Hovde

Financial Institutions Monthly Overview

Capital Markets
Economic Data Review
M&A Statistics

February/March 2010

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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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"I do not seek. I find."
-Pablo Picasso

As we are on the cusp of first quarter 2010 bank earnings, and now that we have been able to obtain all of the data needed to conduct a detailed and thorough analysis of the latest earnings period, we wanted to present our most current views as they pertain to this industry. Fourth quarter 2009 bank industry earnings reminded us of a modern art exhibit—whereas some may see vivid hues or scenic vistas, others, instead, simply see uninspiring blotches. As long-time aficionados of the banking arts, we believe the latest earnings releases contained many of the same blotches that were on exhibit throughout the industry in 2009. In particular, we saw artfully-padded earnings, understated credit blemishes, and bold capital creations accented by accounting gimmickry. Consequently, while many management teams and sell-side analysts are verbally depicting an industry on the mend, we feel that investors may want to step back and take in the bigger picture.

One of the prevalent themes which stood out to us during this past quarter was that many banks were able to suddenly "find" gains via creative accounting methods, which—as we discuss later on—essentially allowed them to produce "phantom capital," thereby making their balance sheets seem healthier than they really are. Another common thread was the speak-no-evil approach to credit quality. With the regulators' blessing, banks were—for the first time ever—enabled to afford special treatment to renegotiated loans, which effectively increased the size of the rug under which many wayward loans were allowed to be swept. By ratcheting up the pace of such restructurings, whereby troubled commercial real estate loans could avoid being placed on nonaccrual status, management teams were able to highlight a decrease in the rate of inflow of new nonaccruing loans. Taking this leeway one step further, a number of banks chose not to include such loans in their nonperforming asset (NPA) totals for the quarter. Consequently, a handful of press releases touted decreases in NPAs, even though those decreases were simply driven by a reclassification of problem loans, rather than any improvement in the borrowers' ability to pay or increases in the value of collateral securing those loans.

Before we expand further on these topics, we must first acknowledge how the banks' reported earnings stood in sharp contrast to our expectations for another year-end "kitchen-sink" set of losses. In our minds, banks would have been better served by trying to get as much of the cycle's remaining losses crammed into 2009 so as to attempt to move 2010 into the black (or at least closer to it). Certainly, those banks that completed capital raises in the last six months were in a position to do this. However, despite being flush with new capital to absorb losses or at least replenish reserves, bank CEOs opted to rest on their laurels (or existing reserves, as the case may be) and play a game of wait and see. In the meantime, the largest earnings drivers in the fourth quarter—such as capital markets activity, asset management performance fees, and mortgage banking (albeit at lower levels than what we saw in the third quarter, as there was a shift toward the big servicers)—again really benefitted only a handful of "banks."

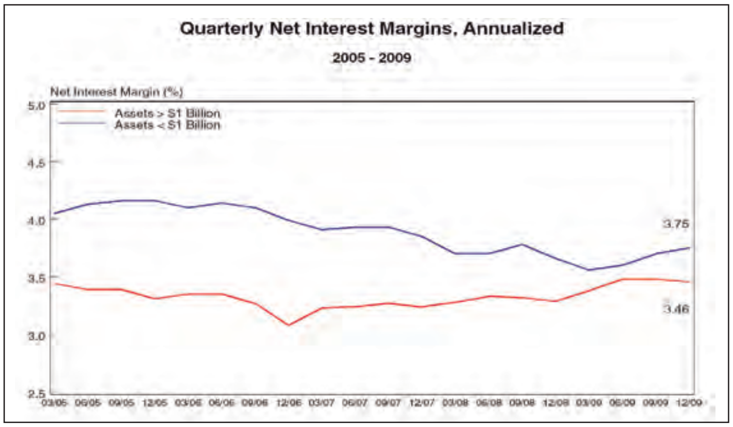
Officially, the FDIC tabulated the banking industry's net income for the quarter at $914 million. However, that number excludes most of the capital markets revenues for the large Wall Street investment and money-center banks, TARP dividends and discount accretion, parent company expenses (including interest on debt used to downstream capital to the banks) as well as various one-time items, such as Citigroup's $10 billion cost to sever some ties with the government, Goldman Sachs's negative bonus accruals, etc. So, for now, if we exclude the banking subsidiaries of Citigroup, Goldman Sachs, Morgan Stanley, JP Morgan Chase, and Bank of America, the rest of the industry earned just over $100 million—which appears to be an impressive feat relative to the aggregate loss of $2.5 billion on an equivalent basis in the third quarter of 2009. However, that entire sequential improvement could really be attributed to a $4.6 billion pretax increase in securities gains at Bank of New York Mellon. The banking industry also benefited from unusually large tax benefits in the quarter to the tune of about $3 billion—the product of recently relaxed tax legislation. Although much of this benefit ended up in the coffers of the large Wall Street investment banks, we still estimate that the incremental "earnings" at traditional banks relative to third quarter earnings were a little over $500 million.

Despite the favorable impact on earnings from these extraordinary items, one in three U.S. banks still reported a net loss for the quarter (40% if we restrict the universe to only publicly-traded companies and look at income actually available to common shareholders and before the recognition of extraordinary items). Worse still, these losses were very much size-specific; meaning that, if we further exclude the banks with more than $200 billion in assets, the remaining 1,260 publicly-traded banks and thrifts posted an aggregate loss of $3.58 billion in the fourth quarter, after having lost $3.59 billion in the third quarter. Hence, despite the recent headlines, the banking industry is still not operating anywhere near breakeven.

Looking ahead, we suspect there may be plans in the works for many more "traditional" banks to come to market with sizeable capital raises in the near future, given the rally which has occurred in bank stocks and before the "improved" earnings chatter dies down. Judging by the volume of loans that were restructured in the last two quarters (primarily to delay loss recognition), we expect the handful of super-regionals that have not yet been approved to buy back their TARP preferred shares and many of the larger regional banks who are "on deck" to repay Treasury to flood the market relatively soon. It is also worth mentioning that just as the fourth-quarter equity offerings related to TARP repayments were highly dilutive to earnings per share (EPS), any upcoming capital raises will be just as dilutive (if not fairly more dilutive) for those banks who are still awaiting Treasury's approval. This is a scenario which also holds true for the dozens of community banks that will seek to get out of TARP later in 2010 or in 2011, but have considerably less access to the capital markets.

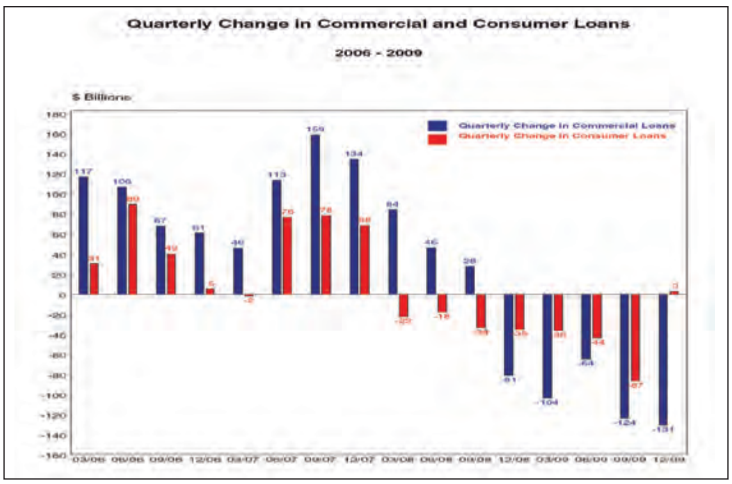
With that being said, as these deals come to market, we think investors should be wary of assertions of the sustainability of recent revenue trends and to also take into consideration the likelihood of reserve-building in the future. Starting on the revenue side, according to the FDIC, noninterest income (NII) for the industry remained elevated in the fourth quarter at $62.4 billion—essentially flat from the preceding quarter but higher by 53% from the year ago period. As we alluded to earlier, fourth-quarter NII was again propped up by the investment banking, proprietary trading, and capital markets businesses at the large Wall Street institutions. However, the handful of large mortgage banks and credit card issuers were also big winners in the quarter, as mortgage servicing income rebounded for a gain of $8 billion from -$390 million, loan sales netted $1.3 billion versus a $1.3 billion loss, and securitization fees rose by $673 million sequentially. Insurance-related income increased by $267 million from the prior quarter; however, all of that increase was attributable to GMAC. There also were some large and truly unusual items, such as the $1.1 billion gain at PNC on the BlackRock/Barclays Global Investors transaction and nearly a $700 million increase in gains at Wells Fargo related to mortgage servicing portfolio (MSR) value adjustments and venture capital investments as well as roughly $1 billion of purchase gains in each of the last two quarters. Therefore, when backing out the unusual items and the nontraditional fees, the canvas on which fourth quarter earnings were painted seems a little less impressive, as core components of the typical bank's fee income were still weak—such as deposit service charges, which fell by $494 million versus the prior quarter, as overdraft fees have come under fire recently. As such, while NII benefited the larger "banks" (i.e., the large Wall Street investment houses, the money-center banks, and the dominant mortgage and credit card players), smaller institutions' core earnings continued to erode amidst a suffocating economic and lending environment.

Likewise, spread revenues declined for a second consecutive quarter. Following an uptick in the banking industry's net interest margin (NIM) last quarter, the trend reversed course in the most recent earnings period, as this ratio dipped slightly to 3.49% from 3.51%—with smaller banks exhibiting margin expansion during the quarter versus a modest contraction at the larger banks (as illustrated below).



Source: FDIC

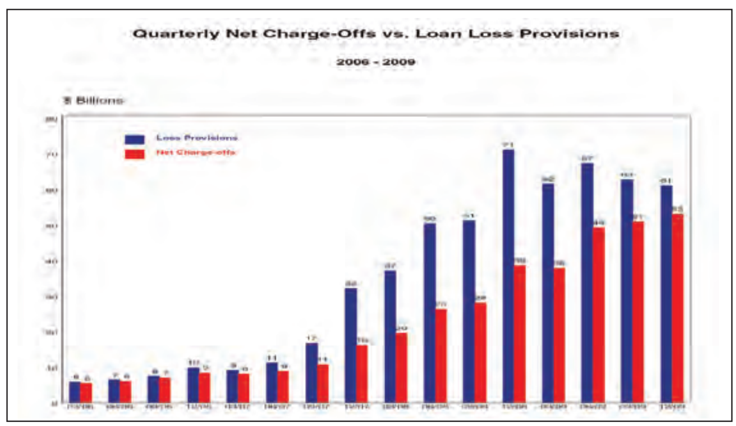
More importantly, the total amount of loans and leases outstanding contracted for the sixth straight time, as they declined by $128 billion during the quarter—equivalent to a year-over-year rate of contraction of 7.5% for all FDIC-insured institutions. Furthermore, the almost $590 billion aggregate contraction in loans and leases outstanding for all of 2009 marked the largest full-year decline since 1942—when the United States was entrenched in World War II. The loan portfolio shrinkage in the fourth quarter was entirely due to declines in commercial credit, led by commercial and industrial (C&I) falling by $54.5 billion (-4.3%); real estate construction and development (C&D) declining by $41.5 billion (-8.4%); and loans to depository institutions contracting by $21.1 billion (-15.9%). Although the consumer segment eked out a $3 billion increase—the first positive reading in two years—this can be attributed to $29 billion of net draw downs on credit card lines, rather than any actual new lending. Furthermore, the declines in all other consumer segments—led by an $11.2 billion decrease in residential mortgages, a $7.5 billion drop off in “other” loans to individuals (e.g., auto, student loans), and a $6 billion contraction in home equity loans—was more than enough to limit the net gain to the low single digits. Moreover, according to the Federal Reserve’s weekly bank data, lending has already contracted by another $140 billion thus far through the first quarter of 2010, suggesting that this trend is not subsiding anytime soon.



Source: FDIC

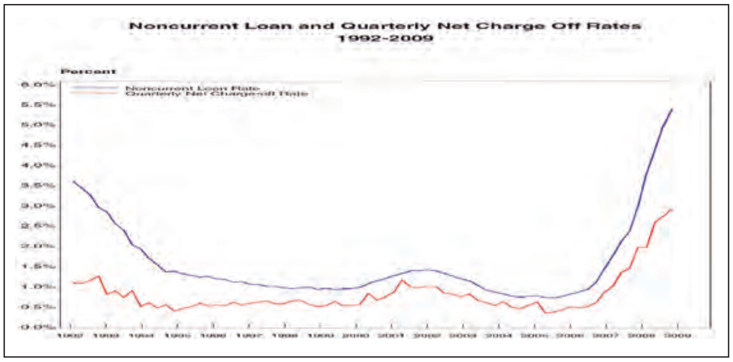
Clearly, there are a number of factors influencing bank lending to consumers. First, consumers are cutting back on their spending with the unemployment rate still hovering around 10% (which excludes an estimated over one million people who have dropped out of the survey as well several million skilled laborers currently working in low-paying jobs). Second, those consumers who have always been prudent are becoming even more prudent by not taking on unneeded credit, as they have moved into a capital preservation mode by which they are either working to pay down outstanding loans or increasing their savings. Third, banks are effectively lending only to their most credit worthy borrowers due to the uncertainty surrounding the U.S. economy and a residential real estate market in which, according to CoreLogic, over 11 million mortgages—nearly one in four—are worth less than the value of those homes (i.e., are now “underwater). In addition to the lack of qualified borrowers, lending has also been constrained by high delinquency rates on existing loans and the cost of still having to set aside reserves for expected losses.

Consequently, loan-loss provisions still exceeded $60 billion for the fifth consecutive quarter (as shown below). However, banks reduced loan loss provisions despite higher net charge-offs (NCOs) for a second consecutive quarter, suggesting that we are approaching the point in the cycle when banks will begin under providing. As illustrated in the chart a bit further below, the rising losses—which exceeded $50 billion for a second straight quarter—failed to stem the growth in problem loans. Consequently, we were surprised to see the reserve build (loan-loss provisions minus NCOs) in this most recent quarter decline by one-third, sequentially, representing the smallest reserve-build since the third quarter of 2007. As we also saw in the prior quarter, this is surprising given the likely trend by which banks have primarily recognized losses on just their subprime mortgage and residential construction loans, and have not fully begun to feel the pain of losses in other asset classes—such as commercial real estate loans, which ultimately take longer to deteriorate given their make-up and structure.

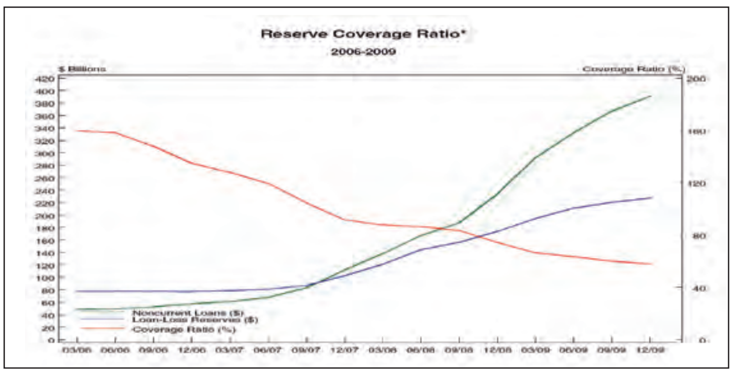


Source: FDIC

The increase in NCOs resulted in the annualized NCO ratio spiking to yet another post Great Depression-high of 2.89% in the fourth quarter—up from 2.72% in the third quarter and 1.95% from last year. Disturbingly, as evidenced in the first chart below, and as we saw in the previous quarter, this elevated level of NCOs did not stunt the increase in “noncurrent” loans (loans which are past due at least 90 days or on nonaccrual status). These loans are now up to an aggregate amount of $391.3 billion, or a staggering 5.37% of all loans and leases—the highest level in the 26 years in which institutions have been reporting this metric—and yet these numbers *do not include troubled debt restructurings (TDRs), loan modifications,* *or foreclosed properties (i.e., other real estate owned (OREOs)).* Furthermore, as shown in the second chart below, what we find even more troubling is that the average ratio of reserves to noncurrent loans and leases is now at 58.1%—the lowest level since 1991—meaning that funds set aside for the most problematic loans continue to nosedive while the amount of noncurrent assets only increases.



Source: FDIC



Source: FDIC

Because the previous charts exclude several categories of problem assets, perhaps a better way to garner a sense of the true health of the banking industry is to look at the hard data itself—specifically, NPAs and 90-day delinquencies (NPAs+90s). As you can see in the table further below, NPA+90s—excluding TDRs as well as nonperformers covered by loss-sharing agreements with the government—increased 5.7% sequentially (or by over $20 billion) to 5.15% of total loans. Of course, that increase would have been greater were it not for the record NCO rate and the $7 billion increase in TDRs—much of which was made possible by the aforementioned change in regulatory guidelines allowing for multiple note structures. Further, although we have been hearing about the "dramatic decreases" in early stage delinquencies (i.e., 30-89-day delinquencies), we have yet to see these meaningfully decline. In fact, excluding government guarantees, this bucket actually increased 1.1% sequentially, and now accounts for another 1.8% of the industry's total loans.

	2009Q4	2009Q4	% Chg
NPA+90s (excl TDRs and gov't gty's)	374,336,765	354,225,098	5.7%
NPA+90 % of Loans	5.15%	4.79%	
30-89s (excl gov't gty's)	130,169,472	128,738,143	1.1%
30-89 % of Loans	1.80%	1.75%	
Charge-offs	58,196,969	54,089,360	7.6%
Recoveries	3,905,161	3,030,529	
LLR%	3.05%	2.89%	3.8%
Res Cov'g of NPA+90s (excl TDRs)	59%	60%	

Sources: FDIC call reports and OTS TFRs

Looking at the table below, we can see that the inflow of construction problems seems to be abating, while overall delinquencies in commercial real estate (in particular, multifamily and investor properties) are growing at a double-digit pace. Interestingly, all but two consumer and commercial segment delinquency rates (again, excluding TDRs that are current) increased or stayed the same. One of the categories which improved was credit cards, as the delinquency rate ticked down by only 10 basis points from the third quarter, even though consumers with higher FICO scores have been paying down their balances. However, contrary to past cycles and in a true sign of the times, we suspect that one reason why delinquencies in this category are leveling off is because, as more mortgages become "upside down," many homeowners recognize that their homes will not regain their value and, in turn, will be unable to sell them for more than what they owe anytime soon. This sense of hopelessness surrounding home values rebounding to their once-inflated levels is leading some to even strategically default on house payments altogether (as evidenced by the almost 12% growth in first mortgage delinquencies in the fourth quarter). As such, in a complete reversal of traditional credit patterns whereby home loans were paid first and credit cards were paid last, since credit cards have now become such a large part of the payment system and consumers feel it is critical for them to maintain their access to credit, many borrowers have been choosing to pay down card balances with excess funds instead of paying down their mortgages. Interestingly, this phenomenon has not just been observed among sub-prime borrowers but has also spread into traditionally more creditworthy segments of the population. We would encourage you to click here to read a Bloomberg article on the topic.

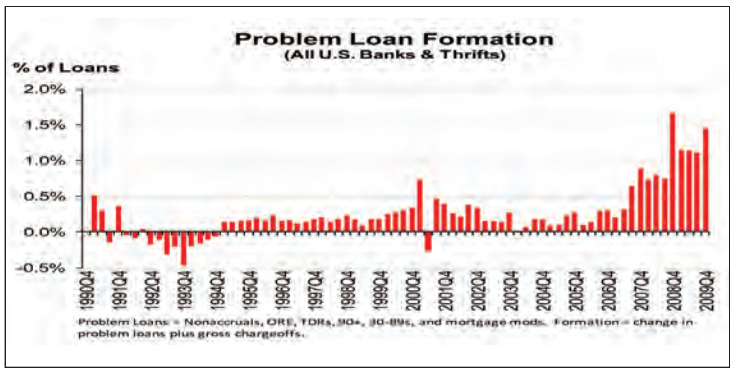
	2009Q4	2009Q3	% Chg	% Delinq
Construction NPA+90s	88,319,816	88,100,404	0.2%	
Construction 30-89s	11,769,578	14,210,625	-17.2%	
	100,089,394	102,311,029	-2.2%	22.7%
Multifamily NPA+90s	11,068,220	9,155,670	20.9%	
Multifamily 30-89s	2,530,364	2,441,108	3.7%	
	13,598,584	11,596,778	17.3%	6.4%
Income Property CRE NPL+90s	26,855,241	23,889,447	12.4%	
Income Property 30-89s	8,180,494	7,695,447	6.3%	
	35,035,735	31,584,894	10.9%	6.1%
Owner-Occ'd CRE NPL+90s	14,855,821	13,299,700	11.7%	
Owner-Occ'd 30-89s	5,312,115	5,489,801	-3.2%	
	20,167,936	18,789,501	7.3%	3.8%
C&I NPL+90s	41,990,821	45,474,438	-7.7%	
C&I 30-89s	11,586,695	12,048,482	-3.8%	
	53,577,516	57,522,920	-6.9%	4.4%
Res'l First Mtge NPL+90s	172,209,429	149,003,029	15.6%	
RFM 30-89s	56,396,894	55,701,776	1.2%	
	228,606,323	204,704,805	11.7%	13.2%

2nd Lien NPL+90s	6,287,593	6,324,554	-0.6%	
2nd Lien 30-89s	4,620,194	4,900,947	-5.7%	
	10,907,787	11,225,501	-2.8%	6.0%
HELOC NPL+90s	12,083,105	11,816,739	2.3%	
HELOC 30-89s	8,711,990	8,992,813	-3.1%	
	20,795,095	20,809,552	-0.1%	3.1%
Card NPL+90s	13,658,386	11,958,497	14.2%	
Card 30-89s	11,020,485	11,193,082	-1.5%	
	24,678,871	23,151,579	6.6%	6.4%
Auto/Student/Personal NPL+90s	9,659,127	9,669,338	-0.1%	
Auto/Student/Personal 30-89s	15,729,599	15,562,881	1.1%	
	25,388,726	25,232,219	0.6%	3.8%

Sources: FDIC call reports and OTS TFRs

The above data also points out a disparity on which members of Congress are now focusing. As a result of the rules governing modifications, second mortgages are officially in considerably better shape than first mortgages, even though, in the words of House Financial Services Committee Chairman Barney Frank (D-MA), “the second liens in many cases are not worth anything” when the home itself has lost so much value. In addition, consumers who are defaulting on their mortgages are being advised by debt counselors to keep paying on their home equity loans and lines, which are now effectively unsecured extensions of credit and could also become worthless if the first lien holder is forced to take a write-down on the original mortgage.

Stepping back out of the credit weeds and looking down from a 10,000 foot perspective, as we have mentioned before, the overall credit picture can be blurred by the aggressiveness with which management downgrades credits, the rates of loan modifications or restructurings, and the speed with which management takes charge-offs. By pulling together all of the pieces of the credit puzzle, one can develop a much clearer picture. Looking at the quarter-to-quarter change in all troubled loans—whether delinquent or re-worked—and adding back NCOs, we get to the level of loans that became problematic during the period. In fact, new problem loan formations at U.S. banks and thrifts during the quarter were 1.45% of total loans, representing the second highest rate on record and further suggesting that we are nowhere near the end of this cycle.

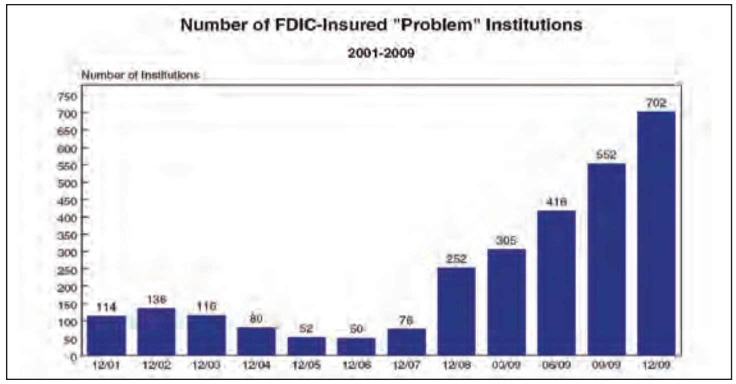


Sources: SNL Financial; Hovde

What is perhaps most troubling in the overall credit picture is, as we cited in the beginning of this piece, the trend of creating “phantom capital” by marking both assets and liabilities in creative ways. By finding yet another way to game the system, the banking industry is making itself seem healthier and better capitalized than it actually is. Following the mark-to-market holiday put in place a year ago, which allowed banks to carry toxic securities at valuations well above their intrinsic value, banks have increasingly pushed the envelope in order to find ways to boost asset valuations (in a world where asset prices are still falling) and more recently to reduce the carrying value of their liabilities.

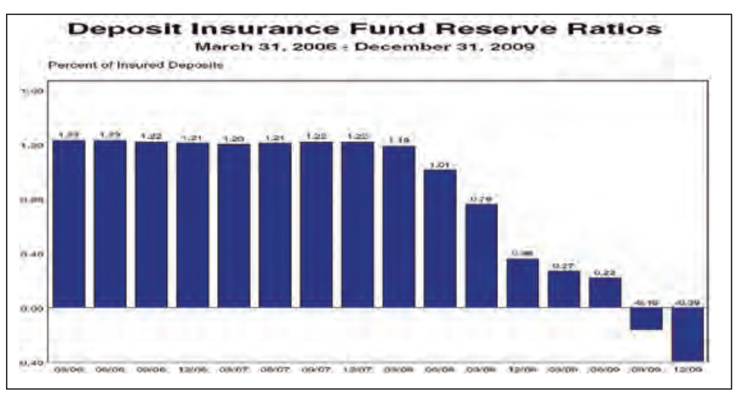
One method by which banks are able to create capital out of thin air is by exchanging debt dollar-for-dollar for new debt identical in every material aspect, yet a portion of the new obligation gets declared to be common equity that has to be amortized over time back into debt. We have also seen variations of this swap done with preferred stock and even when converting TARP to Trust Preferred Securities (TruPS). Another method is simply marking down the liability for TruPS under the fair value option when the bank goes into deferral because the value to the holder of the security has declined—thus creating an equity gain for the issuing bank, despite the fact that the bank still owes par plus interest, including the deferred payments. Other methods include the extended tax loss carry back period for the banks that were denied TARP funds by the government as well as a delay in reserving for net operating loss (NOL) carry forwards that, in all likelihood, will never be utilized. Investors need to recognize that none of these charades have actually resulted in new capital coming into the institution. And, if another jolt hits the markets, the banks that have utilized such antics in lieu of raising real capital will be among the first to fall. As such, although many bank equity bases have in all reality deteriorated, by finding new levers to pull from behind the proverbial green curtain, financial institutions are being perceived as being healthier and stronger.

This is a dangerous game. For bank stock investors, the eventual dilution is bound to be considerably higher than most sell-side research reports suggest because the banks will have to raise enough common equity to not only replace TARP but, also, to replace the phantom capital (which will probably not be grandfathered in by regulators when market conditions improve) and to meet what will almost certainly be much higher capital requirements. Furthermore, there are costs to the system as a whole because, when a bank propped up by phantom capital fails, the loss to the FDIC's Deposit Insurance Fund (DIF) becomes vastly worse. Which leads us to our next point. As the economy continues to stand on very shaky ground and bank balance sheets further deteriorate, the number of FDIC "problem" institutions has ascended to a 17-year high of 702 institutions—an increase of 27% from the third quarter and more than double the number from the first quarter of 2009.



Sources: FDIC

These 702 institutions represent almost 9% of the 8,000 banks and thrifts in the U.S, making the clean up a logistical nightmare. Further, with $403 billion in assets, accounting for 3% of the total banking industry's asset base of $13 trillion, these problems are not something that should be taken lightly. As the numbers continue to grow each quarter, it raises the question of just how solvent the FDIC's DIF will be going forward. During the fourth quarter, DIF total funding decreased by almost $13 billion, leaving it with a fund balance of nearly -$21 billion—its second straight quarterly negative balance—and a reserve ratio as a percentage of insured industry deposits of -0.39% (shown in the chart below). The DIF was negatively impacted by the $17.8 billion in additional provisions set aside for the 45 banks that failed during the fourth quarter. With 41 banks having failed thus far in 2010 (which we do not believe are nearly enough institutions taken over by the FDIC given there are more than 700 on their "problem" list) and the number of "troubled" institutions only set to rise, the banking industry will likely surpass last year's 140 mark in each of the next several years. This will only further jeopardize the long-term sustainability of the DIF, which, in turn, will likely force the FDIC to implement another "one-time" charge later this year and, then, possibly cause the agency to resort to other sources for support since the banks may no longer be able to provide funding.



Sources: FDIC

Worse still, as the actual health of banks continues to deteriorate due to the myriad of factors we have discussed throughout this and other pieces, the government's list of problem banks is only likely to grow. Based on the latest available quarterly data, there were more than 1,300 banks and thrifts with a "Texas" ratio (NPAs+TDRs+90s as a percentage of tangible equity and reserves) of greater than 50%—and, of that universe, 743 had a ratio of over 75% and 462 were at least at the 100% mark. Similar to the third quarter, given that the sequential quarterly increase in the actual number of institutions with a Texas ratio of at least 100%—76—is outpacing the number of banks that the FDIC placed into receivership in the fourth quarter—45—it only further illustrates the deteriorating health of the overall banking industry despite the FDIC's best efforts.

U.S. Commercial Banks & Thrifts

	Q3	Q4	% Chg
Texas Ratio			
50%	1,229	1,305	6%
75%	672	743	11%
100%	415	462	11%

Note: Q4 2009 numbers exclude the 45 banks that were taken over by the FDIC during the quarter.

Sources: SNL Financial; Hovde

In conclusion, as we saw throughout 2009, these latest quarterly earnings results painted a picture whose "beauty is in the eye of the beholder," as their interpretation will vary from person to person. Again, in our view, as long-time bank and thrift investors and owners, what we saw was a banking industry continuing to struggle in most aspects of its business and one that was able to find new ways to conjure up a healthier perception of itself—this time via the creation of phantom capital. As we have alluded to in recent pieces, there have been some pockets of improvement in the banking industry on account of the approximately $10 trillion which the Federal Reserve, Treasury, and other agencies have authorized for intervention programs in addition to the government injecting more than $1 trillion in stimulus into the economy. However, when the media talking heads, sell-side analysts, and bank management teams at the largest banks tout the industry-wide improvements from a year earlier, the public, investors, and, most importantly, regulators must take a step back in order to see the full picture and remember just how perilously close the U.S. and global financial systems were to collapsing. Therefore, when compared to the end of 2008 and the beginning of 2009, *of course* the banking system and the economy have "improved"—after all, it is all relative.

We understand that all of the data and trends we covered in this piece can be overwhelming at times for our readers. However, we want to reemphasize that, as with most things in life, it is important to peel back the onion and delve deeper into the details in order to draw a conclusion for oneself. This is why we still believe that, despite what we perceive to be misleading headlines and although bank management teams are expressing a fair degree of optimism for the second half of 2010, we, unfortunately, do not have the same rosy outlook for the economy and banking industry. Once the aforementioned fiscal stimulus and government intervention fades and ends all together, then what? There will come a point when the banking industry will no longer be able to put off recognizing its problem loans or be able to rely on the government and taxpayer funds, and will have to take more pronounced measures in order to address the deteriorating balance sheets. It will be up to the banks to stand on their own and make due without all of this support and, with extremely high levels of unemployment and the American consumer still struggling from paycheck to paycheck, at this point in time, we find it difficult to see a sustainable recovery in 2010.

Federal Reserve Aggregate Bank Data

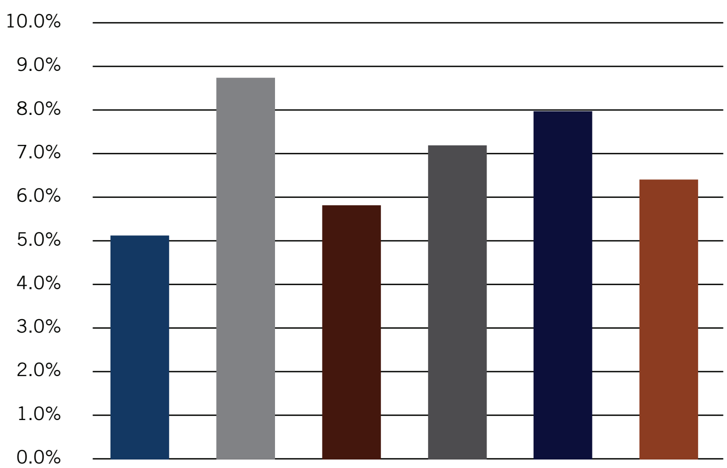
		2/2009	6/2009	7/2009	8/2009	9/2009	10/2009	11/2009	12/2009	1/2010	2/2010	MoM	YoY
ASSETS	Securities												
	Secs in Bank Credit	2,134	2,259	2,280	2,315	2,320	2,312	2,309	2,347	2,340	2,329	**-0.5%**	**9.1%**
	Treasury & Agency	1,259	1,300	1,324	1,361	1,384	1,380	1,381	1,426	1,427	1,431	**0.3%**	**13.7%**
	Other	875	958	956	954	936	932	928	921	912	897	**-1.6%**	**2.5%**
	Loans and Leases												
	C&I	1,587	1,504	1,489	1,452	1,412	1,378	1,367	1,343	1,318	1,304	**-1.1%**	**-17.8%**
	Real Estate	3,818	3,868	3,840	3,820	3,776	3,749	3,819	3,809	3,777	3,727	**-1.3%**	**-2.4%**
	Consumer	882	860	850	847	849	847	842	832	817	812	**-0.5%**	**-7.9%**
	Other	895	860	801	758	759	744	763	755	752	744	**-1.1%**	**-16.9%**
	Other Assets	1,145	1,173	1,140	1,112	1,107	1,113	1,117	1,152	1,182	1,205	**1.9%**	**5.2%**
	Total Assets	**12,031**	**12,024**	**11,869**	**11,807**	**11,773**	**11,799**	**11,769**	**11,681**	**11,639**	**11,727**	**0.8%**	**-2.5%**
LIABILITIES	Deposits												
	Large Time	1,845	1,885	1,907	1,908	1,883	1,886	1,880	1,892	1,866	1,854	**-0.6%**	**0.5%**
	Other	5,422	5,644	5,611	5,647	5,712	5,754	5,802	5,792	5,785	5,826	**0.7%**	**7.5%**
	Borrowings	2,429	2,361	2,246	2,156	2,047	2,002	1,959	1,917	1,888	1,860	**-1.5%**	**-23.4%**
	Other Liabilities	439	464	452	413	415	395	406	417	399	397	**-0.5%**	**-9.5%**
	Total Liabilities	**10,795**	**10,809**	**10,639**	**10,556**	**10,537**	**10,545**	**10,529**	**10,418**	**10,366**	**10,407**	**0.4%**	**-3.6%**
	Residual (assets less liabilities)	**1,236**	**1,215**	**1,231**	**1,251**	**1,236**	**1,254**	**1,240**	**1,264**	**1,273**	**1,320**	**3.7%**	**6.8%**

all values in $ billions

source: Federal Reserve Documents

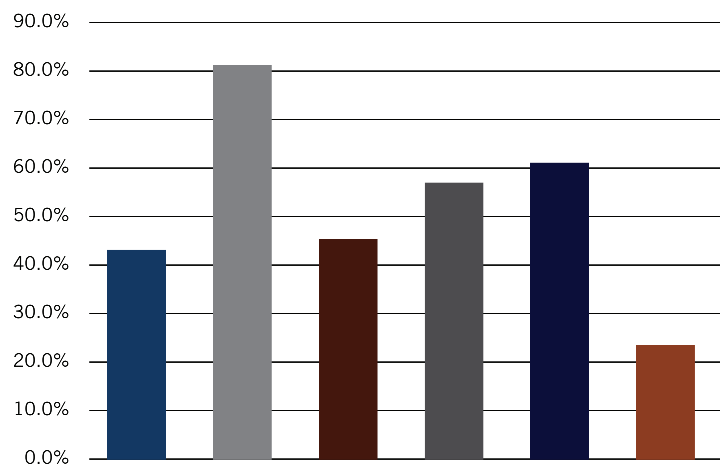
Major Market Index Performance

March 2010



source: Bloomberg, LLC

Last Twelve Months



source: Bloomberg, LLC

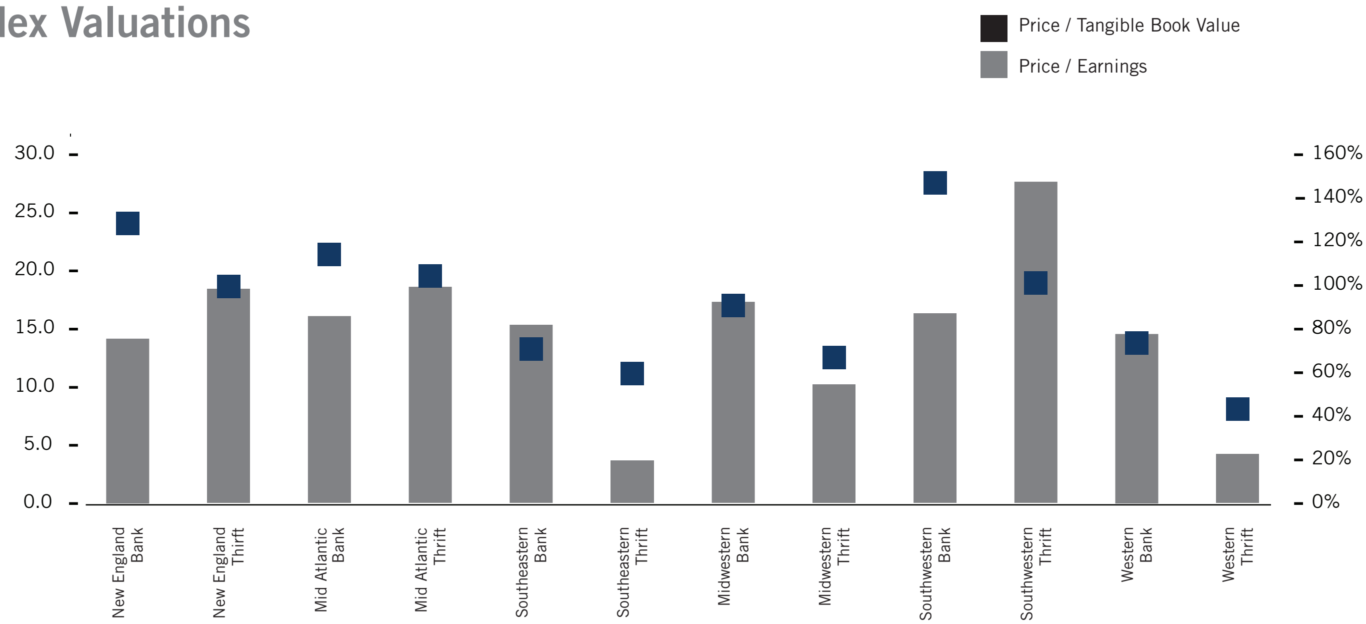
	4/2009	5/2009	6/2009	7/2009	8/2009	9/2009	10/2009	11/2009	12/2009	1/2010	2/2010	3/2010
Dow Jones	7.3%	4.1%	-0.6%	8.6%	3.5%	2.3%	0.0%	6.5%	0.8%	-3.5%	2.6%	5.1%
S&P Financial	22.2%	13.1%	-2.2%	8.8%	12.9%	1.9%	-6.0%	4.2%	-1.6%	-1.5%	3.4%	8.8%
S&P 500	9.4%	5.3%	0.0%	7.4%	3.4%	3.6%	-2.0%	5.7%	1.8%	-3.7%	2.9%	5.9%
NASDAQ	12.3%	3.3%	3.4%	7.8%	1.5%	5.6%	-3.6%	4.9%	5.8%	-5.4%	4.2%	7.1%
Russell 2000	15.3%	2.9%	1.3%	9.5%	2.8%	5.6%	-6.9%	3.0%	7.9%	-3.7%	4.4%	8.0%
NASDAQ Bank	5.1%	1.7%	-4.1%	8.4%	0.6%	0.2%	-6.9%	1.5%	3.3%	4.6%	1.7%	6.4%

source: Bloomberg, LLC

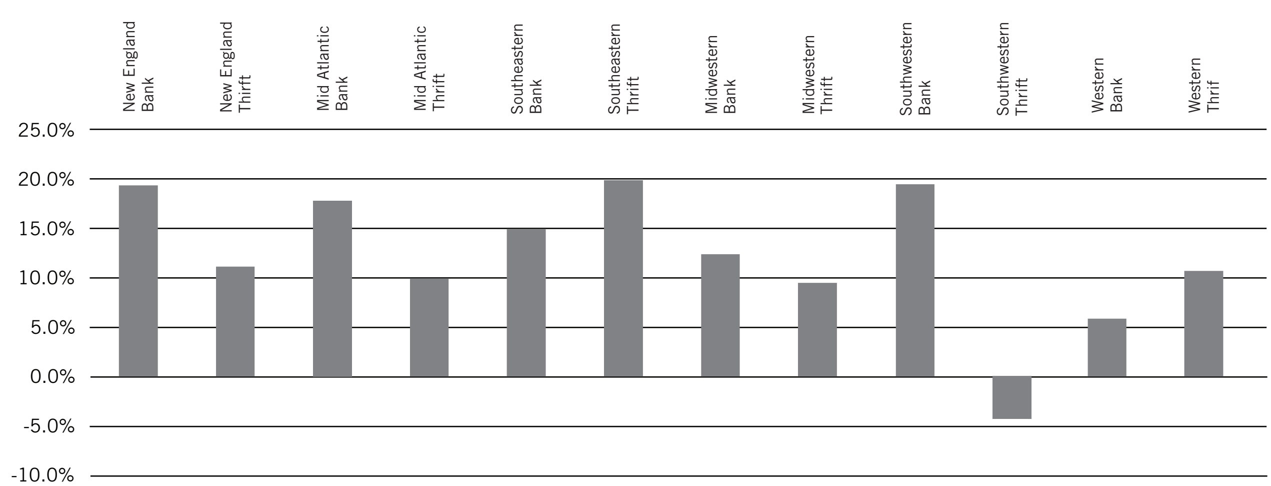
Bank and Thrift Index Valuations

		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	11.4	14.0	114%	109%	156%	126%	5.2%	19.6%	46.8%	20
	Thrift	26.6	18.2	94%	89%	118%	100%	8.1%	12.1%	19.5%	22
Mid Atlantic	Bank	12.7	16.3	108%	96%	162%	114%	5.5%	18.1%	25.0%	88
	Thrift	17.1	18.8	123%	98%	156%	104%	4.8%	10.1%	20.4%	54
Southeastern	Bank	8.6	15.0	86%	66%	126%	70%	5.0%	15.0%	5.0%	117
	Thrift	0.3	3.9	87%	56%	93%	62%	14.6%	19.8%	5.5%	11
Midwestern	Bank	12.6	16.9	142%	79%	190%	92%	5.8%	13.3%	13.2%	86
	Thrift	13.7	10.1	144%	67%	147%	68%	3.3%	9.8%	6.1%	43
Southwestern	Bank	10.7	16.4	141%	130%	194%	143%	8.6%	19.6%	34.9%	20
	Thrift	16.0	27.2	159%	95%	161%	99%	0.2%	-3.7%	7.7%	7
Western	Bank	6.4	14.4	98%	70%	133%	74%	2.1%	5.6%	12.1%	64
	Thrift	1.2	4.0	82%	45%	88%	45%	3.9%	11.2%	12.0%	12

Index Valuations



YTD Price Performance



source: SNL Financial and Bloomberg, LLC

Economic Data Points - March 2010

Date	Event	Period	Survey	Actual	Prior	Revised
3/1	Personal Income	JAN	0.40%	0.10%	0.40%	0.30%
3/1	Personal Spending	JAN	0.40%	0.50%	0.20%	0.30%
3/1	ISM Manufacturing	FEB	57.9	56.5	58.4	- -
3/1	Construction Spending MoM	JAN	-0.60%	-0.60%	-1.20%	- -
3/2	Domestic Vehicle Sales	FEB	8.00M	7.91M	8.19M	- -
3/2	Total Vehicle Sales	FEB	10.40M	10.36M	10.82M	- -
3/3	MBA Mortgage Applications	26-Feb	- -	14.60%	-8.50%	- -
3/3	Challenger Job Cuts YoY	FEB	- -	-77.40%	-70.40%	- -
3/3	ADP Employment Change	FEB	-20K	-20K	-22K	-82K
3/3	ISM Non-Manf. Composite	FEB	51	53	50.5	- -
3/4	Nonfarm Productivity	4Q F	6.30%	6.90%	6.20%	- -
3/4	Unit Labor Costs	4Q F	-4.50%	-5.90%	-4.40%	- -
3/4	Initial Jobless Claims	27-Feb	470K	469K	496K	498K
3/4	Continuing Claims	20-Feb	4600K	4500K	4617K	4634K
3/4	ICSC Chain Store Sales YoY	FEB	- -	3.70%	3.00%	- -
3/4	Factory Orders	JAN	1.80%	1.70%	1.00%	1.50%
3/4	Pending Home Sales MoM	JAN	1.00%	-7.60%	1.00%	0.80%
3/4	Pending Home Sales YoY	JAN	- -	8.80%	10.50%	9.20%
3/5	Change in Nonfarm Payrolls	FEB	-68K	-36K	-20K	-26K
3/5	Unemployment Rate	FEB	9.80%	9.70%	9.70%	- -
3/5	Change in Manufact. Payrolls	FEB	-15K	1K	11K	20K
3/5	Avg Hourly Earning MoM All Emp	FEB	0.20%	0.10%	0.20%	- -
3/5	Avg Hourly Earning YoY All Emp	FEB	2.00%	1.90%	2.00%	1.90%
3/5	Avg Weekly Hours All Employees	FEB	33.7	33.8	33.9	- -
3/5	Consumer Credit	JAN	-$4.5B	$5.0B	-$1.7B	-$4.6B
3/9	NFIB Small Business Optimism	FEB	90	88	89.3	- -
3/10	MBA Mortgage Applications	5-Mar	- -	0.50%	14.60%	- -
3/11	Trade Balance	JAN	-$41.0B	-$37.3B	-$40.2B	-$39.9B
3/11	Initial Jobless Claims	6-Mar	460K	462K	469K	468K
3/11	Continuing Claims	27-Feb	4500K	4558K	4500K	4712K
3/12	Advance Retail Sales	FEB	-0.20%	0.30%	0.50%	0.10%
3/12	Retail Sales Less Autos	FEB	0.10%	0.80%	0.60%	0.50%
3/12	Retail Sales Ex Auto & Gas	FEB	0.30%	0.90%	0.60%	0.50%
3/12	U. of Michigan Confidence	MAR P	74	72.5	73.6	- -
3/12	Business Inventories	JAN	0.10%	0.00%	-0.20%	-0.30%
3/15	Empire Manufacturing	MAR	22	22.86	24.91	- -
3/15	Industrial Production	FEB	0.00%	0.10%	0.90%	- -

Date	Event	Period	Survey	Actual	Prior	Revised
3/15	Capacity Utilization	FEB	72.50%	72.70%	72.60%	72.50%
3/15	NAHB Housing Market Index	MAR	17	15	17	- -
3/16	Housing Starts	FEB	570K	575K	591K	611K
3/16	Housing Starts MoM	FEB	-3.60%	-5.90%	2.80%	6.60%
3/16	Building Permits	FEB	601K	612K	621K	622K
3/16	Building Permits MoM	FEB	-3.40%	-1.60%	-4.90%	-4.70%
3/16	FOMC Rate Decision	16-Mar	0.25%	0.25%	0.25%	- -
3/17	MBA Mortgage Applications	12-Mar	- -	-1.90%	0.50%	- -
3/17	Producer Price Index (MoM)	FEB	-0.20%	-0.60%	1.40%	- -
3/17	PPI Ex Food & Energy (MoM)	FEB	0.10%	0.10%	0.30%	- -
3/17	Producer Price Index (YoY)	FEB	4.90%	4.40%	4.60%	- -
3/17	PPI Ex Food & Energy (YoY)	FEB	1.00%	1.00%	1.00%	- -
3/18	Consumer Price Index (MoM)	FEB	0.10%	0.00%	0.20%	- -
3/18	CPI Ex Food & Energy (MoM)	FEB	0.10%	0.10%	-0.10%	- -
3/18	Consumer Price Index (YoY)	FEB	2.30%	2.10%	2.60%	- -
3/18	CPI Ex Food & Energy (YoY)	FEB	1.40%	1.30%	1.60%	- -
3/18	Initial Jobless Claims	13-Mar	455K	457K	462K	451K
3/18	Continuing Claims	6-Mar	4522K	4579K	4558K	4694K
3/23	Existing Home Sales	FEB	5.00M	5.02M	5.05M	- -
3/23	Existing Home Sales MoM	FEB	-1.10%	-0.60%	-7.20%	- -
3/23	House Price Index MoM	JAN	-0.80%	-0.60%	-1.60%	-2.00%
3/24	MBA Mortgage Applications	19-Mar	- -	-4.20%	-1.90%	- -
3/24	Durable Goods Orders	FEB	0.60%	0.50%	3.00%	3.80%
3/24	Durables Ex Transportation	FEB	0.60%	0.90%	-0.60%	-0.80%
3/24	New Home Sales	FEB	315K	308K	309K	315K
3/24	New Home Sales MoM	FEB	1.90%	-2.20%	-11.20%	-8.70%
3/25	Initial Jobless Claims	20-Mar	450K	442K	457K	456K
3/25	Continuing Claims	13-Mar	4562K	4648K	4579K	4702K
3/26	GDP QoQ (Annualized)	4Q T	5.90%	5.60%	5.90%	- -
3/26	Personal Consumption	4Q T	1.70%	1.60%	1.70%	- -
3/26	U. of Michigan Confidence	MAR F	73	73.6	72.5	- -
3/29	Personal Income	FEB	0.10%	0.00%	0.10%	0.30%
3/29	Personal Spending	FEB	0.30%	0.30%	0.50%	0.40%
3/30	S&P/CS Composite-20 YoY	JAN	-0.70%	-0.70%	-3.10%	-3.10%
3/30	S&P/CS 20 City MoM SA	JAN	-0.25%	0.32%	0.32%	0.34%
3/30	Consumer Confidence	MAR	51	52.5	46	46.4
3/31	ADP Employment Change	MAR	40K	-23K	-20K	-24K

source: Bloomberg, LLC

Economic Data Points - April 2010

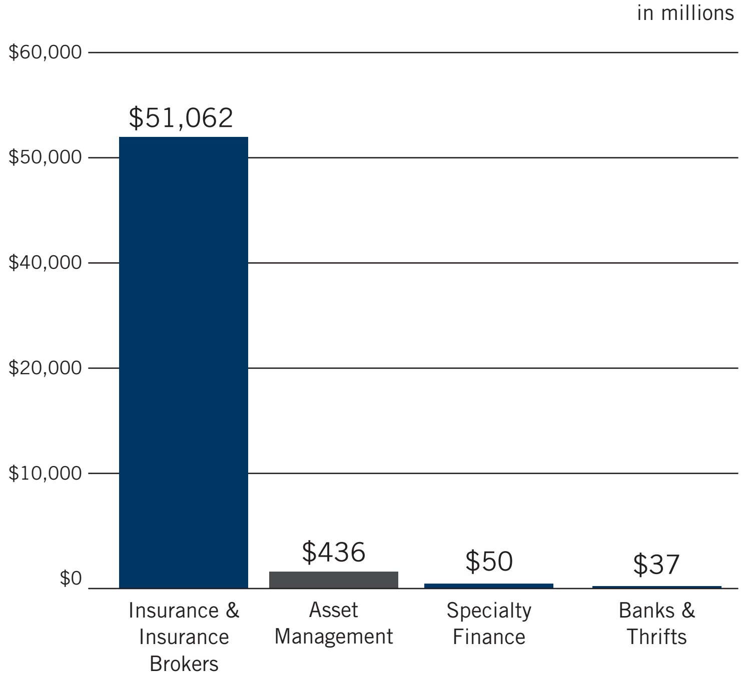
Date	Event	Period	Survey	Actual	Prior	Revised
4/1	Challenger Job Cuts YoY	MAR	- -	-55.00%	-77.40%	- -
4/1	Initial Jobless Claims	27-Mar	440K	439K	442K	445K
4/1	Continuing Claims	20-Mar	4618K	4662K	4648K	4668K
4/1	ISM Manufacturing	MAR	57	59.6	56.5	- -
4/1	Construction Spending MoM	FEB	-1.00%	-1.30%	-0.60%	-1.40%
4/1	Domestic Vehicle Sales	MAR	9.00M	9.05M	7.91M	- -
4/1	Total Vehicle Sales	MAR	12.00M	11.77M	10.36M	- -
4/2	Change in Nonfarm Payrolls	MAR	184K	162K	-36K	-14K
4/2	Unemployment Rate	MAR	9.70%	9.70%	9.70%	- -
4/2	Avg Hourly Earning MoM All Emp	MAR	0.20%	-0.10%	0.10%	0.20%
4/5	Pending Home Sales MoM	FEB	0.00%	8.20%	-7.60%	-7.80%
4/5	Pending Home Sales YoY	FEB	- -	17.30%	8.80%	8.60%
4/7	MBA Mortgage Applications	2-Apr	- -	- -	1.30%	- -
4/7	Consumer Credit	FEB	$1.3B	- -	$5.0B	- -
4/8	Initial Jobless Claims	3-Apr	- -	- -	- -	- -
4/8	Continuing Claims	27-Mar	- -	- -	- -	- -
4/8	ICSC Chain Store Sales YoY	MAR	- -	- -	3.70%	- -
4/13	NFIB Small Business Optimism	MAR	- -	- -	88	- -
4/13	Trade Balance	FEB	-$38.9B	- -	-$37.3B	- -
4/13	Import Price Index (MoM)	MAR	- -	- -	-0.30%	- -
4/13	Import Price Index (YoY)	MAR	- -	- -	11.20%	- -
4/14	MBA Mortgage Applications	9-Apr	- -	- -	- -	- -
4/14	Consumer Price Index (MoM)	MAR	- -	- -	0.00%	- -
4/14	CPI Ex Food & Energy (MoM)	MAR	- -	- -	0.10%	- -
4/14	Consumer Price Index (YoY)	MAR	- -	- -	2.10%	- -
4/14	CPI Ex Food & Energy (YoY)	MAR	- -	- -	1.30%	- -
4/14	Advance Retail Sales	MAR	0.90%	- -	0.30%	- -
4/14	Retail Sales Less Autos	MAR	0.50%	- -	0.80%	- -
4/14	Retail Sales Ex Auto & Gas	MAR	- -	- -	0.90%	- -
4/15	Initial Jobless Claims	10-Apr	- -	- -	- -	- -
4/15	Continuing Claims	3-Apr	- -	- -	- -	- -
4/15	Empire Manufacturing	APR	- -	- -	22.86	- -
4/15	Net Long-term TIC Flows	FEB	- -	- -	$19.1B	- -
4/15	Total Net TIC Flows	FEB	- -	- -	-$33.4B	- -
4/15	Industrial Production	MAR	0.40%	- -	0.10%	- -
4/15	Capacity Utilization	MAR	73.00%	- -	72.70%	- -
4/15	Philadelphia Fed.	APR	- -	- -	18.9	- -

Date	Event	Period	Survey	Actual	Prior	Revised
4/15	NAHB Housing Market Index	APR	- -	- -	15	- -
4/16	Housing Starts	MAR	- -	- -	575K	- -
4/16	Housing Starts MoM	MAR	- -	- -	-5.90%	- -
4/16	Building Permits	MAR	- -	- -	612K	637K
4/16	Building Permits MoM	MAR	- -	- -	-1.60%	- -
4/16	U. of Michigan Confidence	APR P	- -	- -	73.6	- -
4/19	Leading Indicators	MAR	- -	- -	0.10%	- -
4/21	MBA Mortgage Applications	16-Apr	- -	- -	- -	- -
4/22	Producer Price Index (MoM)	MAR	- -	- -	-0.60%	- -
4/22	PPI Ex Food & Energy (MoM)	MAR	- -	- -	0.10%	- -
4/22	Producer Price Index (YoY)	MAR	- -	- -	4.40%	- -
4/22	PPI Ex Food & Energy (YoY)	MAR	- -	- -	1.00%	- -
4/22	Initial Jobless Claims	17-Apr	- -	- -	- -	- -
4/22	Continuing Claims	10-Apr	- -	- -	- -	- -
4/22	RPX Composite 28dy YoY	FEB	- -	- -	-0.51%	- -
4/22	RPX Composite 28dy Index	28-Feb	- -	- -	185.8	- -
4/22	Existing Home Sales	MAR	- -	- -	5.02M	- -
4/22	Existing Home Sales MoM	MAR	- -	- -	-0.60%	- -
4/22	House Price Index MoM	FEB	- -	- -	-0.60%	- -
4/23	Durable Goods Orders	MAR	- -	- -	0.50%	0.90%
4/23	Durables Ex Transportation	MAR	- -	- -	0.90%	1.40%
4/23	New Home Sales	MAR	- -	- -	308K	- -
4/23	New Home Sales MoM	MAR	- -	- -	-2.20%	- -
4/26	Dallas Fed Manf. Activity	APR	- -	- -	7.20%	- -
4/27	S&P/CS Composite-20 YoY	FEB	- -	- -	-0.70%	- -
4/27	S&P/CS 20 City MoM% SA	FEB	- -	- -	0.32%	- -
4/27	Consumer Confidence	APR	- -	- -	52.5	- -
4/28	MBA Mortgage Applications	23-Apr	- -	- -	- -	- -
4/28	FOMC Rate Decision	28-Apr	0.25%	- -	0.25%	- -
4/29	Chicago Fed Nat Activity Index	MAR	- -	- -	-0.64	- -
4/29	Initial Jobless Claims	24-Apr	- -	- -	- -	- -
4/29	Continuing Claims	17-Apr	- -	- -	- -	- -
4/30	GDP QoQ (Annualized)	1Q A	- -	- -	5.60%	- -
4/30	Personal Consumption	1Q A	- -	- -	1.60%	- -
4/30	Chicago Purchasing Manager	APR	- -	- -	58.8	- -
4/30	U. of Michigan Confidence	APR F	- -	- -	- -	- -
4/30	NAPM-Milwaukee	APR	- -	- -	62	- -

source: Bloomberg, LLC

M&A Transaction Update

Announced Transactions - February 2010



source: SNL Financial, Bloomberg, Factiva

Deal Count - February 2010

Insurance & Insurance Brokerage	18
Asset Management & Broker/Dealer	10
Bank & Thrift	7
Specialty Finance	6

source: SNL Financial, Bloomberg, Factiva

Deal Count - 2009 YTD

Insurance & Insurance Brokerage	59
Asset Management & Broker/Dealer	38
Bank & Thrift	22
Specialty Finance	11

source: SNL Financial, Bloomberg, Factiva

Financial Deal Alert

Hovde Financial is pleased to announce that its client, Clayton, Missouri-based First Banks, Inc. ($10.6 billion in assets as of December 31, 2009), has closed on its agreement to sell its 24-branch Chicago area franchise to Akron, Ohio-based FirstMerit Corporation ($10.5 billion in assets as of December 31, 2009). FirstMerit will pay a premium of 3.5% on $1.2 billion in deposits assumed.

Top Financial Advisors in Bank and Thrift Transactions

Last Five Years, Sell-Side Advisory Transactions

Rank	Firm	# of Deals
1	Keefe, Bruyette & Woods, Inc.	95
2	Sandler, O'Neill & Partners, L.P	91
3	**Hovde Financial**	**74**
4	Howe Barnes Hoefer & Arnett, Inc.	52
5	Stifel, Nicolaus & Company, Inc.	39
6	Sheshunoff & Co. Investment Banking LP	23
7	Morgan Keegan & Company, Inc.	16
7	Austin Associates, LLC.	16
7	Carson Medin Company	16
10	Professional Bank Services Inc.	14

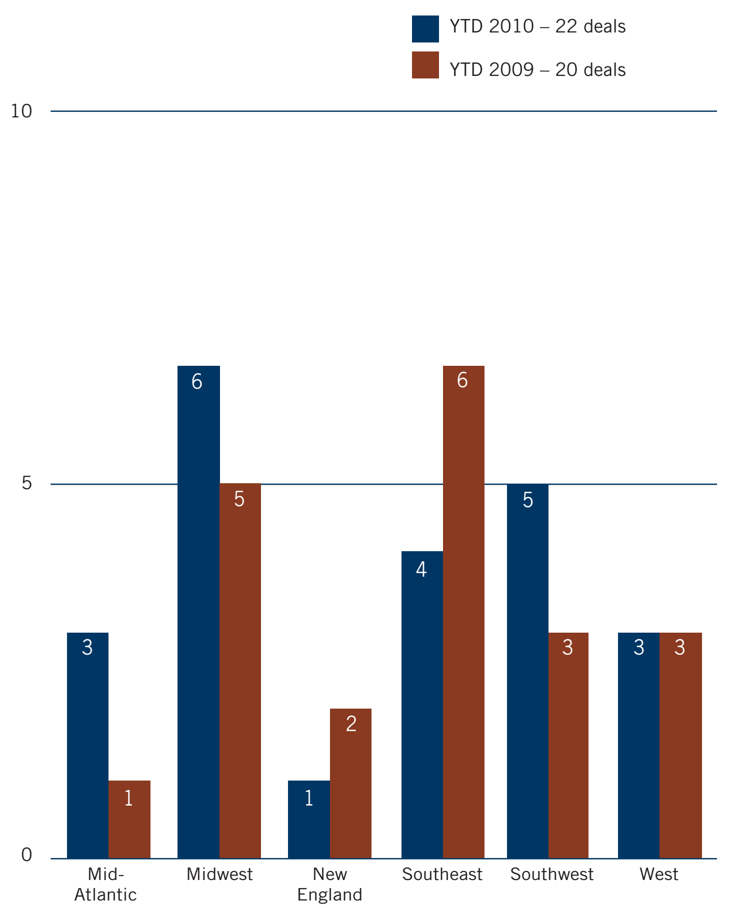
source: SNL Financial (data from 3/31/2005-3/31/2010)

Bank & Thrift Transactions - March 2010

Buyer	Buyer State	Target	Target State	Announced	DV ($MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
One Main Street, LLC		Liberty Bank	UT	3/2/10	NA	NA	NA	NA
Veritex Holdings, Inc.		Professional Bank, National Association	TX	3/9/10	22.0	19.23	205.80	12.96
Investor Group	UT	Community Bancorporation	UT	3/12/10	NA	NA	NA	NA
Management group		USNY Bank	NY	3/15/10	NA	NA	NA	NA
Ovation Holdings, Inc.		National Bank of Southwest Florida	FL	3/15/10	NA	NA	NA	NA
Tri-Capital, LLC	CA	Tri-Valley Bank	CA	3/15/10	NA	NM	61.98	-15.39
Roma Financial Corporation (MHC)	NJ	Sterling Banks, Inc.	NJ	3/17/10	14.7	NM	99.60	-0.01

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	$15	89.67	NA	(3.81)
Midwest	$128	93.95	NA	(3.39)
New England	$20	123.72	NA	3.86
Southeast	$12	80.28	NA	(23.96)
Southwest	$50	156.55	26.9	8.31
West	$25	110.16	40.5	(3.20)
Total	**$248**	**110.42**	**31.5**	**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	189.2	26.9	12.4
2Q2008	$1,855	177.5	30.1	8.4
3Q2008	$27,195	152.5	25.9	9.0
4Q2008	$1,430	116.0	32.6	1.0
1Q2009	$260	87.4	18.8	-2.6
2Q2009	$385	97.3	17.5	2.4
3Q2009	$646	100.9	8.4	0.9
4Q2009	$262	106.4	20.0	-0.5
1Q2010	$248	110.4	31.5	-1.6

source: SNL Financial

Insurance and Insurance Brokerage Transactions - March 2010

Buyer	Target	Announced	DV ($MM)
Arthur J. Gallagher & Co.	Griffin certain insurance brokerage businesses	3/1/10	0.8
EGI Financial Holdings Inc.	American Colonial Insurance Company, Inc.	3/1/10	4.6
Prudential Public Limited Company	AIA Group Limited	3/1/10	35,500.0
Harbor Point Limited	Max Capital Group Ltd.	3/3/10	NA
Independence Holding Company	American Independence Corp.	3/5/10	0.1
Hewitt Associates, Inc.	Senior Educators Ltd.	3/5/10	NA
MetLife, Inc.	American Life Insurance Company	3/7/10	15,545.1
BenefitMall	NAS Financial Services	3/15/10	NA
Arthur J. Gallagher & Co.	Winn & Company Insurance Brokers, Inc.	3/16/10	3.1
Marsh & McLennan Companies, Inc.	Thomas Rutherfoord, Inc.	3/16/10	NA
Brown & Brown, Inc.	Excel Underwriters Alliance, Inc	3/18/10	NA
21st Century Holding Company	HomeWise Insurance Co. and HomeWise Management Co.	3/19/10	NA
Utica Mutual Insurance Company	Nationwide Holdings Inc.	3/19/10	NA
Private investors	Bancinsurance Corporation	3/22/10	8.4
DHR, LLC	Benefit Advisors, Inc.	3/23/10	NA
Arrow Financial Corporation	Loomis & Lapann, Inc.	3/26/10	NA
Arthur J. Gallagher & Co.	FirstCity Partnership Ltd.	3/29/10	NA
Northwest Bancshares, Inc.	Veracity Benefit Designs, Inc.	3/29/10	NA

source: Factiva, AM Best

Asset Management/Broker-Dealer Transactions - March 2010

Buyer	Target	Announced	DV ($MM)
Management group	Morgan Dempsey Capital Management LLC	3/2/10	NA
NASDAQ OMX Group, Inc.	North American Energy Credit and Clearing Corp.	3/3/10	NA
Bank of New York Mellon Corporation	BHF Asset Servicing GmbH	3/8/10	344.3
PrinceRidge Holdings LP	Founders LLC capital markets businesses	3/8/10	NA
USI Holdings Corporation	Insurance and financial services business RA Bench Securities, Inc.	3/11/10	NA
Lagan Holding Company	Prelude Asset Management LLC	3/16/10	NA
Greenhill & Co., Inc.	Caliburn Partnership Pty Ltd	3/16/10	91.9
NASDAQ OMX Group, Inc.	Nord Pool ASA	3/17/10	NA
Guggenheim Capital, LLC	LBBW Securities, LLC	3/19/10	NA
J.J.B. Hilliard, W.L. Lyons, LLC	bCatalyst Advisors LLC	3/22/10	NA
Deerfield Capital Corp.	Columbus Nova Credit Investment Management, LLC	3/22/10	32.5
AM Investment Partners LLC	Bam Capital, LLC	3/30/10	NA

source: Factiva, Bloomberg

Specialty Finance Transactions - March 2010

Buyer	Target	Announced	DV ($MM)
Island Capital Group LLC	Special servicing and fund management business	3/5/10	50
Portfolio Recovery Associates, Inc.	Claims Compensation Bureau, Inc.	3/15/10	NA
eLayaway, Inc.	Tedom Capital, Inc.	3/19/10	NA
First State Bancshares, Inc.	Mortgage lending operations	3/23/10	NA
General Electric Company	RBS Factoring GmbH	3/29/10	NA
Knight Capital Group, Inc.	Urban Financial Group, Inc.	3/30/10	NA

source: Factiva, Bloomberg, Reuters