



# Hovde

Financial Institutions  
Monthly Overview

Capital Markets  
Economic Data Review  
M&A Statistics

November 2008

[www.hovde.com](http://www.hovde.com)

WASHINGTON DC  
1826 Jefferson Place, NW  
Washington, DC 20036  
202.775.8109

CHICAGO  
1629 Colonial Parkway  
Inverness, IL 60067  
847.991.6622

LOS ANGELES  
222 N. Sepulveda Blvd. #1306  
El Segundo, CA 90245  
310.535.9200

PALM BEACH  
3908 South Ocean Blvd. #M122  
Highland Beach, FL 33487  
561.279.7199

AUSTIN  
2107 W. 10th Street  
Austin, TX 78703  
512.478.7575

DALLAS  
16633 N. Dallas Pkwy., Suite 600  
Addison, TX 75001  
469.737.5635

## November 2008 - Hovde Monthly Overview

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*“The business of America is business.”*  
—Calvin Coolidge

Unfortunately, business has been abysmal for the banking and thrift industry during the last several quarters and the negative credit trends which began for the banking industry in the third quarter of 2006 show no signs of improving anytime soon. As the housing and credit markets and overall economy continue to unravel, lending has reached a virtual standstill and many consumers and businesses have all but lost faith in the U.S financial system despite—and in light of—unprecedented government actions. The asset-quality issues which insured institutions have been facing proved, once again, to be a serious weight on the industry and led to another round of weak earnings results during the third quarter—even with a slight benefit from relatively stable net interest margins (NIMs). FDIC insured institutions reported an anemic total net income figure of \$1.7 billion in the third quarter—66% lower than the previous quarter and 94% lower than a year earlier. Delving deeper, nearly 60% of institutions reported year-over-year declines in net income and nearly one in four reported a net loss for the quarter—the highest percentage since the fourth quarter of 1990. Consequently, the average ROA plummeted to 0.05%—the second lowest quarterly ratio in the last 18 years—compared to a year-ago reading of 0.92%, and almost two-thirds of FDIC institutions reported lower ROAs from a year earlier.

According to SNL, the third quarter of 2008 marked the fifth consecutive quarter of earnings declines for the 400 largest publicly traded banks and thrifts as these companies lost a combined \$26.3 billion in the latest quarter—although it should be noted that \$23.8 billion came from one institution, Wachovia. The median EPS of these publicly traded companies declined by 20% from the previous quarter and 50% from a year earlier. Furthermore, the four largest banks experienced an EPS decline of 24% quarter-over-quarter and 48% from the year earlier—showing that the erosion in earnings is consistent from top to bottom. Due to this continuing earnings pressure, 68% of those companies in the SNL Bank & Thrift Index with sell-side coverage missed EPS estimates while only 6% met their estimates.

With each passing quarter, it becomes even more evident that the asset quality deterioration, which has dominated bank performance as of late, continues to put extreme pressure on the entire banking industry amidst the accelerating financial turmoil. In the third quarter, loan loss provisions more than tripled from a year earlier to nearly \$51 billion, reflecting the continuing need for higher reserves for not only mortgage-related loans—as housing values plummet further and defaults increase—but also for other types of loans (e.g., credit cards, auto loans, commercial loans). Furthermore, net charge-offs (NCOs) increased on a year-over-year basis for the seventh straight quarter to nearly \$28 billion—156% higher from a year earlier—resulting in an annualized NCO ratio for FDIC insured institutions of 1.42%, up from 1.32%. This quarterly NCO ratio—the highest for the industry since 1991—is even more troublesome in that the failure of Washington Mutual on September 25th resulted in a significant amount of NCO activity not being factored into reported industry results for the third quarter (due to purchase accounting rules).

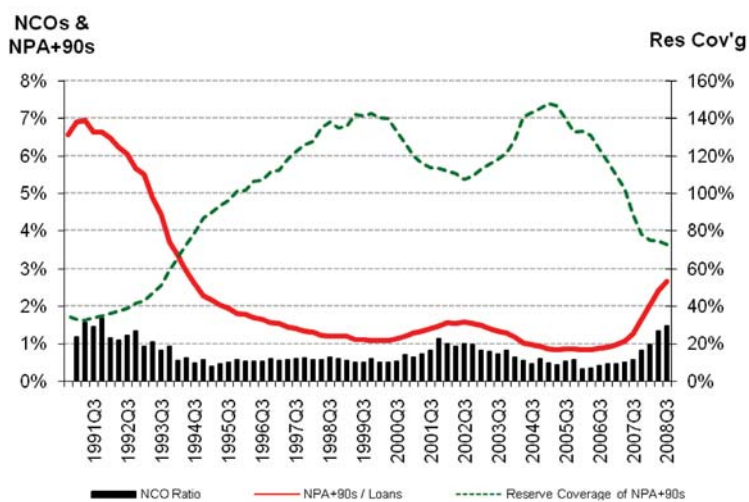
For a growing population of banks, the pace of reserve-building has reached a red zone level, whereby new provisioning eclipses core earnings power, resulting in capital erosion for the sector as more banks and thrifts are experiencing earnings losses while also struggling to sustain dividend payouts. Further hastening the consumption of precious capital by banks has been the deterioration in core earnings power as the financial turmoil has also manifested itself through compressed spreads, balance sheet contraction, lower demand for different financial products, lower capital markets revenues, and higher expenses in order to address bad asset and loan dispositions.

As we have noted throughout the year, skipped loan payments tend to be the best measure of the financial health of commercial and consumer borrowers. During the third quarter, banks continued to experience double-digit increases in noncurrent loans (i.e., those past due at least 30 days). This jump in delinquencies has widened from the earlier spike in construction loans amidst the eroding housing market to also encompass multi-family,

owner-occupied commercial real estate, residential mortgage, credit card, and auto loans—as repayment duress advances from consumer to commercial and other loan types. As an example of the deteriorating environment for consumer delinquencies, the Comptroller of the Currency recently noted that 51% of all borrowers that received a residential loan modification in the second quarter of 2008 were already more than 30 days past due within the first six months.

The nonaccrual loan rate for the third quarter now stands at 1.8%—a 12% increase from the previous quarter and a 155% increase from the same time a year earlier—and 30-89 day delinquencies for the banking and thrift industry grew 8.1% quarter-over-quarter and are now up nearly 30% from a year earlier. It is important to note that despite the increase in nonperforming assets and 90-day delinquencies (NPA+90s)—as illustrated below—the bucket of delinquencies 30-89 days past due not only “refilled” but actually grew even larger. This is troubling because banks and thrifts are not only facing increases in longer-term nonperforming assets (i.e., NPAs+90s), but also in the next wave of nonperforming assets, a clear signal that we have not reached a bottom.

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



Source: SNL Financial

While we do not take any pleasure in our continued belief that the rise in delinquencies in almost all commercial and consumer loan categories will likely only accelerate as the credit crisis worsens, the economy continues to contract, and job losses further deepen, we feel it is important to be

aware of the uphill challenges *still* facing the banking and thrift industry. Although some optimists may suggest that the nearly endless government intervention and constant proposals coming out of Washington will put an end to the credit market freefall and revitalize the lending environment, the simple fact is that the overall financial environment will only improve once the residential housing market stabilizes and economic conditions improve. For example, since the Federal Reserve began to pay interest on depository institutions’ required and excess reserve balances in the beginning of October 2008, it is estimated that excess balances have skyrocketed by over 340%—nearly \$470 billion—to more than \$600 billion. However, total loans and leases have actually *declined* by 90 basis points to slightly over \$62 billion—illustrating that although such government actions may help restore bank capital, they have not re-stimulated the lending environment which is vital to the U.S. economy for businesses and consumers. Given that we have already opined at length in our latest *Monthly Overview* and *Industry Update* about other federal government initiatives (e.g., the TARP and CPP) and how we would look to spend the large amounts of funds in ways which would help to stimulate the overall economy—instead of distributing them for the benefit of the large financial institutions—we will not address these issues here but would encourage you to keep our views in mind, particularly as the next Administration assumes control.

However, one of the items which we do believe is important to briefly discuss as it directly pertains to the banking and thrift industry is the Treasury and Fed “fast-tracking” approval applications to become bank holding companies (BHCs). First, it was Goldman Sachs and Morgan Stanley, and, now, the Treasury and Fed intend to grant BHC status to a number of other nonbank financial companies—as they have already done with American Express. With these large entities now competing for deposits, the funding costs, deposit insurance, and regulatory costs for the rest of the banking community have been driven higher—and will likely continue to increase, as more large, nonbank financial institutions apply for, and receive, BHC status and enter the depository market. By allowing these entities to be granted BHC status, this clearly sets a dangerous precedent. A troubled company which has a financial operation as part of its business model and is eligible will

view this as a “green light” to apply to become a BHC in hopes of gaining the full benefits to garner federally insured deposits and borrow directly from the discount window. Therefore, it is vital that the Treasury and Fed take the necessary steps to limit those institutions with BHC status to *bank financial companies* or to place more stringent requirements on *nonbank financial companies*. This is necessary in order to prevent what could amount to even greater earnings and depository pressures on the banking and thrift industry—further limiting the funds available to lend to consumers and small businesses, which are the lifeblood of the U.S. economy.

Clearly, as we have opined throughout this year, the banking and thrift industry is in the midst of a vicious credit cycle that shows no signs of abating. It is a credit cycle that has a “take no prisoners” mentality, as an increasing number of institutions are becoming unwound at a frighteningly accelerated pace. Unfortunately, the recent government actions aimed at stopping the hemorrhaging will likely be for naught, as many of these companies continue to burn through capital and face continued earnings pressures due to asset-quality issues. This is evident as the number of institutions on the FDIC’s “Problem List” continues to swell, with the third quarter tally increasing by 46% from 117 to 171 entities and the assets of these troubled institutions rising 48% to nearly \$116 billion—the first time since mid-1994 that this mark has surpassed \$100 billion. Even more troubling than the FDIC’s figures, there are now 537 U.S. banks or thrifts—versus nearly 400 from the previous quarter—with a so-called “Texas Ratio” (NPA+90s as a percentage of tangible equity and reserves) above 50%, with 234 of these companies having in excess of 75%. The significant liquidity problems facing the banking industry can be further seen in the loan-to-deposit ratio, as there are now over 500 banks above 120%—which, by comparison to 1990, stood at approximately 80% for the industry.

We believe that the liquidity problems facing the industry will worsen in the coming quarter and that the banks and

thrifts will continue to rapidly consume capital, despite the TARP CPP. Based on our analysis of aggregate SNL data, the banking industry’s internal capital generation for the third quarter was -\$9 billion—bringing the running 12-month figure to -\$28 billion. Other after-tax charges against equity capital also totaled another \$60 billion in the quarter. We believe that both of these measures will worsen in the next quarter—which will likely be another “kitchen sink” earnings period similar to what we saw a year earlier. The fourth quarter could include not only higher loan loss provisions, but also another round of securities write-downs and write-offs, in addition to lower margins and unseasonably weak asset management revenues. Another alarming aspect is that only 22 banks and thrifts have failed thus far in 2008—positioning 2009 to have by far the highest amount of bank failures since the S&L crisis of the early 1990’s as the industry continues to experience increases in problem assets and nonperforming and delinquent loans.

Unfortunately, as a result of egregious activities by a segment of investment banks, banks and thrifts earlier this decade, an environment of toxic assets was created which has led to massive asset quality destruction and is directly impacting the entire banking industry—even, unfairly, those financial institutions which exercised good underwriting standards. In the simplest explanation, the current financial turmoil for banks and thrifts is the product of large financial institutions imprudently re-tailoring the basic business model earlier, in which they sought greater returns by making high-risk loans and bringing more and more of the now too-familiar toxic assets onto their balance sheets. Now, these institutions are having to “pay the piper” for their irresponsible decisions. The traditional business model of the banking industry will not return to normalcy until the economy rebounds and the credit cycle and housing market stabilize. Unfortunately, if you have been a frequent reader of our publications, we still believe that we are in the beginning phases of this deteriorating current credit cycle, one which—along with the overall economy—will continue to worsen into 2010.

## Federal Reserve Aggregate Bank Data

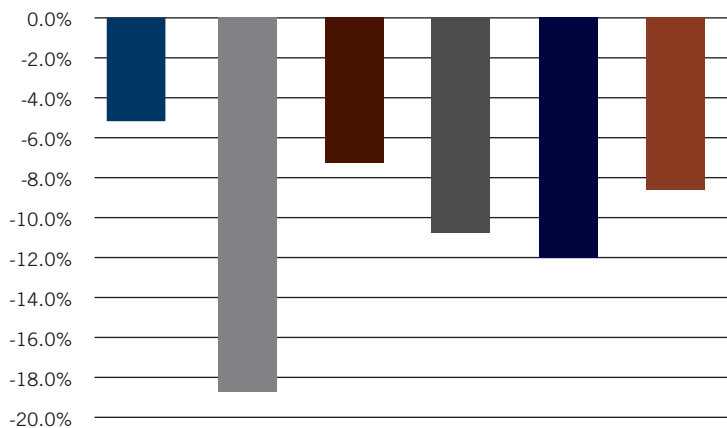
	10/2007	2/2008	3/2008	4/2008	5/2008	6/2008	7/2008	8/2008	9/2008	10/2008	MoM	YoY
<b>ASSETS</b>												
Securities												
Secs in Bank Credit	2,404	2,469	2,577	2,531	2,489	2,468	2,486	2,476	2,532	2,718	7.3%	13.1%
Treasury & Agency	1,136	1,108	1,128	1,110	1,115	1,114	1,116	1,129	1,155	1,227	6.3%	8.1%
Other	1,268	1,361	1,449	1,420	1,374	1,354	1,370	1,347	1,377	1,490	8.2%	17.5%
Loans and Leases												
C&I	1,397	1,458	1,479	1,491	1,494	1,504	1,514	1,514	1,537	1,602	4.2%	14.7%
Real Estate	3,549	3,621	3,656	3,650	3,650	3,645	3,624	3,642	3,666	3,792	3.4%	6.8%
Consumer	782	813	815	821	825	832	839	845	852	870	2.1%	11.3%
Other	669	692	679	647	646	642	635	630	655	678	3.5%	1.3%
Other Assets	934	971	1,020	1,013	996	1,003	1,021	1,022	1,043	1,091	4.6%	16.8%
<b>Total Assets</b>	<b>10,627</b>	<b>10,994</b>	<b>11,182</b>	<b>11,087</b>	<b>11,042</b>	<b>11,027</b>	<b>11,043</b>	<b>11,058</b>	<b>11,333</b>	<b>11,947</b>	<b>5.4%</b>	<b>12.4%</b>
<b>LIABILITIES</b>												
Deposits												
Transaction	622	617	614	636	616	605	621	600	640	679	6.1%	9.2%
Nontransaction	5,943	6,159	6,260	6,220	6,270	6,307	6,263	6,314	6,432	6,448	0.2%	8.5%
Large time	1,972	2,095	2,105	2,081	2,103	2,126	2,132	2,131	2,161	2,066	-4.4%	4.7%
Other	3,971	4,063	4,155	4,139	4,166	4,181	4,132	4,183	4,271	4,383	2.6%	10.4%
Borrowings	2,209	2,278	2,303	2,294	2,320	2,322	2,331	2,357	2,397	2,619	9.3%	18.5%
Other Liabilities	628	710	788	743	695	680	674	673	715	806	12.7%	28.4%
<b>Total Liabilities</b>	<b>9,506</b>	<b>9,839</b>	<b>10,027</b>	<b>9,923</b>	<b>9,872</b>	<b>9,891</b>	<b>9,839</b>	<b>9,852</b>	<b>10,122</b>	<b>10,733</b>	<b>6.0%</b>	<b>12.9%</b>
<b>Residual (assets less liabilities)</b>	<b>1,121</b>	<b>1,155</b>	<b>1,155</b>	<b>1,164</b>	<b>1,169</b>	<b>1,136</b>	<b>1,204</b>	<b>1,206</b>	<b>1,211</b>	<b>1,215</b>	<b>0.3%</b>	<b>8.4%</b>

all values in \$ billions

SOURCE: Federal Reserve Documents

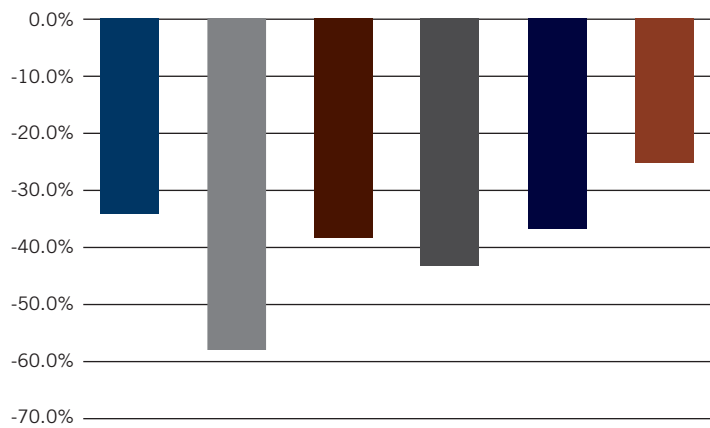
## Major Market Index Performance

November 2008



SOURCE: Bloomberg, LLC

Last Twelve Months



SOURCE: Bloomberg, LLC

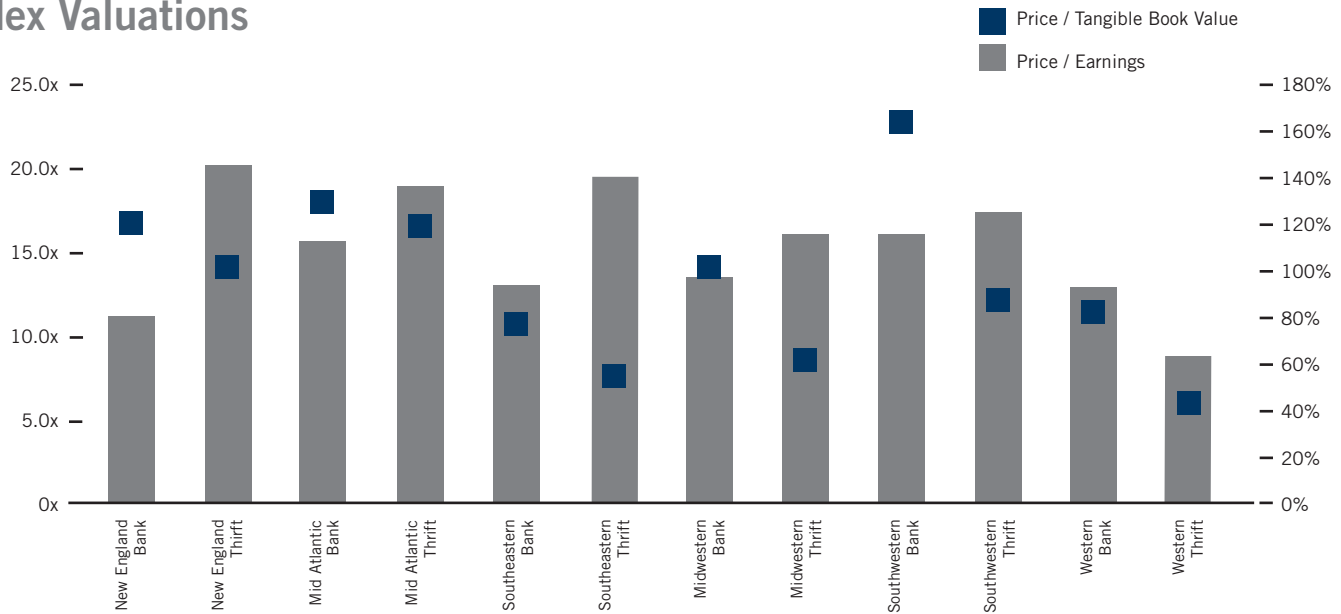
	12/2007	1/2008	2/2008	3/2008	4/2008	5/2008	6/2008	7/2008	8/2008	9/2008	10/2008	11/2008
Dow Jones	-0.8%	-4.6%	-3.0%	0.0%	4.5%	-1.4%	-10.2%	0.2%	1.5%	-6.0%	-14.1%	-5.3%
S&P Financial	-5.7%	-0.6%	-7.7%	-3.1%	6.3%	-6.4%	-18.7%	6.8%	-1.3%	-5.2%	-22.7%	-18.7%
S&P 500	-0.9%	-6.1%	-3.5%	-0.6%	4.8%	1.1%	-8.6%	-1.0%	1.2%	-9.1%	-16.9%	-7.5%
NASDAQ	-0.3%	-9.9%	-5.0%	0.3%	5.9%	4.6%	-9.1%	1.4%	1.8%	-11.6%	-17.7%	-10.8%
Russell 2000	-0.2%	-6.9%	-3.8%	0.3%	6.1%	2.5%	-7.8%	3.6%	3.5%	-8.1%	-20.9%	-12.0%
NASDAQ Bank	-5.4%	2.7%	-8.6%	2.0%	0.3%	-2.7%	-17.5%	9.6%	3.8%	4.0%	-7.3%	-8.8%

SOURCE: Bloomberg, LLC

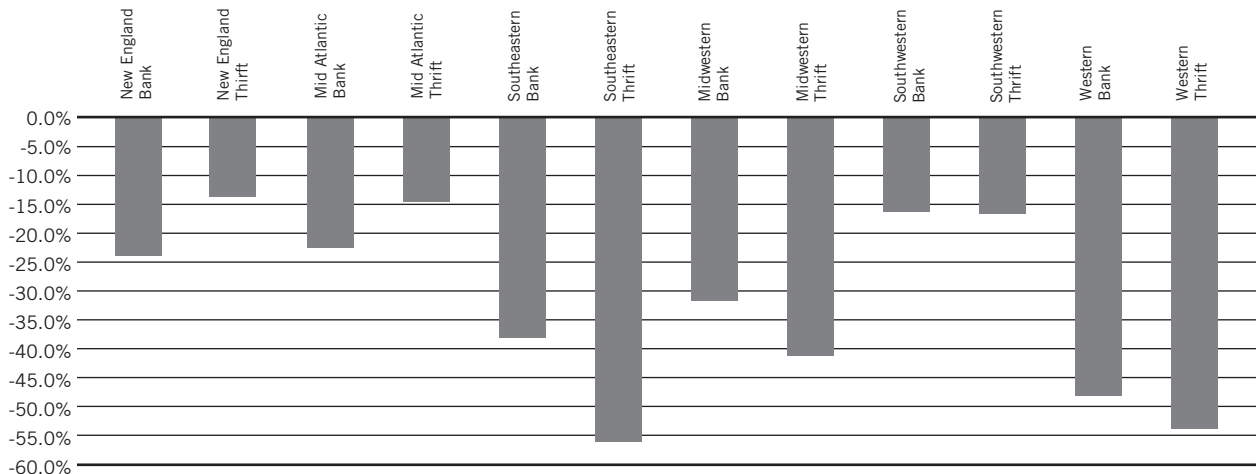
## Bank and Thrift Index Valuations

		Price / Earnings		Price / Book Value		Price / TBV		Price Performance			Component Companies
		Weighted Avg	Median	Weighted Avg	Median	Weighted Avg	Median	1 Mo	YTD	12 Mo	
<b>New England</b>	Bank	10.8	11.1	111%	107%	161%	122%	-4.5%	-24.0%	-27.4%	18
	Thrift	18.1	20.5	103%	91%	137%	104%	-2.6%	-13.9%	-16.0%	22
<b>Mid Atlantic</b>	Bank	7.9	15.4	91%	104%	172%	131%	-2.8%	-22.4%	-25.2%	90
	Thrift	14.1	18.1	119%	109%	163%	120%	-2.6%	-14.8%	-18.1%	54
<b>Southeastern</b>	Bank	11.2	13.4	60%	67%	106%	79%	-12.5%	-38.8%	-42.9%	135
	Thrift	18.8	19.8	40%	57%	51%	57%	-19.3%	-55.1%	-58.4%	10
<b>Midwestern</b>	Bank	10.6	13.9	120%	78%	182%	102%	-10.4%	-32.0%	-34.8%	90
	Thrift	13.5	16.1	142%	64%	146%	65%	-12.0%	-40.9%	-42.5%	47
<b>Southwestern</b>	Bank	19.0	16.1	132%	127%	199%	168%	-6.0%	-15.3%	-20.1%	19
	Thrift	29.7	17.0	129%	87%	131%	87%	-3.8%	-15.5%	-18.0%	6
<b>Western</b>	Bank	9.5	13.2	107%	68%	142%	84%	-15.1%	-47.9%	-51.4%	66
	Thrift	16.5	8.2	59%	46%	89%	48%	-12.5%	-54.7%	-57.6%	11

## Index Valuations



## YTD Price Performance



## Economic Data Points - November 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
11/3	Domestic Vehicle Sales	OCT	9.1M	7.9M	9.6M	11/19	CPI Core Index SA	OCT	--	216.801	216.956
11/3	Total Vehicle Sales	OCT	12.0M	10.6M	12.5M	11/19	Consumer Price Index NSA	OCT	216.7	216.573	218.783
11/3	ISM Manufacturing	OCT	41	38.9	43.5	11/19	Housing Starts	OCT	780K	791K	817K
11/3	ISM Prices Paid	OCT	48	37	53.5	11/19	Building Permits	OCT	774K	708K	786K
11/3	Construction Spending MoM	SEP	-0.80%	-0.30%	0.00%	11/19	Minutes of Oct. 28-29 FOMC Meeting				
11/3	U.S. Senior Loan Officer Survey					11/20	Initial Jobless Claims	15-Nov	505K	542K	516K
11/5	Challenger Job Cuts YoY	OCT	--	78.90%	32.60%	11/20	Continuing Claims	8-Nov	3900K	4012K	3897K
11/5	ADP Employment Change	OCT	-102K	-157K	-8K	11/20	Philadelphia Fed.	NOV	-35	-39.3	-37.5
11/5	ISM Non-Manf. Composite	OCT	47	44.4	50.2	11/24	Existing Home Sales	OCT	5.00M	4.98M	5.18M
11/6	Initial Jobless Claims	1-Nov	477K	481K	479K	11/24	Existing Home Sales MoM	OCT	-3.50%	-3.10%	5.50%
11/6	Continuing Claims	25-Oct	3743K	3843K	3715K	11/25	GDP QoQ (Annualized)	3Q P	-0.50%	-0.50%	-0.30%
11/6	ICSC Chain Store Sales YoY	OCT	0.70%	-0.90%	1.00%	11/25	Personal Consumption	3Q P	-3.20%	-3.70%	-3.10%
11/7	Change in Nonfarm Payrolls	OCT	-200K	-240K	-159K	11/25	GDP Price Index	3Q P	4.20%	4.20%	4.20%
11/7	Unemployment Rate	OCT	6.30%	6.50%	6.10%	11/25	Core PCE QoQ	3Q P	2.90%	2.60%	2.90%
11/7	Change in Manufact. Payrolls	OCT	-65K	-90K	-51K	11/25	S&P/CaseShiller Home Price Ind	SEP	163	161.56	164.57
11/7	Pending Home Sales MoM	SEP	-3.40%	-4.60%	7.40%	11/25	S&P/CS Composite-20 YoY	SEP	-16.90%	-17.40%	-16.62%
11/7	Consumer Credit	SEP	\$0.0B	\$6.9B	-\$7.9B	11/25	S&P/Case-Shiller US HPI	3Q	--	150.04	155.32
11/14	Import Price Index (MoM)	OCT	-4.40%	-4.70%	-3.00%	11/25	S&P/Case-Shiller US HPI YOY%	3Q	-17.05%	-16.55%	-15.40%
11/14	Import Price Index (YoY)	OCT	8.20%	6.70%	14.50%	11/25	Consumer Confidence	NOV	38	44.9	38
11/14	Advance Retail Sales	OCT	-2.10%	-2.80%	-1.20%	11/25	House Price Purchase Index QoQ	3Q	--	-1.80%	-1.40%
11/14	Retail Sales Less Autos	OCT	-1.20%	-2.20%	-0.60%	11/25	House Price Index MoM	SEP	-0.70%	-1.30%	-0.60%
11/14	U. of Michigan Confidence	NOV P	57	57.9	57.6	11/26	Durable Goods Orders	OCT	-3.00%	-6.20%	0.80%
11/17	Empire Manufacturing	NOV	-26	-25.43	-24.62	11/26	Durables Ex Transportation	OCT	-1.60%	--	-1.10%
11/18	Producer Price Index (MoM)	OCT	-1.90%	-2.80%	-0.40%	11/26	Personal Income	OCT	0.10%	0.30%	0.20%
11/18	PPI Ex Food & Energy (MoM)	OCT	0.10%	0.40%	0.40%	11/26	Personal Spending	OCT	-1.00%	-1.00%	-0.30%
11/18	Producer Price Index (YoY)	OCT	6.20%	5.20%	8.70%	11/26	PCE Deflator (YoY)	OCT	3.30%	3.20%	4.20%
11/18	PPI Ex Food & Energy (YoY)	OCT	4.00%	4.40%	4.00%	11/26	PCE Core (MoM)	OCT	0.00%	0.00%	0.20%
11/18	Net Long-term TIC Flows	SEP	\$27.2B	\$66.2B	\$14.0B	11/26	PCE Core (YoY)	OCT	2.20%	2.10%	2.40%
11/18	Total Net TIC Flows	SEP	--	\$143.4B	-\$0.4B	11/26	Initial Jobless Claims	22-Nov	535K	529K	542K
11/19	Consumer Price Index (MoM)	OCT	-0.80%	-1.00%	0.00%	11/26	Continuing Claims	15-Nov	4080K	3962K	4012K
11/19	CPI Ex Food & Energy (MoM)	OCT	0.10%	-0.10%	0.10%	11/26	U. of Michigan Confidence	NOV F	57.5	55.3	57.9
11/19	Consumer Price Index (YoY)	OCT	4.00%	3.70%	4.90%	11/26	New Home Sales	OCT	441K	433K	464K
11/19	CPI Ex Food & Energy (YoY)	OCT	2.40%	2.20%	2.50%	11/26	New Home Sales MoM	OCT	-5.00%	-5.30%	2.70%

SOURCE: Bloomberg, LLC

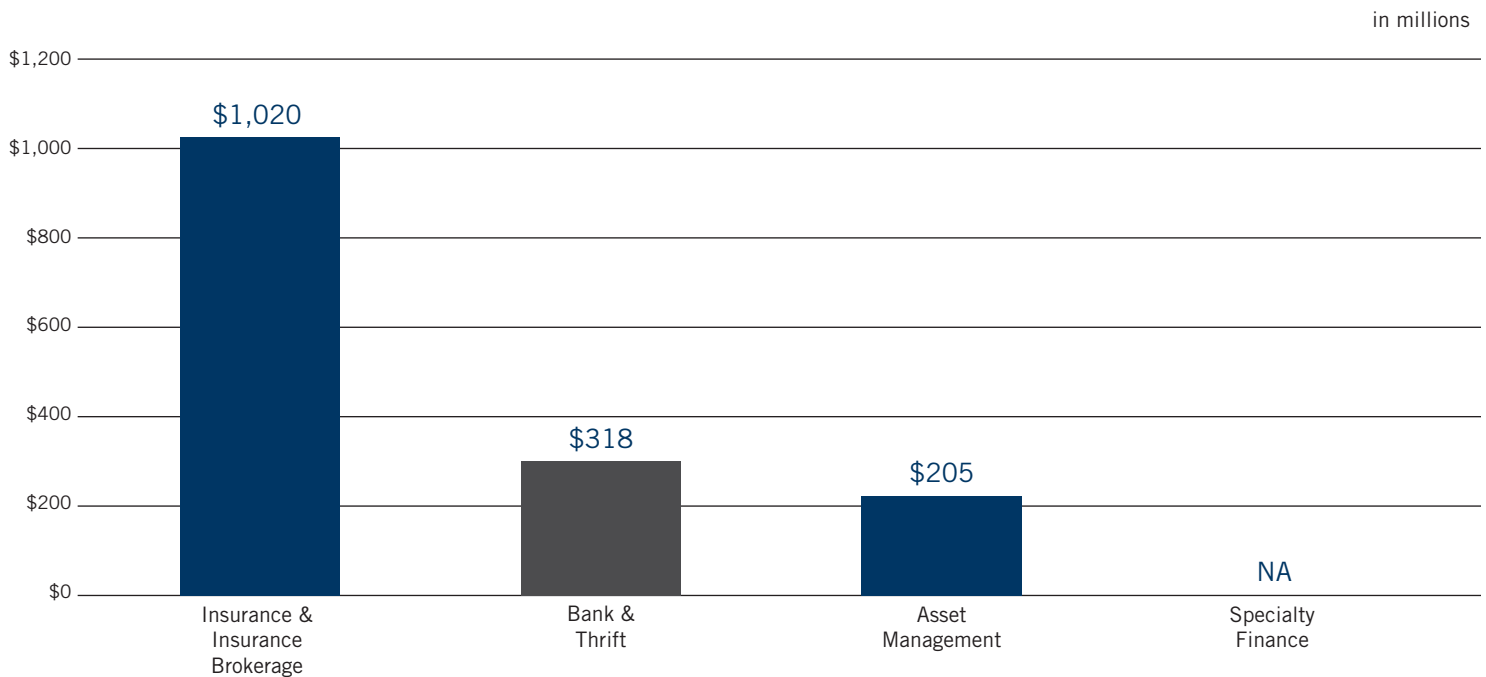
## Economic Data Points - December 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
12/1	ISM Manufacturing	NOV	37	36.2	38.9	12/16	Consumer Price Index (YoY)	NOV	--	--	3.70%
12/1	ISM Prices Paid	NOV	32	25.5	37	12/16	CPI Ex Food & Energy (YoY)	NOV	--	--	2.20%
12/1	Construction Spending MoM	OCT	-1.00%	-1.20%	-0.30%	12/16	Housing Starts	NOV	--	--	791K
12/1	RPX Composite 28dy Index	SEP	--	--	219.67	12/16	CPI Core Index SA	NOV	--	--	216.801
12/1	RPX Composite 28dy YoY	SEP	--	--	-17.96%	12/16	Building Permits	NOV	--	--	708K
12/2	Domestic Vehicle Sales	NOV	7.8M	--	7.9M	12/16	Consumer Price Index NSA	NOV	--	--	216.573
12/2	Total Vehicle Sales	NOV	10.5M	--	10.6M	12/16	U.S. Federal Reserve Open Market Committee Meeting				
12/3	Challenger Job Cuts YoY	NOV	--	--	78.90%	12/16	FOMC Rate Decision	16-Dec	0.75%	--	1.00%
12/3	ADP Employment Change	NOV	-200K	--	--	12/18	Initial Jobless Claims	13-Dec	--	--	--
12/3	ISM Non-Manf. Composite	NOV	42	--	44.4	12/18	Continuing Claims	6-Dec	--	--	--
12/3	Mortgage Delinquencies	3Q	--	--	6.41%	12/23	GDP QoQ (Annualized)	3Q F	--	--	-0.50%
12/4	Initial Jobless Claims	29-Nov	540K	--	529K	12/23	Personal Consumption	3Q F	--	--	-3.70%
12/4	Continuing Claims	22-Nov	4014K	--	3962K	12/23	GDP Price Index	3Q F	--	--	4.20%
12/4	ICSC Chain Store Sales YoY	NOV	-1.10%	--	-0.90%	12/23	Core PCE QoQ	3Q F	--	--	2.60%
12/5	Change in Nonfarm Payrolls	NOV	-325K	--	-240K	12/23	Existing Home Sales	NOV	--	--	4.98M
12/5	Unemployment Rate	NOV	6.80%	--	6.50%	12/23	U. of Michigan Confidence	DEC F	--	--	--
12/5	Change in Manufact. Payrolls	NOV	-80K	--	-90K	12/23	New Home Sales	NOV	--	--	433K
12/5	Consumer Credit	OCT	\$1.5B	--	\$6.9B	12/23	House Price Index MoM	OCT	--	--	-1.30%
12/9	Pending Home Sales MoM	OCT	-2.30%	--	-4.60%	12/23	Existing Home Sales MoM	NOV	--	--	-3.10%
12/11	Import Price Index (MoM)	NOV	-4.00%	--	-4.70%	12/23	New Home Sales MoM	NOV	--	--	-5.30%
12/11	Import Price Index (YoY)	NOV	--	--	6.70%	12/24	Personal Income	NOV	--	--	0.30%
12/11	Initial Jobless Claims	6-Dec	--	--	--	12/24	PCE Deflator (YoY)	NOV	--	--	3.20%
12/11	Continuing Claims	29-Nov	--	--	--	12/24	Durable Goods Orders	NOV	--	--	-6.20%
12/12	Producer Price Index (MoM)	NOV	-1.80%	--	-2.80%	12/24	Personal Spending	NOV	--	--	-1.00%
12/12	PPI Ex Food & Energy (MoM)	NOV	0.20%	--	0.40%	12/24	Durables Ex Transportation	NOV	--	--	-4.40%
12/12	Producer Price Index (YoY)	NOV	--	--	5.20%	12/24	PCE Core (MoM)	NOV	--	--	0.00%
12/12	PPI Ex Food & Energy (YoY)	NOV	--	--	4.40%	12/24	PCE Core (YoY)	NOV	--	--	2.10%
12/12	Advance Retail Sales	NOV	-1.40%	--	-2.80%	12/24	Initial Jobless Claims	20-Dec	--	--	--
12/12	Retail Sales Less Autos	NOV	-1.70%	--	-2.20%	12/24	Continuing Claims	13-Dec	--	--	--
12/12	U. of Michigan Confidence	DEC P	58	--	55.3	12/30	S&P/CaseShiller Home Price Ind	OCT	--	--	161.6
12/15	Empire Manufacturing	DEC	--	--	-25.4	12/30	S&P/CS Composite-20 YoY	OCT	--	--	-17.40%
12/16	Consumer Price Index (MoM)	NOV	--	--	-1.00%	12/30	Consumer Confidence	DEC	--	--	44.9
12/16	CPI Ex Food & Energy (MoM)	NOV	--	--	-0.10%	12/31	Initial Jobless Claims	27-Dec	--	--	--

SOURCE: Bloomberg, LLC

## M&A Transaction Update

### Announced Transactions - November 2008



SOURCE: SNL Financial, Bloomberg, Factiva

### Deal Count - November 2008

Insurance & Insurance Brokerage	18
Asset Management & Broker/Dealer	10
Bank & Thrift	8
Specialty Finance	2

SOURCE: SNL Financial, Bloomberg, Factiva

### Deal Count - 2008 YTD

Insurance & Insurance Brokerage	203
Asset Management & Broker/Dealer	130
Bank & Thrift	95
Specialty Finance	47

SOURCE: SNL Financial, Bloomberg, Factiva

### Top Financial Advisors in Bank and Thrift Transactions

Last Two Years, Sell-Side Advisory Transactions

Rank	Firm	# of Deals
1	Sandler, O'Neill & Partners, L.P	50
2	Keefe, Bruyette & Woods, Inc	45
<b>3</b>	<b>Hovde Financial</b>	<b>25</b>
4	Howe Barnes Hoefler & Arnett, Inc.	23
5	Stifel, Nicolaus & Company, Incorporated	17
6	Goldman, Sachs & Co.	14
7	Sheshunoff & Co. Investment Banking LP	12
8	Berkshire Capital Securities LLC	11
8	Carson Medlin Company	11
10	Austin Associates, LLC	8

SOURCE: SNL Financial (data from 9/30/2006 - 9/30/2008)

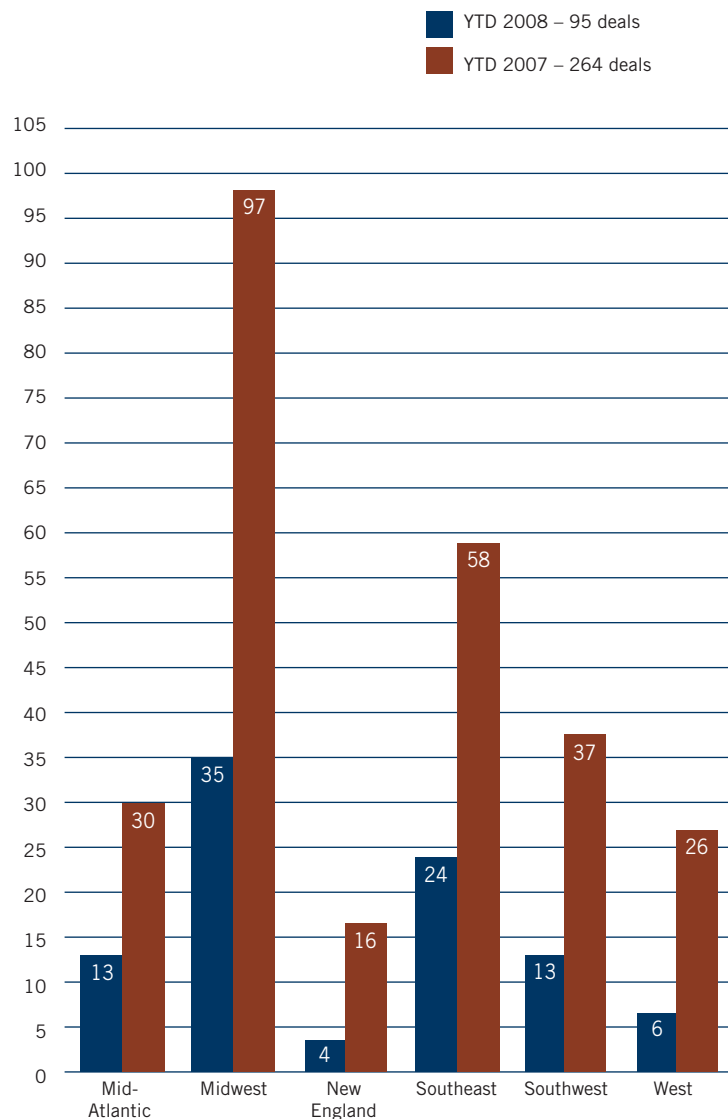
## Bank & Thrift Transactions - November 2008

Buyer	Buyer State	Target	Target State	Announced	DV (\$MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
P/R Bancorp	IN	Symphony Bank	IN	11/3/08	3.9	NM	59.0	-8.67
Lake Shore Wisconsin Corporation	WI	Hiawatha Bancshares, Inc.	WI	11/7/08	NA	NA	NA	NA
Pennsylvania Commerce Bancorp, Inc.	PA	Republic First Bancorp, Inc.	PA	11/7/08	123.6	NM	133.9	8.34
Independent Bank Corp.	MA	Benjamin Franklin Bancorp, Inc.	MA	11/8/08	124.8	25.0	172.0	9.64
Tower Bancorp, Inc.	PA	Graystone Financial Corp.	PA	11/12/08	56.3	NM	NM	NM
Genworth Financial, Inc.	VA	Inter Savings Bank, FSB	MN	11/14/08	NA	NA	NA	NA
Hartford Financial Services Group, Inc.	CT	Federal Trust Corporation	FL	11/14/08	9.4	NM	43.1	-4.28
Protective Life Corporation	AL	Bonifay Holding Company, Inc.	FL	11/18/08	NA	NA	NA	NA

SOURCE: SNL Financial

## Bank & Thrift Transactions

by Region



SOURCE: SNL Financial

## Deal Pricing by Region - 2008 YTD

Region	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern (x)	P/ Core Dep Prem (%)
Mid-Atlantic	\$2,547	154.8	28.4	10.9
Midwest	\$6,190	168.5	29.6	8.0
New England	\$310	169.7	23.8	9.6
Southeast	\$16,654	183.9	24.9	12.1
Southwest	\$590	245.7	19.7	12.0
West	\$8,177	104.9	39.1	6.0
<b>Total</b>	<b>\$34,468</b>	<b>176.9</b>	<b>27.1</b>	<b>9.8</b>

SOURCE: SNL Financial

## Deal Pricing by Quarter

Quarter	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern (x)	P/ Core Dep Prem (%)
2Q2006	\$47,362	239.6	26.5	17.9
3Q2006	\$6,486	264.6	24.9	19.3
4Q2006	\$37,379	253.4	26.1	20.4
1Q2007	\$20,978	260.6	26.8	22.3
2Q2007	\$30,841	229.3	26.5	16.4
3Q2007	\$9,201	215.3	26.2	17.9
4Q2007	\$11,640	197.6	23.5	11.9
1Q2008	\$5,089	192.3	25.2	12.7
2Q2008	\$1,835	199.2	30.1	8.7
3Q2008	\$27,226	145.0	27.1	8.6
4Q2008	\$318	102.0	25.0	1.3

SOURCE: SNL Financial

## Insurance and Insurance Brokerage Transactions - November 2008

Buyer	Target	Announced	DV (\$MM)
HCC Insurance Holdings, Inc.	Cox Insurance Group	11/3/2008	NA
Capital Blue Cross	Dominion Dental Services, Inc.	11/4/2008	NA
Hub International Limited	M&L Insurance Services Corporation	11/6/2008	NA
W.R. Berkley Corporation	NEMI Forsikring ASA	11/11/2008	NA
Undisclosed buyer	Network Insurance Senior Health Division, Inc.	11/11/2008	NA
Arthur J. Gallagher & Co.	Uintah Basin Insurance Agency, Inc.	11/13/2008	NA
Brown & Brown, Inc.	Agency Associates, Inc.	11/13/2008	NA
American United Mutual Insurance Holding Company	Shenandoah Life Insurance Company	11/14/2008	NA
Assured Guaranty Ltd.	Financial Security Assurance Holdings Ltd.	11/14/2008	722.0
State Automobile Mutual Insurance Company	Rockhill Holding Company	11/17/2008	NA
Arthur J. Gallagher & Co.	HR Group, LLC	11/17/2008	NA
Brown & Brown, Inc.	Small business insurance unit of Conner Strong	11/17/2008	NA
Arthur J. Gallagher & Co.	Continental Special Risks Inc.	11/24/2008	NA
Wells Fargo & Company	Doeren Mayhew Risk Management, LLC	11/24/2008	NA
Fidelity National Financial, Inc.	Commonwealth Land Title Insurance Company	11/25/2008	158.6
Fidelity National Financial, Inc.	Lawyers Title Ins Corp & United Capital Title Ins Co	11/25/2008	139.4
MidWestOne Financial Group, Inc.	Butler-Brown Insurance	11/25/2008	NA
QBE Insurance Group Limited	Two undisclosed underwriting agencies	11/26/2008	NA

SOURCE: Factiva, AM Best

## Asset Management/Broker-Dealer Transactions - November 2008

Buyer	Target	Announced	DV (\$MM)
Thomson Reuters Corporation	Hilliard Farber & Co., Inc.	11/3/2008	NA
Titanium Asset Management Corporation	Boyd Watterson Asset Management, LLC	11/7/2008	16.8
Maedgen & White, Ltd.	First Southwest Holdings, Incorporated	11/7/2008	NA
Eaton Vance Corp.	M.D. Sass Tax Advantaged Bond Strategies, L.L.C	11/10/2008	30.0
American Capital, Limited	European Capital Limited	11/10/2008	158.2
Alaron.com Holding Corporation	Axis Global Management	11/13/2008	NA
River Road Asset Management, LLC	River Road Asset Management, LLC	11/17/2008	NA
Ontario Teachers' Pension Plan Board	Washington Analysis Corporation	11/19/2008	NA
Windy City Investments Holdings, LLC	Winslow Capital Management, Inc.	11/24/2008	NA
Wedbush Inc.	First Wall Street Corp.	11/24/2008	NA

SOURCE: Factiva, Bloomberg

## Specialty Finance Transactions - November 2008

Buyer	Target	Announced	DV (\$MM)
F & M Bank Corp.	VBS Mortgage	11/3/2008	NA
Undisclosed buyer	Celtic Capital Corporation	11/26/2008	NA

SOURCE: Factiva, Bloomberg, Reuters