



# Hovde

Financial Institutions  
Monthly Overview

Capital Markets  
Economic Data Review  
M&A Statistics

February 2008

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## February 2008 - Hovde Monthly Overview

Economic Outlook.....	page 1
Capital Markets .....	page 2
Proprietary Index Valuations.....	page 3
Economic Data Review .....	page 4
Mergers & Acquisitions.....	page 5

### About Hovde

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*"If you are out to describe the truth, leave elegance to the tailor."  
—Albert Einstein*

Truth be told, bank and thrift earnings for the fourth quarter were a disaster and the canvas for 2008 may not offer the industry much chance to paint a more attractive picture. In the fourth quarter of 2007, 62% of companies in the SNL Bank & Thrift Index with sell-side coverage missed consensus EPS estimates (which is all-the-more startling because a large percentage of them had pre-announced and lowered expectations in advance of their earnings releases). According to the FDIC, net income for insured institutions (commercial banks and savings institutions) declined by more than 27% in 2007 to \$105.5 billion. Net income in the final quarter alone plummeted 83% year-over-year to a paltry \$5.8 billion—its lowest point since the 1991 recession. The average ROA in the quarter was only 0.18%, representing the lowest quarterly figure since the fourth quarter of 1990.

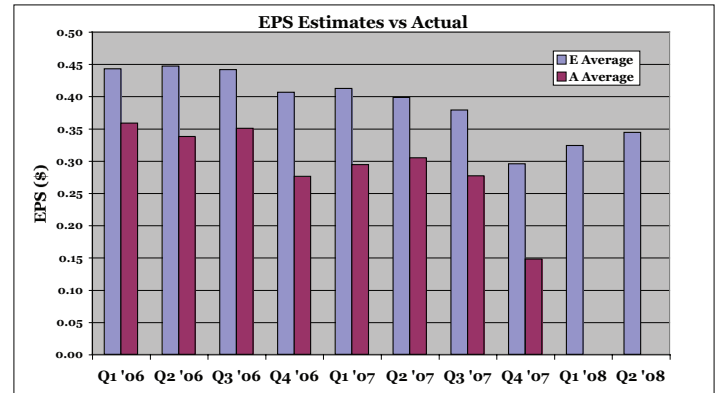
Companies were forced to respond to the continuing deterioration in the credit and housing markets by setting aside a record \$31.3 billion in provisions for loan losses in the fourth quarter of 2007—nearly *double* the amount from the third quarter and more than *triple* the amount earmarked during the same period a year earlier. In addition, write-downs of goodwill and other intangibles totaled \$7.4 billion versus \$1.6 billion the prior year. While significant, these goodwill write-downs clearly paled in comparison to the provisions and write-downs tied to ongoing credit issues. Furthermore, loans on nonaccrual status or past due more than 90 days increased by 32.5%—the sharpest quarterly rise in the 24 years the FDIC has been aggregating such data. Consequently, the coverage ratio of reserves to nonperforming loans (NPLs) dropped from \$1.05 in reserves for every dollar of NPLs to 93 cents by the end of 2007. This represents the first time since 1993 that the industry's NPLs exceeded its reserves.

*We know...figures like these sometimes take a few moments to fully sink in.* However, despite the magnitude of these numbers, we get the feeling that more of these "worst-in-a-decade" headlines will be forthcoming for quite some time. Taken in aggregate, these results and the ongoing drivers behind them continue to reflect the four primary headwinds for the banking sector that we have been highlighting: deteriorating credit quality, margin compression, stalling balance sheet growth, and stressed capital levels. Unfortunately, these issues will continue to cause problems for the industry and we do not foresee much relief in the upcoming quarters of 2008.

Indeed, for the almost 300 banks and thrifts with sell-side coverage, the median 2008 earnings estimate has declined 5% in the past month. Additionally, closer scrutiny reveals that estimates for only eight companies have increased by 10% or more, whereas earnings estimates for 81 companies have been reduced by 10% or more; a 10-to-1 ratio of banks or thrifts experiencing double-digit earnings estimate decreases versus increases. Not coincidentally, those exhibiting the largest reductions in earnings estimates tend to have significant exposure to residential construction activities in previous high-growth markets such as California, Florida and Arizona or in economically depressed markets in the Midwest like Michigan and Ohio.

Consequently, while current 2008 fiscal year estimates for banks and thrifts imply only a median growth rate of 0.2%—essentially flat versus 2007—we believe that even this paltry growth will be extremely difficult to achieve in the midst of ongoing margin and

balance sheet pressures and credit deterioration that will remain relatively constant throughout the rest of the year. More importantly, we fully expect that consensus estimates will continue to be revised downward over the course of the year as analysts' and most banks' expectations—at least what are stated publicly—continue to lag the realities of the banking environment.



(Source: SNL Financial)

For instance, we believe analysts are over-estimating the benefits of lower, short-term rates. Because the Fed has drastically cut short-term rates in such a brief amount of time, banks have not been able to reprice deposit rates nearly as quickly, particularly in markets where competition is fierce. However, as a larger portion of their loans contractually reprice on a monthly basis (especially those with LIBOR-based books), they will face further margin pressures as short-term rates rapidly decline. For instance, when examining the national averages for savings, money market, and interest checking rates over the past six months, banks have lowered their rates on these products by approximately 50 to 100 basis points versus the 225 basis points in Fed rate cuts since September 2007.<sup>1</sup> This means that the industry has only been able to pass along about 20%-45% of the rate cuts to depositors, forcing banks and their investors to bear the brunt of this contraction in spreads.

When we take a step back and digest *all* of these factors, 2008 does not appear to be a promising year for the bank and thrift industry. The truth is, with so many problems—downward estimate revisions and their surrounding catalysts, further credit deterioration, continued margin and balance sheet pressures—the banking and thrift system has found itself in a state of uncertainty for the foreseeable future. There are simply too many headwinds in this space for a timely recovery to occur and it will take far more than some of the proposed initiatives for these pressures to work their course through the banks and thrifts. *Furthermore*, if the proverbial other shoe drops (i.e., commercial mortgages)—and we are starting to see early signs that it might—what happens to these institutions who would now face even greater exposure?

What we *do* know are that the challenges facing the bank and thrift industry are numerous and deep in their scope. As for what the implications are for this space and the rest of the financial markets in terms of proposed initiatives, such as those surrounding the possible rescue of the troubled bond insurers...those truths will have to be saved for a future *Monthly Overview*.

<sup>1</sup> [www.bankrate.com](http://www.bankrate.com)

## Federal Reserve Aggregate Bank Data

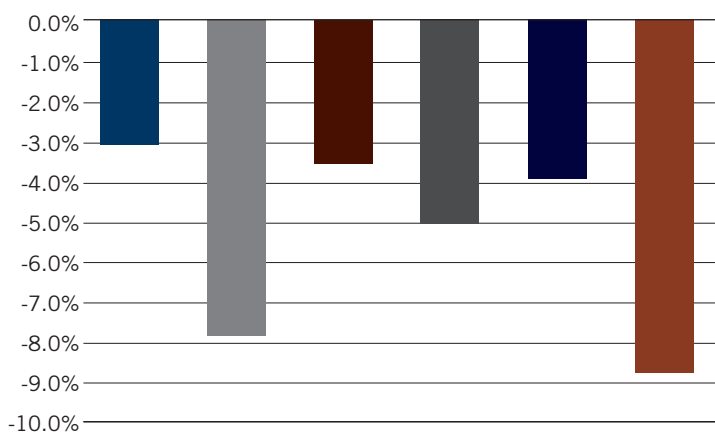
	1/2007	5/2007	6/2007	7/2007	8/2007	9/2007	10/2007	11/2007	12/2007	1/2008	MoM	YoY
<b>ASSETS</b>												
Securities												
Secs in Bank Credit	2,213	2,283	2,302	2,312	2,339	2,370	2,404	2,466	2,441	2,431	-0.4%	9.9%
Treasury & Agency	1,195	1,175	1,179	1,184	1,183	1,170	1,136	1,119	1,111	1,103	-0.7%	-7.7%
Other	1,018	1,107	1,123	1,131	1,156	1,200	1,268	1,346	1,330	1,328	-0.2%	30.4%
Loans and Leases												
C&I	1,193	1,242	1,259	1,278	1,312	1,358	1,397	1,412	1,435	1,449	0.9%	21.4%
Real Estate	3,345	3,395	3,413	3,422	3,447	3,476	3,549	3,569	3,584	3,602	1.1%	9.5%
Consumer	744	752	762	770	777	784	782	792	805	815	1.1%	9.5%
Other	518	542	574	585	629	651	669	664	673	697	3.6%	34.5%
Other Assets	842	854	867	880	895	922	934	951	961	982	2.1%	16.5%
<b>Total Assets</b>	<b>9,751</b>	<b>9,972</b>	<b>10,031</b>	<b>10,121</b>	<b>10,301</b>	<b>10,473</b>	<b>10,627</b>	<b>10,781</b>	<b>10,853</b>	<b>10,929</b>	<b>0.7%</b>	<b>12.1%</b>
<b>LIABILITIES</b>												
Deposits												
Transaction	646	649	623	610	628	608	622	608	593	615	3.7%	-4.8%
Nontransaction	5,695	5,703	5,655	5,692	5,745	5,823	5,943	6,032	6,070	6,098	0.5%	7.1%
Large time	1,730	1,803	1,779	1,774	1,822	1,872	1,972	2,032	2,020	2,058	1.9%	18.9%
Other	3,965	3,901	3,876	3,918	3,923	3,951	3,971	4,000	4,050	4,040	-0.2%	1.9%
Borrowings	1,958	2,059	2,096	2,115	2,202	2,252	2,209	2,241	2,324	2,268	-2.4%	15.8%
Other Liabilities	572	596	604	600	597	600	628	672	660	701	6.2%	22.6%
<b>Total Liabilities</b>	<b>8,889</b>	<b>8,959</b>	<b>8,955</b>	<b>9,068</b>	<b>9,216</b>	<b>9,375</b>	<b>9,506</b>	<b>9,659</b>	<b>9,758</b>	<b>9,794</b>	<b>0.4%</b>	<b>10.2%</b>
<b>Residual (assets less liabilities)</b>	<b>862</b>	<b>1,012</b>	<b>1,075</b>	<b>1,053</b>	<b>1,085</b>	<b>1,098</b>	<b>1,121</b>	<b>1,122</b>	<b>1,095</b>	<b>1,135</b>	<b>3.6%</b>	<b>31.7%</b>

all values in \$ billions

SOURCE: Federal Reserve Documents

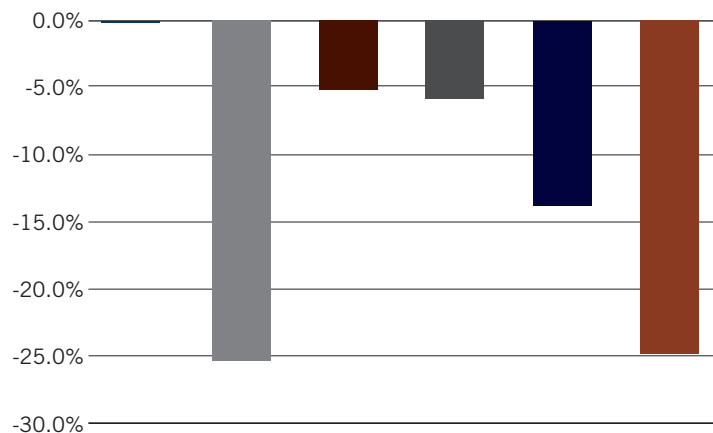
## Major Market Index Performance

### February 2008



SOURCE: Bloomberg, LLC

### Last Twelve Months



SOURCE: Bloomberg, LLC

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

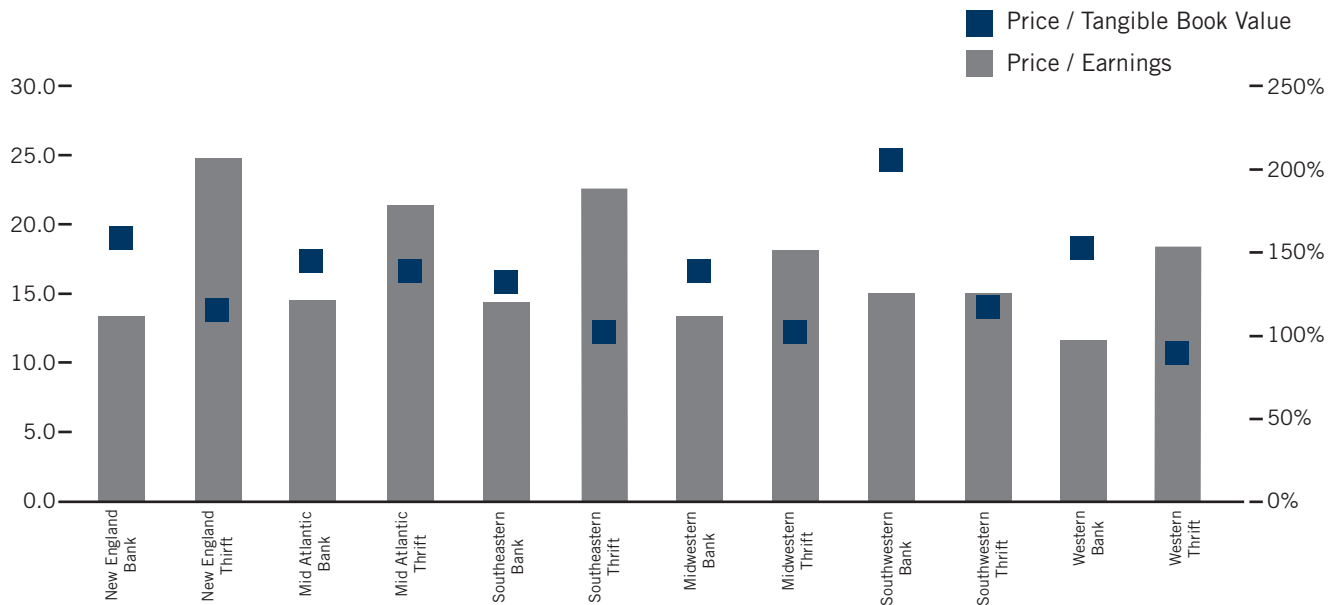
	3/2007	4/2007	5/2007	6/2007	7/2007	8/2007	9/2007	10/2007	11/2007	12/2007	1/2008	2/2008
Dow Jones	0.7%	5.7%	4.3%	-1.6%	-1.5%	1.4%	3.7%	0.2%	-4.0%	-0.8%	-4.6%	-3.0%
S&P Financial	-0.9%	4.0%	2.0%	-4.3%	-7.9%	1.3%	2.0%	-2.0%	-8.0%	-5.7%	-0.6%	-7.7%
S&P 500	1.0%	4.3%	3.3%	-1.8%	-3.2%	1.3%	3.6%	1.5%	-4.4%	-0.9%	-6.1%	-3.5%
NASDAQ	0.2%	4.3%	3.1%	0.0%	-2.2%	2.0%	4.0%	5.8%	-6.9%	-0.3%	-9.9%	-5.0%
Russell 2000	0.9%	1.7%	4.0%	-1.6%	-6.9%	2.2%	1.6%	2.8%	-7.3%	-0.2%	-6.9%	-3.8%
NASDAQ Bank	-1.7%	-1.9%	1.8%	-3.4%	-7.9%	4.0%	0.1%	-2.9%	-3.9%	-5.4%	2.7%	-8.6%

SOURCE: Bloomberg, LLC

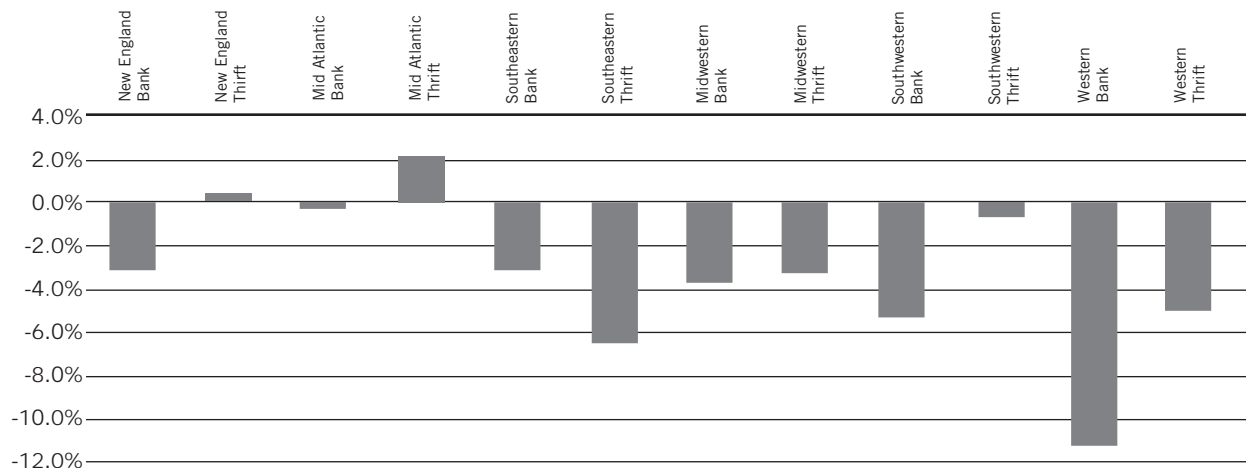
## Bank and Thrift Index Valuations

		Price / Earnings		Price / Book Value		Price / TBV		Price Performance			Component Companies
		Weighted Avg	Median	Weighted Avg	Median	Weighted Avg	Median	1 Mo	YTD	12 Mo	
<b>New England</b>	Bank	14.6	13.5	146%	125%	249%	157%	-1.8%	-2.9%	-16.3%	21
	Thrift	24.9	24.6	95%	103%	113%	115%	2.1%	0.3%	-16.7%	22
<b>Mid Atlantic</b>	Bank	13.0	14.4	126%	132%	163%	152%	-0.4%	-0.3%	-19.3%	90
	Thrift	15.9	21.5	133%	127%	197%	144%	0.6%	2.2%	-17.3%	56
<b>Southeastern</b>	Bank	9.7	14.2	103%	111%	192%	133%	-2.3%	-2.8%	-30.2%	135
	Thrift	11.7	22.7	68%	88%	88%	100%	1.1%	-6.5%	-40.3%	11
<b>Midwestern</b>	Bank	9.7	13.4	164%	111%	245%	145%	-2.0%	-3.7%	-23.1%	90
	Thrift	17.7	17.9	154%	92%	159%	97%	-2.7%	-3.3%	-23.9%	47
<b>Southwestern</b>	Bank	17.8	14.1	136%	131%	212%	208%	-3.9%	-5.3%	-22.6%	19
	Thrift	12.7	14.3	90%	106%	105%	108%	-1.0%	-0.7%	-25.7%	6
<b>Western</b>	Bank	14.1	11.9	145%	121%	189%	150%	-6.4%	-11.2%	-38.4%	69
	Thrift	20.0	18.4	84%	83%	100%	86%	-6.0%	-4.9%	-42.5%	15

## Index Valuations



## YTD Price Performance



SOURCE: SNL Financial and Bloomberg, LLC

## Economic Data Points - February 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
2/1	Change in Nonfarm Payrolls	JAN	70K	-17K	18K	2/20	Consumer Price Index NSA	JAN	210.9	211.08	210.036
2/1	Unemployment Rate	JAN	5.00%	4.90%	5.00%	2/20	Housing Starts	JAN	1010K	1012K	1006K
2/1	Change in Manufact. Payrolls	JAN	-20K	-28K	-31K	2/20	Building Permits	JAN	1050K	1048K	1068K
2/1	ISM Manufacturing	JAN	47.3	50.7	47.7	2/20	Minutes of January 29-30 FOMC Meeting				
2/1	ISM Price Paid	JAN	68	76	68	2/21	Philadelphia Fed.	FB	-10	-24	-20.9
2/1	Construction Spending MoM	DEC	-0.50%	-1.10%	0.10%	2/25	Existing Home Sales	JAN	4.80M	4.89M	4.89M
2/1	Total Vehicle Sales	JAN	16.0M	15.2M	16.3M	2/25	Existing Home Sales (MoM)	JAN	-1.80%	-0.40%	-2.20%
2/1	Domestic Vehicle Sales	JAN	12.3M	11.7M	12.5M	2/26	Producer Price Index (MoM)	JAN	0.40%	1.00%	-0.10%
2/4	Challenger Job Cuts YoY	JAN	--	19.10%	-18.70%	2/26	PPI Ex Food & Energy (MoM)	JAN	0.20%	0.40%	0.20%
2/5	ISM Non-Manufact. Composite	JAN	52.5	44.6	53.2	2/26	Producer Price Index (YoY)	JAN	7.30%	7.40%	6.30%
2/5	ISM Non-Manufacturing	JAN	53	41.9	54.4	2/26	PPI Ex Food & Energy (YoY)	JAN	2.20%	2.30%	2.00%
2/7	Pending Home Sales MoM	DEC	-1.00%	-1.50%	-2.60%	2/26	S&P/CaseShiller Home Price Index	DEC	--	184.9	188.8
2/7	ICSC Chain Store Sales YoY	JAN	0.80%	0.50%	0.90%	2/26	S&P/CS Composite-20 YoY	DEC	-9.70%	-9.10%	-7.70%
2/7	Consumer Credit	DEC	\$7.4B	\$4.5B	\$15.4B	2/26	Consumer Confidence	FEB	82	75	87.9
2/12	IBD/TIPP Economic Optimism	FEB	42.3	44.5	43.2	2/26	Richmond Fed Manufact. Index	FEB	-12	-5	-8
2/12	Monthly Budget Statement	JAN	\$20.0B	\$17.8B	\$38.2B	2/27	Durable Goods Orders	JAN	-4.00%	-5.30%	5.20%
2/13	Advance Retail Sales	JAN	-0.30%	0.30%	-0.40%	2/27	Durables Ex Transportation	JAN	-1.40%	-1.60%	2.60%
2/13	Retail Sales Less Autos	JAN	0.20%	0.30%	-0.40%	2/27	New Home Sales	JAN	600K	588K	604K
2/13	Business Inventories	DEC	0.50%	0.60%	0.40%	2/27	New Home Sales MoM	JAN	-0.70%	-2.80%	-4.70%
2/14	Trade Balance	DEC	-\$61.5B	-\$58.8B	-\$63.1B	2/27	Bernanke Report on Economy & Fed Policy				
2/15	Import Price Index (MoM)	JAN	0.50%	1.70%	0.00%	2/28	GDP Annualized	4Q P	0.80%	0.60%	0.60%
2/15	Import Price Index (YoY)	JAN	12.70%	13.70%	10.90%	2/28	Personal Consumption	4Q P	2.00%	1.90%	2.00%
2/15	Empire Manufacturing	FEB	6.5	-11.7	9	2/28	GDP Price Index	4Q P	2.60%	2.70%	2.60%
2/15	Industrial Production	JAN	0.10%	0.10%	0.00%	2/28	Core PCE QoQ	4Q P	2.70%	2.70%	2.70%
2/15	Capacity Utilization	JAN	81.30%	81.50%	81.40%	2/29	Personal Income	JAN	0.20%	0.30%	0.50%
2/20	Consumer Price Index (MoM)	JAN	0.30%	0.40%	0.30%	2/29	Personal Spending	JAN	0.20%	0.40%	0.20%
2/20	CPI Ex Food & Energy (MoM)	JAN	0.20%	0.30%	0.20%	2/29	PCE Deflator (YoY)	JAN	3.50%	3.70%	3.50%
2/20	Consumer Price Index (YoY)	JAN	4.20%	4.30%	4.10%	2/29	PCE Core (MoM)	JAN	0.30%	0.30%	0.20%
2/20	CPI Ex Food & Energy (YoY)	JAN	2.40%	2.50%	2.40%	2/29	PCE Core (YoY)	JAN	2.20%	2.20%	2.20%
2/20	CPI Core Index SA	JAN	--	213.765	213.148	2/29	Chicago Purchasing Manager	FEB	49.5	44.5	51.5

SOURCE: Bloomberg, LLC

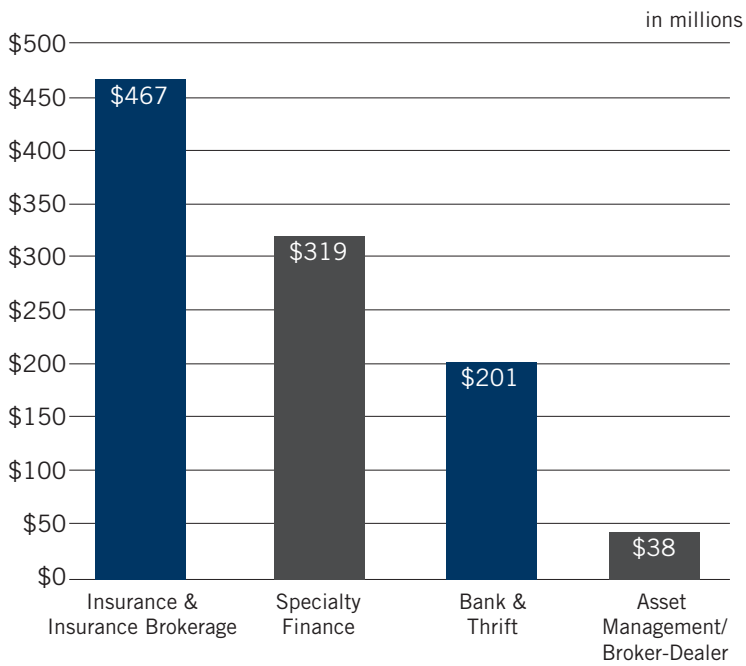
## Economic Data Points - March 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
3/3	ISM Manufacturing	FEB	48	48.3	50.7	3/17	Empire Manufacturing	MAR	--	--	-11.7
3/3	ISM Prices Paid	FEB	73.5	75.5	76	3/17	Industrial Production	FEB	--	--	0.10%
3/3	Construction Spending MoM	JAN	-0.70%	-1.70%	-1.10%	3/17	Capacity Utilization	FEB	--	--	81.50%
3/3	Total Vehicle Sales	FEB	15.5M	15.4M	15.2M	3/18	Producer Price Index (MoM)	FEB	--	--	1.00%
3/3	Domestic Vehicle Sales	FEB	11.9M	11.7M	11.7M	3/18	PPI Ex Food & Energy (MoM)	FEB	--	--	0.40%
3/5	Challenger Job Cuts YoY	FEB	--	--	19.10%	3/18	Producer Price Index (YoY)	FEB	--	--	7.40%
3/5	ADP Employment Change	FEB	18K	--	130K	3/18	PPI Ex Food & Energy (YoY)	FEB	--	--	2.30%
3/5	Factory Orders	JAN	-2.50%	--	2.30%	3/18	Housing Starts	FEB	--	--	1012K
3/5	ISM Non-Manufact. Composite	FEB	47.3	--	44.6	3/18	Building Permits	FEB	--	--	1048K
3/6	Pending Home Sales MoM	JAN	-1.00%	--	-1.50%	3/18	FOMC Rate Decision	18-Mar	2.75%	--	3.00%
3/6	ICSC Chain Store Sales YoY	FEB	0.60%	--	0.50%	3/20	Philadelphia Fed.	MAR	--	--	-24
3/7	Change in Nonfarm Payrolls	FB	25K	--	-17K	3/24	Existing Home Sales	FEB	--	--	4.89M
3/7	Unemployment Rate	FEB	5.00%	--	4.90%	3/24	Existing Home Sales MoM	FEB	--	--	-0.40%
3/7	Change in Manufact. Payrolls	FEB	-25K	--	-28K	3/25	S&P/Case-Shiller Home Price Index	JAN	--	--	184.9
3/7	Consumer Credit	JAN	\$7.0B	--	\$4.5B	3/25	S&P/CS Composite-20 YoY	JAN	--	--	-9.10%
3/11	Trade Balance	JAN	-\$59.5B	--	-\$58.8B	3/25	Richmond Fed Manufact. Index	MAR	--	--	-5
3/11	IBD/TIPP Economic Optimism	MAR	42	--	44.5	3/26	Durable Goods Orders	FEB	--	--	-5.30%
3/12	Monthly Budget Statement	FEB	-\$136.7B	--	-\$120.0B	3/26	Durables Ex Transportation	FEB	--	--	-1.60%
3/13	Import Price Index (MoM)	FEB	0.70%	--	1.70%	3/26	New Home Sales	FEB	--	--	588K
3/13	Import Price Index (YoY)	FEB	--	--	13.70%	3/26	New Home Sales MoM	FEB	--	--	-2.80%
3/13	Advance Retail Sales	FEB	0.30%	--	0.30%	3/27	GDP Annualized	4Q F	--	--	0.60%
3/13	Retail Sales Less Autos	FEB	0.20%	--	0.30%	3/27	Personal Consumption	4Q F	--	--	1.90%
3/13	Business Inventories	JAN	0.30%	--	0.60%	3/27	GDP Price Index	4Q F	--	--	2.70%
3/14	Consumer Price Index (MoM)	FEB	0.30%	--	0.40%	3/27	Core PCE QoQ	4Q F	--	--	2.70%
3/14	CPI Ex Food & Energy (MoM)	FEB	0.20%	--	0.30%	3/28	Personal Income	FEB	--	--	0.30%
3/14	Consumer Price Index (YoY)	FEB	--	--	4.30%	3/28	Personal Income	FEB	--	--	3.70%
3/14	CPI Ex Food & Energy (YoY)	FEB	--	--	2.50%	3/28	PCE Deflator (YoY)	FEB	--	--	0.40%
3/14	CPI Core Index SA	FEB	--	--	213.765	3/28	Personal Spending	FEB	--	--	0.30%
3/14	Consumer Price Index NSA	FEB	--	--	211.08	3/28	PCE Core (MoM)	FEB	--	--	2.20%
3/17	Current Account Balance	4Q	--	--	-\$178.5B	3/31	Chicago Purchasing Manager	MAR	--	--	44.5

SOURCE: Bloomberg, LLC

## M&A Transaction Update

### Announced Transactions - February 2008



SOURCE: SNL Financial, Bloomberg, Factiva

### Deal Count - February 2008

Bank & Thrift	7
Insurance & Insurance Brokerage	22
Specialty Finance	5
Asset Management & Broker/Dealer	14

SOURCE: SNL Financial, Bloomberg, Factiva

### Deal Count - 2008 YTD

Bank & Thrift	19
Insurance & Insurance Brokerage	57
Specialty Finance	6
Asset Management & Broker/Dealer	31

SOURCE: SNL Financial, Bloomberg, Factiva

### Hovde Financial Deal Alert

Hovde Financial is pleased to announce that its client, Liberty Bank, headquartered in North Richland Hills, Texas, has signed a definitive agreement to be acquired by Texas American Acquisition Group, Inc. ("TAAG") in a 100% cash transaction.

As of December 31, 2007, Liberty Bank had \$103.5 million in assets with four branches in Tarrant County, Texas. This transaction represents the first acquisition by TAAG. TAAG is a newly formed holding company led by former board members of Summit Bancshares, Inc. Summit was acquired by Cullen/Frost Bankers, Inc., in 2006.

### Top Financial Advisors in Bank and Thrift Transactions

Last Two Years, Sell-Side Advisory Transactions

Rank	Firm	# of Deals
1	Keefe, Bruyette & Woods, Inc.	55
2	Sandler O'Neill & Partners, LP	51
<b>3</b>	<b>Hovde Financial</b>	<b>47</b>
4	Howe Barnes Hoefer & Arnett, Inc.	30
5	Stifel, Nicolaus & Company, Inc.	22
6	Sheshunoff & Co. Investment Banking LP	16
7	Austin Associates, LLC	8
7	Goldman, Sachs & Co.	8
7	McAdams Wright Ragen, Inc.	8
7	SAMCO Capital Markets, Inc.	8

SOURCE: SNL Financial (data from 1/28/2006 - 2/29/2008)

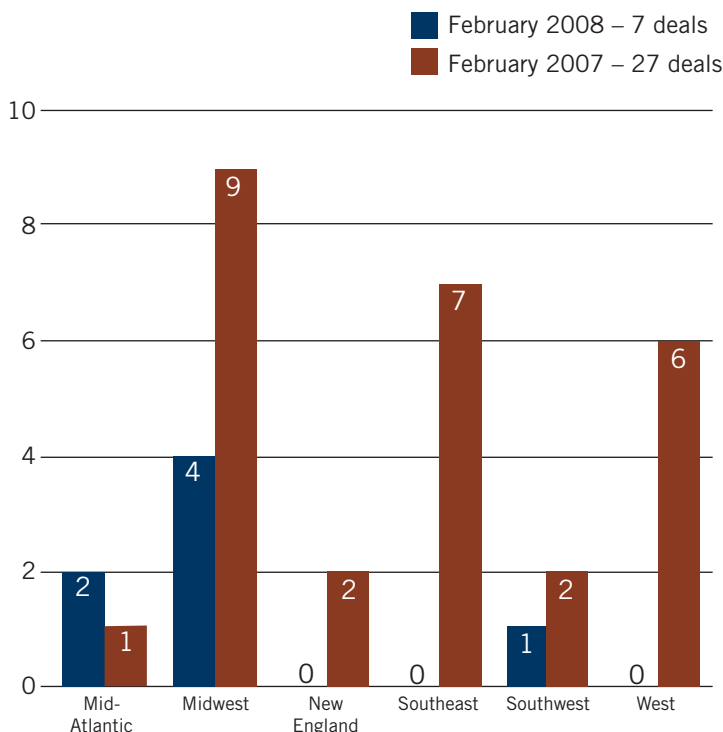
## Bank & Thrift Transactions - February 2008

Buyer	Buyer State	Target	Target State	Announced	DV (\$MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
F.N.B. Corporation	PA	Iron & Glass Bancorp, Inc.	PA	2/14/2008	87.8	23.6	228.8	28.6
First Community Bancshares, Incorporated	AR	Goodman State Bank	MO	2/26/2008	NA	NA	NA	NA
First Financial Bancshares Inc.	KS	Great American Bank (Charter & DeSoto Branch)	KS	2/05/2008	6.5	NM	NM	NM
Investor Group		Huron Valley State Bank	MI	2/22/2008	4.3	NM	116.3	6.0
MainSource Financial Group, Inc.	IN	1st Independence Financial Group, Inc.	KY	2/26/2008	36.0	NM	123.8	3.9
Property Bancshares, Inc.	TX	1st Choice Bancorp, Inc.	TX	2/07/2008	66.7	14.7	254.5	24.2
Sharon Bancorp, Inc.	PA	Morton Savings Bank	PA	2/27/2008	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	P/ Core Dep Prem
Mid-Atlantic	\$88	228.8	23.6	28.6
Midwest	\$142	155.7	19.3	8.2
New England	NA	NA	23.4	NA
Southeast	\$85	188.6	24.0	12.8
Southwest	\$67	254.5	24.2	24.2
West	\$4,145	32.1	20.3	NA
<b>Average</b>		<b>166.7</b>	<b>20.4</b>	<b>12.8</b>

source: SNL Financial

## Deal Pricing by Quarter

Quarter	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern	P/ Core Dep Prem
4Q2005	\$4,701	226.0	25.0	18.1
1Q2006	\$17,446	240.6	26.4	19.9
2Q2006	\$47,289	241.6	27.0	18.3
3Q2006	\$6,438	265.8	25.3	19.9
4Q2006	\$37,247	259.0	25.5	21.9
1Q2007	\$21,258	280.4	27.0	23.5
2Q2007	\$30,955	227.5	26.5	16.9
3Q2007	\$9,187	226.9	26.2	17.9
4Q2007	\$11,604	207.1	24.1	13.4
1Q2008	\$4,526	167.0	20.4	12.8

source: SNL Financial

## Insurance and Insurance Brokerage Transactions - February 2008

Buyer	Target	Announced	DV (\$MM)
CBIZ, Inc.	NAIS, Inc.	2/01/2008	NA
Cordova Insurance Center, Inc.	Hall & Associates Insurance Services	2/01/2008	NA
Goldman Sachs Group, Inc.	Webster Insurance, Inc.	2/01/2008	NA
Wells Fargo & Company	Insurance Brokers of America	2/01/2008	NA
BancorpSouth, Inc.	Joe Max Green/Insurance Concepts Insurance Agency Inc.	2/04/2008	NA
Hub International Limited	Scheer's Inc.	2/04/2008	NA
Bicknell Family Holding Company	Power Group Companies	2/05/2008	NA
Chaucer Holdings PLC	Quanta 4000 Ltd.	2/07/2008	NA
American Safety Insurance Holdings, Ltd.	LTC Companies	2/08/2008	NA
Delek Group Ltd.	Four Corners Insurance Services, Inc.	2/08/2008	NA
Columbian Financial Group	Mutual of Detroit Insurance Company	2/12/2008	NA
Undisclosed Buyer	Run off Operations including PMACIC	2/12/2008	9.5
473 Broadway Holding Corporation	Amsure Associates Inc.	2/14/2008	NA
Arthur J. Gallagher & Co.	Commonwealth Consulting Group, Inc.	2/14/2008	NA
Arthur J. Gallagher & Co.	Taylor Benefits, LLC	2/18/2008	NA
Arthur J. Gallagher & Co.	Leicht General Agency	2/19/2008	NA
Meadowbrook Insurance Group, Inc.	ProCentury Corporation	2/20/2008	272.2
Aon Corporation	Gallagher Re's U.S. and U.K. reinsurance brokerage bus	2/22/2008	NA
Humana Inc.	SecureHorizons Medicare Advantage HMO business	2/25/2008	185.0
Doral Financial Corporation	CitiSeguros PR Retail Bank Insurance portfolio	2/27/2008	NA
BB&T Corporation	Burkey Risk Services	2/28/2008	NA
Old Republic International Corporation	American-First Abstract Company	2/29/2008	NA

SOURCE: Factiva, AM Best

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

Buyer	Target	Announced	DV (\$MM)
SWS Group, Inc.	M.L. Stern & Co., LLC	2/01/2008	12.5
Intercapital Private Group Limited	FX Solutions LLC	2/06/2008	NA
PHH Investments, Ltd.	RAA Wealth Management, LLC	2/08/2008	25.0
Financial Stocks, Inc.	ACA Capital Holdings U.S. ABS & Corporate CDO Asset Mgmt Business	2/11/2008	NA
Resource America, Inc.	ACA Capital Holdings U.S. CLO Asset Management Business	2/11/2008	NA
Summit Ventures VI-A, LP	Greystone Financial Services Ltd.	2/11/2008	NA
HFF, Inc.	Storage Investment Advisors LLP	2/11/2008	NA
Incapital LLC	LaSalle Broker Dealer Services Division	2/11/2008	NA
Royal Bank of Canada	Ferris, Baker Watts, Incorporated	2/14/2008	NA
Karl Wellner	Papamarkou Asset Management, Inc.	2/20/2008	NA
Mutual of Omaha Insurance Company	Retirement Marketing Services	2/25/2008	NA
Massachusetts Mutual Life Insurance Company	First Mercantile Trust Company	2/26/2008	NA
Citigroup Inc.	Legg Mason Overlay Management and Implementation Business	2/26/2008	NA
Morgan Stanley	Rabobank Taxable fixed-income unit	2/29/2008	NA

SOURCE: Factiva, Bloomberg

## Specialty Finance Transactions - February 2008

Buyer	Target	Announced	DV (\$MM)
Navigation Capital Partners	Exeter Finance Corporation	2/05/2008	20
Preferred Capital, LLC	Business Credit Partners, LP	2/06/2008	NA
Barclays PLC	Discover's Goldfish credit card business	2/07/2008	68.6
Credito Emiliano S.p.A.	Fund managers and five retail branches	2/12/2008	64.1
Mobile Mini, Inc.	Mobile Storage Group	2/22/2008	166.5

SOURCE: Factiva, Bloomberg, Reuters