%	38%	32%	40%	15.1%	-13.6%	-57.8%	10
Midwestern	Bank	11.9	13.9	94%	58%	143%	84%	18.2%	-20.2%	-46.8%	85
	Thrift	12.6	10.6	126%	47%	129%	48%	18.7%	-6.8%	-42.8%	47
Southwestern	Bank	10.8	15.0	92%	91%	138%	100%	10.3%	-23.6%	-36.8%	19
	Thrift	8.5	6.7	111%	89%	113%	91%	3.3%	-6.7%	-17.8%	6
Western	Bank	9.0	10.5	66%	42%	100%	51%	21.5%	-34.7%	-62.6%	60
	Thrift	15.8	9.4	47%	42%	71%	42%	3.4%	-1.0%	-49.5%	11

Index Valuations



YTD Price Performance



Economic Data Points - March 2009

Date	Event	Period	Survey	Actual	Prior	Revised	Date	Event	Period	Survey	Actual	Prior	Revised
3/2	Personal Income	JAN	-0.20%	0.40%	-0.20%	--	3/17	PPI Ex Food & Energy (YoY)	FEB	3.80%	4.00%	4.20%	--
3/2	Personal Spending	JAN	0.40%	0.60%	-1.00%	--	3/17	Housing Starts	FEB	450K	583K	466K	477K
3/2	PCE Deflator (YoY)	JAN	0.50%	0.70%	0.60%	0.80%	3/17	Building Permits	FEB	500K	547K	521K	531K
3/2	PCE Core (MoM)	JAN	0.10%	0.10%	0.00%	--	3/18	Consumer Price Index (MoM)	FEB	0.30%	0.40%	0.30%	--
3/2	PCE Core (YoY)	JAN	1.60%	1.60%	1.70%	--	3/18	CPI Ex Food & Energy (MoM)	FEB	0.10%	0.20%	0.20%	--
3/2	ISM Manufacturing	FEB	33.8	35.8	35.6	--	3/18	Consumer Price Index (YoY)	FEB	0.00%	0.20%	0.00%	--
3/2	ISM Prices Paid	FEB	33.5	29	29	--	3/18	CPI Ex Food & Energy (YoY)	FEB	1.70%	1.80%	1.70%	--
3/2	Construction Spending MoM	JAN	-1.50%	-3.30%	-1.40%	-2.40%	3/18	CPI Core Index SA	FEB	--	217.67	217.265	--
3/3	Pending Home Sales MoM	JAN	-3.50%	-7.70%	6.30%	4.80%	3/18	Consumer Price Index NSA	FEB	212.02	212.193	211.143	--
3/3	Total Vehicle Sales	FEB	9.4M	9.1M	9.6M	--	3/18	FOMC Rate Decision	18-Mar	0.25%	0.25%	0.25%	--
3/3	Domestic Vehicle Sales	FEB	6.8M	6.4M	6.9M	--	3/19	Initial Jobless Claims	14-Mar	654K	646K	654K	658K
3/4	Challenger Job Cuts YoY	FEB	--	158.49%	222.40%	--	3/19	Continuing Claims	7-Mar	5325K	5473K	5317K	5288K
3/4	ISM Non-Manf. Composite	FEB	41	41.6	42.9	--	3/23	Existing Home Sales	FEB	4.45M	4.72M	4.49M	--
3/5	Initial Jobless Claims	28-Feb	650K	639K	667K	670K	3/23	Existing Home Sales MoM	FEB	-0.90%	5.10%	-5.30%	--
3/5	Continuing Claims	21-Feb	5150K	5106K	5112K	5120K	3/24	House Price Index MoM	JAN	-0.90%	1.70%	0.10%	-0.20%
3/5	Mortgage Delinquencies	4Q	--	7.88%	6.99%	--	3/25	Durable Goods Orders	FEB	-2.50%	3.40%	-5.20%	-7.30%
3/5	ICSC Chain Store Sales YoY	FEB	-1.40%	-0.10%	-1.60%	--	3/25	Durables Ex Transportation	FEB	-2.00%	3.90%	-2.50%	-5.90%
3/6	Change in Nonfarm Payrolls	FEB	-650K	-651K	-598K	-655K	3/25	New Home Sales	FEB	300K	337K	309K	322K
3/6	Unemployment Rate	FEB	7.90%	8.10%	7.60%	--	3/25	New Home Sales MoM	FEB	-2.90%	4.70%	-10.20%	-13.20%
3/6	Change in Manufact. Payrolls	FEB	-200K	-168K	-207K	-257K	3/26	GDP QoQ (Annualized)	4Q F	-6.60%	-6.30%	-6.20%	--
3/6	Average Hourly Earnings MoM	FEB	0.20%	0.20%	0.30%	0.20%	3/26	Personal Consumption	4Q	-4.40%	-4.30%	-4.30%	--
3/6	Average Hourly Earnings YoY	FEB	3.80%	3.60%	3.90%	3.80%	3/26	GDP Price Index	4Q	0.50%	0.50%	0.50%	--
3/6	Consumer Credit	JAN	-\$5.0B	\$1.8B	-\$6.6B	-\$7.5B	3/26	Core PCE QoQ	4Q	0.80%	0.90%	0.80%	--
3/12	Advance Retail Sales	FEB	-0.50%	-0.10%	1.00%	1.80%	3/26	Initial Jobless Claims	21-Mar	650K	652K	646K	644K
3/12	Retail Sales Less Autos	FEB	-0.10%	0.70%	0.90%	1.60%	3/26	Continuing Claims	14-Mar	5475K	5560K	5473K	5438K
3/12	Initial Jobless Claims	7-Mar	645K	654K	639K	645K	3/27	Personal Income	FEB	-0.10%	-0.20%	0.40%	0.20%
3/12	Continuing Claims	28-Feb	5140K	5317K	5106K	5124K	3/27	Personal Spending	FEB	0.20%	0.20%	0.60%	1.00%
3/13	Import Price Index (MoM)	FEB	-0.70%	-0.20%	-1.10%	-1.20%	3/27	PCE Deflator (YoY)	FEB	0.80%	1.00%	0.70%	0.80%
3/13	Import Price Index (YoY)	FEB	-13.50%	-12.80%	-12.50%	-12.50%	3/27	PCE Core (MoM)	FEB	0.20%	0.20%	0.10%	0.20%
3/13	U. of Michigan Confidence	MAR P	55	56.6	56.3	--	3/27	PCE Core (YoY)	FEB	1.60%	1.80%	1.60%	1.70%
3/16	Capacity Utilization	FEB	71.00%	70.90%	72.00%	71.90%	3/27	U. of Michigan Confidence	MAR F	56.8	57.3	56.6	--
3/17	Producer Price Index (MoM)	FEB	0.40%	0.10%	0.80%	--	3/31	S&P/CaseShiller Home Price Ind	JAN	147.2	146.4	150.66	150.56
3/17	PPI Ex Food & Energy (MoM)	FEB	0.10%	0.20%	0.40%	--	3/31	S&P/CS Composite-20 YoY	JAN	-18.60%	-18.97%	-18.55%	-18.60%
3/17	Producer Price Index (YoY)	FEB	-1.40%	-1.30%	-1.00%	--	3/31	Consumer Confidence	MAR	28	26	25	25.3

SOURCE: Bloomberg, LLC

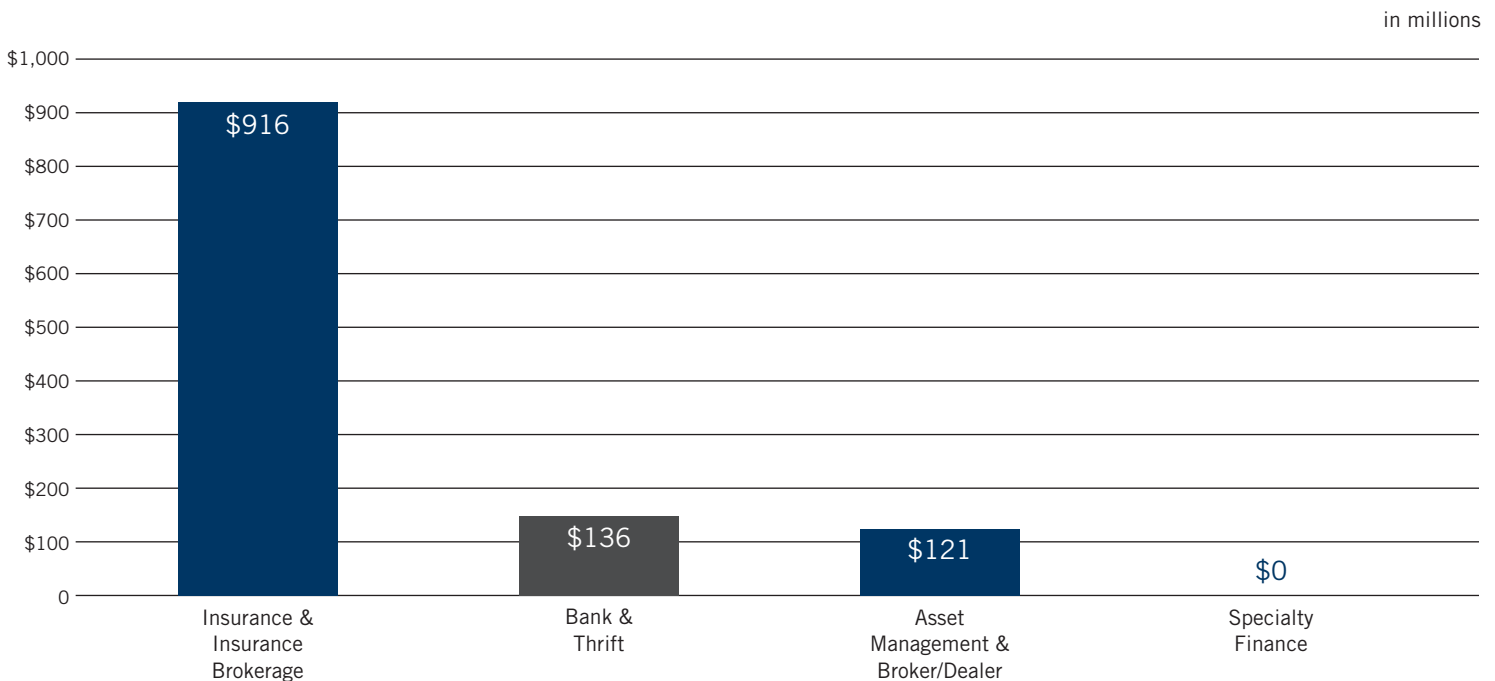
Economic Data Points - April 2009

Date	Event	Period	Survey	Actual	Prior	Revised	Date	Event	Period	Survey	Actual	Prior	Revised
4/1	Challenger Job Cuts YoY	MAR	--	180.70%	158.40%	--	4/15	CPI Core Index SA	MAR	--	218.042	217.67	--
4/1	ADP Employment Change	MAR	-663K	-742K	-697K	-706K	4/15	Consumer Price Index NSA	MAR	212.9	212.709	212.193	--
4/1	ISM Manufacturing	MAR	36	36.3	35.8	--	4/15	Industrial Production	MAR	-0.90%	-1.50%	-1.40%	-1.50%
4/1	ISM Prices Paid	MAR	33	31	29	--	4/15	Capacity Utilization	MAR	69.60%	69.30%	70.90%	70.30%
4/1	Construction Spending MoM	FEB	-1.90%	-0.90%	-3.30%	-3.50%	4/16	Housing Starts	MAR	540K	510K	583K	572K
4/1	Pending Home Sales MoM	FEB	0.00%	2.10%	-7.70%	--	4/16	Building Permits	MAR	549K	513K	547K	564K
4/1	Total Vehicle Sales	MAR	9.2M	9.9M	9.1M	--	4/16	Initial Jobless Claims	11-Apr	660K	610K	654K	663K
4/1	Domestic Vehicle Sales	MAR	6.5M	7.1M	6.4M	--	4/16	Continuing Claims	4-Apr	5893K	6022K	5840K	5850K
4/2	Initial Jobless Claims	28-Mar	650K	669K	652K	657K	4/17	U. of Michigan Confidence	APR P	58.5	61.9	57.3	--
4/2	Continuing Claims	21-Mar	5590K	5728K	5560K	5567K	4/22	House Price Index MoM	FEB	-0.70%	0.70%	1.70%	1.00%
4/2	Factory Orders	FEB	1.50%	1.80%	-1.90%	-3.50%	4/23	Initial Jobless Claims	18-Apr	640K	640K	610K	613K
4/3	Change in Nonfarm Payrolls	MAR	-660K	-663K	-651K	--	4/23	Continuing Claims	11-Apr	6120K	6137K	6022K	6044K
4/3	Unemployment Rate	MAR	8.50%	8.50%	8.10%	--	4/23	Existing Home Sales	MAR	4.65M	4.57M	4.72M	4.71M
4/3	Change in Manufact. Payrolls	MAR	-162K	-161K	-168K	-169K	4/23	Existing Home Sales MoM	MAR	-1.50%	-3.00%	5.10%	4.90%
4/3	Average Hourly Earnings MoM	MAR	0.20%	0.20%	0.20%	--	4/24	Durable Goods Orders	MAR	-1.50%	-0.80%	3.40%	2.10%
4/3	Average Hourly Earnings YoY	MAR	3.50%	3.40%	3.60%	--	4/24	Durables Ex Transportation	MAR	-1.20%	-0.60%	3.90%	2.00%
4/7	Consumer Credit	FEB	-\$3.0B	-\$7.5B	\$1.8B	\$8.1B	4/24	New Home Sales	MAR	337K	356K	337K	358K
4/9	Import Price Index (MoM)	MAR	0.90%	0.50%	-0.20%	-0.10%	4/24	New Home Sales MoM	MAR	0.00%	-0.60%	4.70%	8.20%
4/9	Import Price Index (YoY)	MAR	-14.70%	-14.90%	-12.80%	-12.70%	4/28	S&P/CaseShiller Home Price Ind	FEB	142.8	143.17	146.4	146.35
4/9	Initial Jobless Claims	4-Apr	660K	654K	669K	674K	4/28	S&P/CS Composite-20 YoY	FEB	-18.70%	-18.63%	-18.97%	-19.00%
4/9	Continuing Claims	28-Mar	5810K	5840K	5728K	5745K	4/28	Consumer Confidence	APR	29.7	39.2	26	26.9
4/9	ICSC Chain Store Sales YoY	MAR	-0.80%	-2.10%	-0.10%	--	4/29	GDP QoQ (Annualized)	1Q A	-4.70%	-6.10%	-6.30%	--
4/10	Monthly Budget Statement	MAR	-\$165.0B	-\$192.3B	-\$48.2B	--	4/29	Personal Consumption	1Q	0.90%	2.20%	-4.30%	--
4/14	Producer Price Index (MoM)	MAR	0.00%	-1.20%	0.10%	--	4/29	GDP Price Index	1Q	1.80%	2.90%	0.50%	--
4/14	PPI Ex Food & Energy (MoM)	MAR	0.10%	0.00%	0.20%	--	4/29	Core PCE QoQ	1Q	1.00%	1.50%	0.90%	--
4/14	Producer Price Index (YoY)	MAR	-2.20%	-3.50%	-1.30%	--	4/29	FOMC Rate Decision	29-Apr	0.13%	0.25%	0.25%	--
4/14	PPI Ex Food & Energy (YoY)	MAR	4.00%	3.80%	4.00%	--	4/30	Personal Income	MAR	-0.20%	-0.30%	-0.20%	--
4/14	Advance Retail Sales	MAR	0.30%	-1.10%	-0.10%	0.30%	4/30	Personal Spending	MAR	-0.10%	-0.20%	0.20%	0.40%
4/14	Retail Sales Less Autos	MAR	0.00%	-0.90%	0.70%	1.00%	4/30	PCE Deflator (YoY)	MAR	0.70%	0.60%	1.00%	0.90%
4/15	Consumer Price Index (MoM)	MAR	0.10%	-0.10%	0.40%	--	4/30	PCE Core (MoM)	MAR	0.10%	0.20%	0.20%	--
4/15	CPI Ex Food & Energy (MoM)	MAR	0.10%	0.20%	0.20%	--	4/30	PCE Core (YoY)	MAR	1.80%	1.80%	1.80%	--
4/15	Consumer Price Index (YoY)	MAR	-0.10%	-0.40%	0.20%	--	4/30	Initial Jobless Claims	25-Apr	640K	631K	640K	645K
4/15	CPI Ex Food & Energy (YoY)	MAR	1.70%	1.80%	1.80%	--	4/30	Continuing Claims	18-Apr	6200K	6271K	6137K	6138K

SOURCE: Bloomberg, LLC

M&A Transaction Update

Asset Management & Broker/Dealer - March 2009



SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - March 2009

Insurance & Insurance Brokerage	13
Asset Management & Broker/Dealer	9
Banks & Thrifts	7
Specialty Finance	1

SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - 2009 YTD

Insurance & Insurance Brokerage	44
Bank & Thrift	21
Asset Management & Broker/Dealer	20
Specialty Finance	7

SOURCE: SNL Financial, Bloomberg, Factiva

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	103
2	Keefe, Bruyette & Woods, Inc.	99
3	Hovde Financial	86
4	Howe Barnes Hofer & Arnett, Inc.	50
5	Stifel, Nicolaus & Company, Incorporated	39
6	Sheshunoff & Co. Investment Banking LP	29
7	Austin Associates, LLC	20
7	Morgan Keegan & Company, Inc.	20
7	SAMCO Capitol Markets, Inc.	20
10	Professional Bank Services Inc.	18

SOURCE: SNL Financial (data from 3/31/2004-3/31/2009)

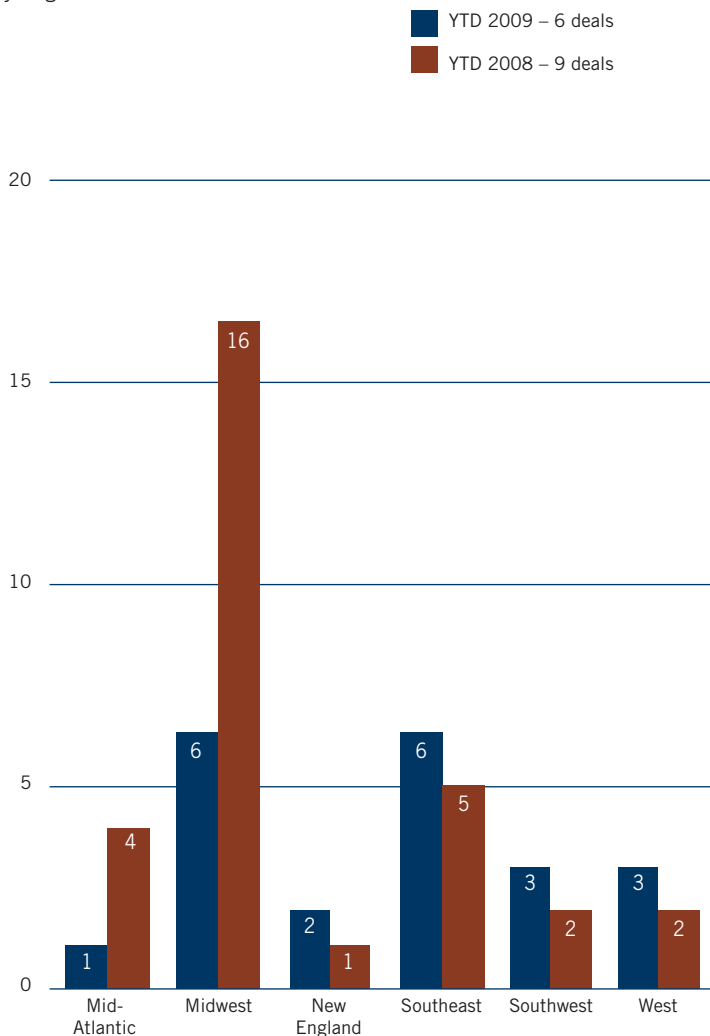
Bank & Thrift Transactions - March 2009

Buyer	Buyer State	Target	Target State	Announced	DV (\$MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
Orchard First Source Asset Management, LLC	IL	Beverly Hills Bancorp Inc.	IA	3/2/2009	NA	NA	NA	NA
CommerceWest Bank, N.A.	CA	Discovery Bancorp	LA	3/5/2009	10.5	NM	52.32	-7.05
Community Exchange Bancshares	KY	Hindman Bancshares, Inc.	PA	3/15/2009	NA	NA	NA	NA
Hantz Holdings, Inc.	MI	Davison State Bank	CO	3/17/09	3.0	NM	86.31	-1.46
Merchants Bancorp, Incorporated	OH	CB Bancorp, Incorporated	WY	3/25/2009	10.8	22.64	100.21	0.03
Southern Bancorp, Inc	AR	Timberland Bank	NC	3/26/09	6.0	NM	48.37	-9.96
Union Bankshares Corporation	VA	First Market Bank, FSB	MN	3/30/2009	105.4	NM	117.88	

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	NA	NA	NA	NA
Midwest	\$14	93.3	22.6	-0.7
New England	\$12	114.7	NA	1.6
Southeast	\$164	92.3	20.0	-3.9
Southwest	\$30	44.1	14.5	-5.6
West	\$129	85.9	NA	-2.8
Total	\$348	89.3	19.1	-2.9

SOURCE: SNL Financial

Deal Pricing by Quarter

Quarter	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern (x)	P/ Core Dep Prem (%)
3Q2006	\$6,486	264.6	24.9	19.3
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	\$9,201	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	\$1,847	199.2	30.1	8.7
3Q2008	\$27,202	149.9%	25.9	9.0
4Q2008	\$1,684	123.0	32.6	2.1
1Q2009	\$247	89.3	19.1	-2.9

SOURCE: SNL Financial

Insurance and Insurance Brokerage Transactions - March 2009

Buyer	Target	Announced	DV (\$MM)
IPC Holdings, Ltd.	Max Capital Group Ltd.	3/1/2009	916.4
United Insurance Holdings Corp.	Coral Enterprises, LLC	3/1/2009	NA
Prudential Financial, Inc.	Yamato Life Insurance Company Limited	3/2/2009	NA
53 Group Holdings, Inc.	Harbor Insurance Agency & Florida Consolidated Agency	3/2/2009	NA
Brown & Brown, Inc.	One Source Insurance, Inc.	3/2/2009	NA
LTC Global Solutions, Inc.	William L. McAree Insurance Agency, Inc.	3/2/2009	NA
Marsh & McLennan Companies, Inc.	John B. Collins Associates, Inc.	3/2/2009	NA
Auto Club Insurance Association Group	MEEMIC companies	3/5/2009	NA
Evolution Capital Partners, LLC	Accurate Group, LLC	3/5/2009	NA
Parthenon Capital, LLC	2 medical stop loss wholesalers	3/5/2009	NA
Parthenon Capital, LLC	National Insurance Wholesalers	3/5/2009	NA
Insurance Specialty Group, LLC	WASTEPAC Risk Purchasing Group, Inc.	3/12/2009	NA
FedFirst Financial Corporation (MHC)	Allsurance Insurance Agency	3/13/2009	NA

SOURCE: Factiva, AM Best

Asset Management/Broker-Dealer Transactions - March 2009

Buyer	Target	Announced	DV (\$MM)
Broadpoint Securities Group, Inc.	Gleacher Partners LLC	3/2/2009	75.2
Corridor Investors, LLC	Viking Fund Management, LLC	3/6/2009	NA
SSI Investment Management Inc.	Froley, Revy Investment Company, Inc.	3/9/2009	NA
Pritchard Capital Holding, LLC	Glacier Partners Corporation	3/12/2009	NA
Wintrust Financial Corporation	Advanced Investment Partners, LLC	3/16/2009	NA
Stifel Financial Corp.	Branch network	3/23/2009	46.0
Bank of East Asia, Ltd.	AIG Wealth Management Services (Taiwan), Ltd.	3/26/2009	NA
Mitsubishi UFJ Financial Group, Inc.	60% of joint venture	3/26/2009	NA
Management group	Todd Investment Advisors, Inc.	3/27/2009	NA

SOURCE: Factiva, Bloomberg

Specialty Finance Transactions - March 2009

Buyer	Target	Announced	DV (\$MM)
River City Group, Inc.	American Mortgage Corporation	3/4/2009	NA

SOURCE: Factiva, Bloomberg, Reuters