



Hovde

Financial Institutions
Monthly Overview

Capital Markets
Economic Data Review
M&A Statistics

June 2008

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About Hovde

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“Certain signs precede certain events.”
—Cicero

We could not agree with that quote more. As we have opined upon for some time, the alarming signs that we saw forthcoming in the residential housing and mortgage lending markets in 2005 have now led to dire events that are negatively affecting the entire economy. In light of the continuing developments in these markets, we thought this would be a good opportunity to provide an update of our latest views on the most pronounced real estate crisis the U.S. has faced since the Great Depression. The much-anticipated spring selling season, which many had looked forward to for signs that the housing market was finally turning around, has now come and gone with virtually no signs of improvement. So, as we enter the long days of summer, we feel it is timely to share our latest thoughts on the four phases of the housing cycle as we see them, where we stand in this cycle, our interpretation of how residential real estate data points can often be misleading, and what we believe is in store for the markets ahead.

To better understand our view of the housing cycle and where this market currently resides, we would like to walk you through these four housing cycle phases and the events which tend to characterize them:

- *Phase One:* Home prices stop rising and buyers strike while sellers still have expectations for continued escalating values. As a result, a slowdown in activity begins. This phase started—depending on the particular market—anywhere from August 2005 to March 2006.
- *Phase Two:* Activity plummets as inventories rise and buyers realize home prices are overvalued. Sellers start to accept some price reductions; however, they do not accept the degree of pricing adjustments needed in order to generate a sale. Conversely, new home builders begin to lower prices substantially and/or provide meaningful concessions in order to stimulate demand. As a result, the home builders become the market pricing leaders and drive prices lower. This phase of the cycle began—depending on the market—in late summer to fall of 2006.
- *Phase Three:* Prices collapse, foreclosures escalate—thereby becoming the new price leader in the market—and home prices begin to plummet at an accelerating pace. This, in turn, stimulates some level of activity from those buyers who have been waiting on the sidelines. For new homes, builders are no longer the cheapest price point even with their concessions. As a result, builders significantly reduce the supply of

new homes given the new pricing levels. This is a dangerous time frame for the financial services sector, real estate markets, and the economy, as it causes accelerating losses for the financial services sector, bankruptcies for the home builders, and sluggish to negative growth for the economy as a whole.

- *Phase Four:* The bottom in pricing is reached and activity levels slowly start to pick up. New construction which grinds to a halt in the third phase enables inventory levels to slowly decline. The market does not deviate too far from this bottom until there is employment and wage growth, and affordability and inventory levels reach a normal equilibrium. As these metrics are reached at the end of *Phase Four*, this reinvigorates demand to the point that it exceeds supply, thereby, causing prices to slowly rise again. It is worth noting that this final phase can last for a period of many years—a scenario which we believe will be the case in the current housing cycle, given the excessive inventory levels that exist and the continuous wave of interest only (IO) and payment option ARMs that are scheduled to reset over the next few years. These resets will lead to significant payment shocks as principal payments are finally required and extremely low negatively amortizing teaser-rate payments expire.

All of this leads us to the most important issue at hand: what phase are we in currently? ***We believe that we moved into the third phase in the housing cycle in early 2008—which may be mistakenly interpreted as a bottom in the slumping housing market.*** It is important to understand that as housing prices continue to plummet and mortgage delinquencies and home foreclosures continue to rise, a number of those potential buyers who have been sitting on the sidelines will be drawn into the market through more enticing buying opportunities. Buying activity from these “fence straddlers” will likely lead to what some may view as monthly “improvements” for certain residential real estate data points. For instance, there are those pundits and commentators who point to month-over-month improvements in metrics—such as pending, existing and new home sales, as well as inventory levels—as confirmation that the housing market has finally found its bottom. We believe that these are merely misinterpreted aberrations stemming from plummeting home prices which stimulate some levels of activity during this third phase—causing monthly volatility in certain data points. We are also of the view that the inflection point we are nearing will not be the bottom of, but merely the *next phase* in, the cycle, and we do not foresee a *sustained* improvement in either home sales, inventory levels or housing values

until at least the end of 2009, for a variety of reasons... three of which we outline below.

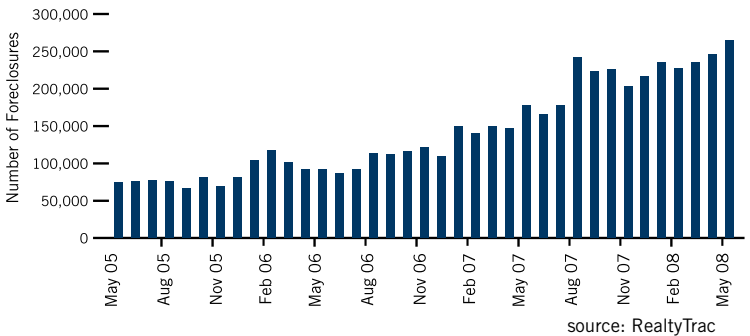
First, the -15.3% year-over-year drop in nationwide home prices in April as measured by the S&P/Case-Shiller Home Price Index—the largest drop on record—clearly signals that the home price collapse is well under way. Importantly, the pace of decline has also accelerated over recent months with home prices falling at an *annualized* rate of nearly -17% from March to April. We would also point out that there are flaws in the Case-Shiller Index itself, as it excludes foreclosures, new home sales, and repeat transactions inside a span of six months. Therefore, we would argue that the actual pricing declines are *much worse* than this index indicates.

Next, we would opine that the recent level of new home sales, which many look to as a barometer for the overall housing market, has mistakenly led some to believe that the housing market may have reached its bottom. For instance, while new home sales did increase by 4.8% month-over-month in April, a single month of improvement by no means indicates a sustainable trend—particularly in light of the sharp drop in prices which likely led to some fence straddlers wading back into the market. As we have pointed out before, the new home sales data is inherently overstated in a declining sales environment, given that cancellation rates—which have remained at an elevated range of 25% to 30%—are not taken into account. Further, despite the uptick from March, new home purchases in April were at the second lowest point since October 1991 and the sales of new homes were down 42% from the previous year—the largest year-over-year decline since September 1981. As for new home prices, it is also vital to note that builders' concessions are not reflected in the sales price. In their attempts to increase sales, builders have offered massive concessions through numerous upgrades, giveaways, and sales initiatives over the past few months.

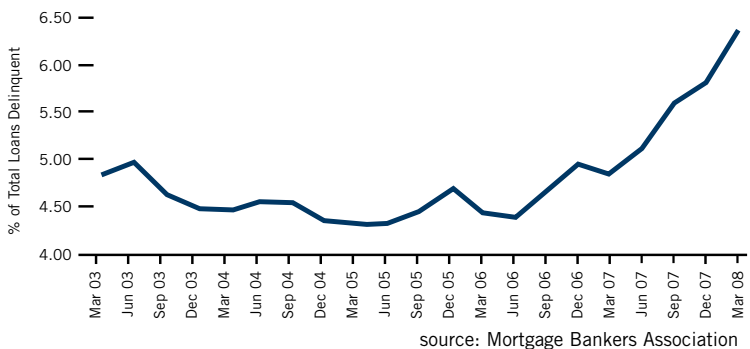
Finally, and perhaps most importantly, mortgage delinquency rates and home foreclosures continue to climb at a gradual, yet sustained, pace. Mortgage loans 30-days past due on one-to-four unit residential properties stood at a seasonally adjusted 6.35% at the end of the first quarter of 2008—up 0.53% from the fourth quarter and 1.51% higher from a year earlier. This is the highest level recorded in the Mortgage Bankers Association's National Delinquency Survey since it began in 1979. Additionally, the number of homes which were in some stage of foreclosure in May stood at over 261,000 nationwide according to RealtyTrac—a 21% increase from the December 2007 monthly figure and 48% higher on a year-over-year basis. As we discussed

in greater detail in our latest *Industry Update*, despite the wave of foreclosures and mortgage delinquencies beginning in late 2006 and early 2007, we are *just now* feeling the impact of these factors given the lengthiness of the foreclosure process in many states. As such, we expect this ongoing wave of foreclosures to continue to weigh on the housing market until 2009 and beyond.

Residential Mortgage Foreclosures (3 years)



Residential Mortgage Delinquencies (5 years)



This current third phase of the housing cycle represents a period of significant distress for banks, mortgage investors, and companies engaged in the residential construction industry...and we foresee far greater losses than most have previously anticipated. Based on the unprecedented pace of declines in home prices, we fear this phase will go deeper and be more painful than even we have contemplated, and, in turn, will continue to drag down the U.S. economy. Although there are those pundits who remain fixated on the hope that the housing market will soon stabilize—leading to a resurgence of the economy during the second half of 2008—we beg to differ. In our opinion, the opposite is true, as we expect that the economy will continue to weaken amidst the deteriorating credit cycle, softening employment trends, a slowdown in consumer spending, and the ongoing housing slump—which, we would like to reiterate, has not reached its bottom. One can only hope that all of the participants in the residential housing and mortgage markets will be more cognizant of the telling signs during the next housing cycle—whenever that may be—and that the events which unfold will not be as dismal as those which we are experiencing today.

Federal Reserve Aggregate Bank Data

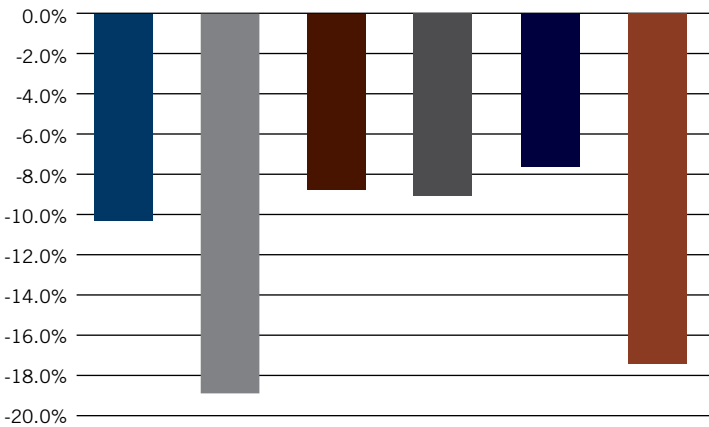
	5/2007	9/2007	10/2007	11/2007	12/2007	1/2008	2/2008	3/2008	4/2008	5/2008	MoM	YoY
ASSETS												
Securities												
Secs in Bank Credit	2,283	2,370	2,404	2,466	2,441	2,431	2,469	2,577	2,531	2,489	-1.6%	9.0%
Treasury & Agency	1,175	1,170	1,136	1,119	1,111	1,103	1,108	1,128	1,110	1,115	0.4%	-5.2%
Other	1,107	1,200	1,268	1,346	1,330	1,328	1,361	1,449	1,420	1,374	-3.2%	24.1%
Loans and Leases												
C&I	1,242	1,358	1,397	1,412	1,435	1,449	1,458	1,479	1,491	1,494	0.2%	20.3%
Real Estate	3,395	3,476	3,549	3,569	3,584	3,602	3,621	3,656	3,650	3,650	0.0%	7.5%
Consumer	752	784	782	792	805	815	813	815	821	825	0.5%	9.8%
Other	542	651	669	664	673	697	692	679	647	646	-0.1%	19.0%
Other Assets	854	922	934	951	961	982	971	1,020	1,013	996	-1.6%	16.7%
Total Assets	9,972	10,473	10,627	10,781	10,853	10,929	10,994	11,182	11,087	11,042	-0.4%	10.7%
LIABILITIES												
Deposits												
Transaction	649	608	622	608	593	615	617	614	636	616	-3.1%	-5.1%
Nontransaction	5,703	5,823	5,943	6,032	6,070	6,098	6,159	6,260	6,220	6,270	0.8%	9.9%
Large time	1,803	1,872	1,972	2,032	2,020	2,058	2,095	2,105	2,081	2,103	1.1%	16.7%
Other	3,901	3,951	3,971	4,000	4,050	4,040	4,063	4,155	4,139	4,166	0.7%	6.8%
Borrowings	2,059	2,252	2,209	2,241	2,324	2,268	2,278	2,303	2,294	2,320	1.1%	12.7%
Other Liabilities	596	600	628	672	660	701	710	788	743	695	-6.5%	16.5%
Total Liabilities	8,959	9,375	9,506	9,659	9,758	9,794	9,839	10,027	9,923	9,872	-0.5%	10.2%
Residual (assets less liabilities)	1,012	1,098	1,121	1,122	1,095	1,135	1,155	1,155	1,164	1,169	0.5%	15.5%

all values in \$ billions

SOURCE: Federal Reserve Documents

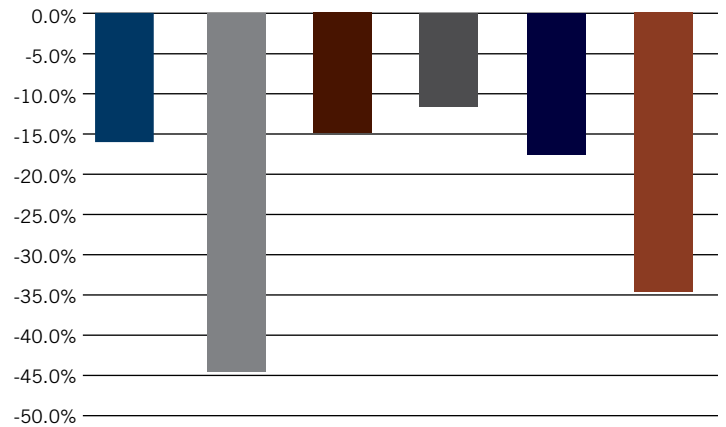
Major Market Index Performance

June 2008



SOURCE: Bloomberg, LLC

Last Twelve Months



SOURCE: Bloomberg, LLC

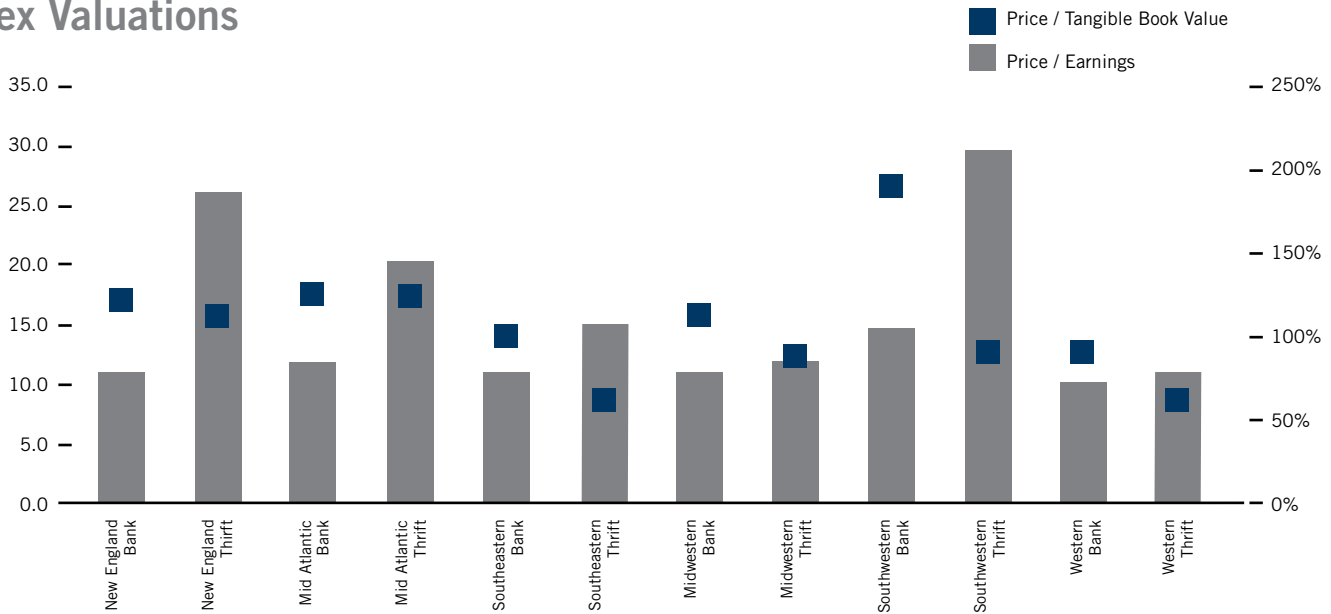
	7/2007	8/2007	9/2007	10/2007	11/2007	12/2007	1/2008	2/2008	3/2008	4/2008	5/2008	6/2008
Dow Jones	-1.5%	1.4%	3.7%	0.2%	-4.0%	-0.8%	-4.6%	-3.0%	0.0%	4.5%	-1.4%	-10.2%
S&P Financial	-7.9%	1.3%	2.0%	-2.0%	-8.0%	-5.7%	-0.6%	-7.7%	-3.1%	6.3%	-6.4%	-18.7%
S&P 500	-3.2%	1.3%	3.6%	1.5%	-4.4%	-0.9%	-6.1%	-3.5%	-0.6%	4.8%	1.1%	-8.6%
NASDAQ	-2.2%	2.0%	4.0%	5.8%	-6.9%	-0.3%	-9.9%	-5.0%	0.3%	5.9%	4.6%	-9.1%
Russell 2000	-6.9%	2.2%	1.6%	2.8%	-7.3%	-0.2%	-6.9%	-3.8%	0.3%	6.1%	2.5%	-7.8%
NASDAQ Bank	-7.9%	4.0%	0.1%	-2.9%	-3.9%	-5.4%	2.7%	-8.6%	2.0%	0.3%	-2.7%	-17.5%

SOURCE: Bloomberg, LLC

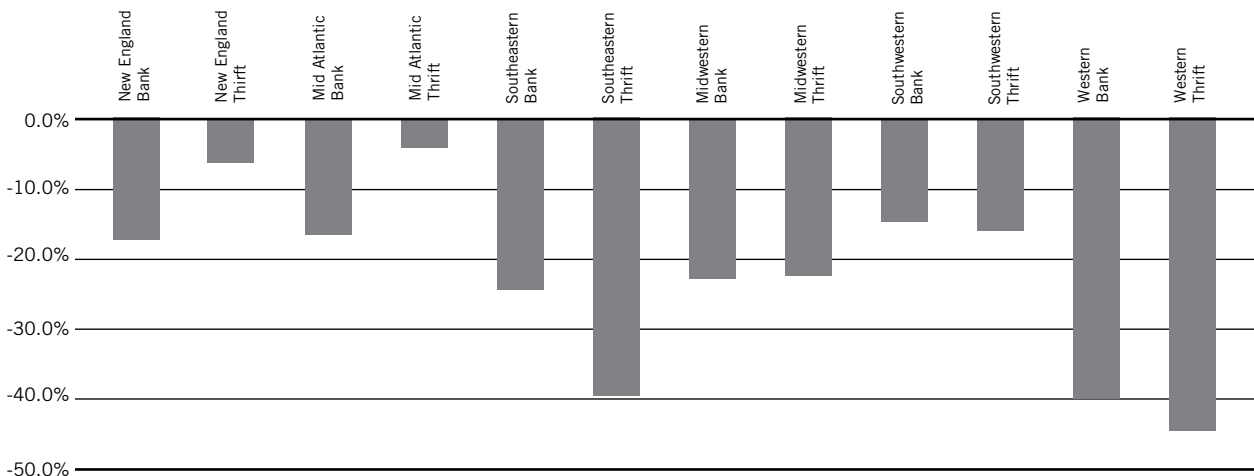
Bank and Thrift Index Valuations

		Price / Earnings		Price / Book Value		Price / TBV		Price Performance			Component Companies
		Weighted Avg	Median	Weighted Avg	Median	Weighted Avg	Median	1 Mo	YTD	12 Mo	
New England	Bank	10.8	11.7	128%	111%	220%	124%	-13.4%	-17.6%	-24.1%	19
	Thrift	23.4	26.6	102%	99%	132%	116%	-7.5%	-6.4%	-16.8%	22
Mid Atlantic	Bank	9.4	12.2	102%	109%	143%	131%	-14.7%	-16.9%	-28.6%	90
	Thrift	21.0	20.4	132%	117%	194%	128%	-8.2%	-4.4%	-17.6%	54
Southeastern	Bank	11.1	11.6	71%	81%	129%	101%	-15.4%	-24.5%	-41.6%	135
	Thrift	9.6	15.0	45%	64%	56%	68%	-23.1%	-39.4%	-57.9%	10
Midwestern	Bank	8.4	11.4	129%	88%	192%	119%	-19.2%	-23.6%	-34.2%	90
	Thrift	29.0	12.8	144%	77%	149%	82%	-14.2%	-22.4%	-34.7%	47
Southwestern	Bank	12.7	14.0	132%	125%	199%	192%	-14.5%	-15.2%	-25.1%	19
	Thrift	32.7	29.6	143%	94%	148%	94%	-14.7%	-16.6%	-33.5%	6
Western	Bank	11.5	10.9	108%	78%	138%	97%	-23.8%	-40.3%	-53.8%	69
	Thrift	11.7	11.5	53%	64%	71%	66%	-25.1%	-44.2%	-57.9%	15

Index Valuations



YTD Price Performance



Economic Data Points - June 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
6/2	Construction Spending MoM	APR	-0.60%	-0.40%	-1.10%	6/17	Producer Price Index (MoM)	MAY	1.00%	1.40%	0.20%
6/2	ISM Manufacturing	MAY	48.5	49.6	48.6	6/17	PPI Ex Food & Energy (MoM)	MAY	0.20%	0.20%	0.40%
6/2	ISM Prices Paid	MAY	85	87	84.5	6/17	Producer Price Index (YoY)	MAY	6.80%	7.20%	6.50%
6/3	Total Vehicle Sales	MAY	14.6M	14.3M	14.4M	6/17	PPI Ex Food & Energy (YoY)	MAY	3.00%	3.00%	3.00%
6/3	Domestic Vehicle Sales	MAY	10.8M	10.5M	10.6M	6/17	Housing Starts	MAY	980K	975K	1032K
6/3	Factory Orders	APR	-0.10%	1.10%	1.40%	6/17	Building Permits	MAY	960K	969K	978K
6/4	Challenger Job Cuts YoY	MAY	--	45.60%	27.40%	6/17	Industrial Production	MAY	0.10%	-0.20%	-0.70%
6/4	ADP Employment Change	MAY	-30K	40K	10K	6/17	Capacity Utilization	MAY	79.70%	79.40%	79.70%
6/4	Nonfarm Productivity	1Q F	2.50%	2.60%	2.20%	6/19	Philadelphia Fed.	JUN	-10	-17.1	-15.6
6/4	Unit Labor Costs	1Q F	2.00%	2.20%	2.20%	6/24	S&P/CaseShiller Home Price Ind	APR	--	169.85	172.16
6/4	ISM Non-Manf. Composite	MAY	51	51.7	52	6/24	S&P/CS Composite-20 YoY	APR	-16.00%	-15.30%	-14.40%
6/5	Mortgage Delinquencies	1Q	--	6.35%	5.82%	6/24	Consumer Confidence	JUN	56	50.4	57.2
6/5	ICSC Chain Store Sales YoY	MAY	1.80%	3.00%	3.60%	6/24	House Price Index MoM	APR	-0.40%	-0.80%	-0.40%
6/6	Change in Nonfarm Payrolls	MAY	-60k	-49k	-20k	6/24-6/25	U.S. Federal Reserve Open Market Committee Meeting				
6/6	Unemployment Rate	MAY	5.10%	5.50%	5.00%	6/25	Durable Goods Orders	MAY	0.00%	0.00%	-0.50%
6/6	Change in Manufact. Payrolls	MAY	-40K	-26K	-46K	6/25	Durables Ex Transportation	MAY	-1.00%	-0.90%	2.50%
6/6	Consumer Credit	APR	\$7.2B	\$8.9B	\$15.3B	6/25	New Home Sales	MAY	512K	512K	526K
6/9	Pending Home Sales MoM	APR	-0.40%	6.30%	-1.00%	6/25	New Home Sales MoM	MAY	-2.70%	-2.50%	3.30%
6/12	Import Price Index (MoM)	MAY	2.50%	2.30%	1.80%	6/25	FOMC Rate Decision	25-Jun	2.00%	2.00%	2.00%
6/12	Import Price Index (YoY)	MAY	17.20%	17.80%	15.40%	6/26	GDP QoQ (Annualized)	1Q F	1.00%	1.00%	0.90%
6/12	Advance Retail Sales	MAY	0.50%	1.00%	-0.20%	6/26	GDP Price Index	1Q F	2.60%	2.70%	2.60%
6/12	Retail Sales Less Autos	MAY	0.70%	1.20%	0.50%	6/26	Core PCE QoQ	1Q F	2.10%	2.30%	2.10%
6/13	Consumer Price Index (MoM)	MAY	0.50%	0.60%	0.20%	6/26	Existing Home Sales	MAY	4.95M	4.99M	4.89M
6/13	CPI Ex Food & Energy (MoM)	MAY	0.20%	0.20%	0.10%	6/26	Existing Home Sales MoM	MAY	1.20%	2.00%	-1.00%
6/13	Consumer Price Index (YoY)	MAY	3.90%	4.20%	3.90%	6/27	Personal Income	MAY	0.40%	1.90%	0.20%
6/13	CPI Ex Food & Energy (YoY)	MAY	2.30%	2.30%	2.30%	6/27	Personal Spending	MAY	0.70%	0.80%	0.20%
6/13	CPI Core Index SA	MAY	--	214.832	214.398	6/27	PCE Deflator (YoY)	MAY	3.20%	3.10%	3.20%
6/13	Consumer Price Index NSA	MAY	216.205	216.632	214.823	6/27	PCE Core (MoM)	MAY	0.20%	0.10%	0.10%
6/13	U. of Michigan Confidence	JUN P	59	56.7	59.8	6/27	PCE Core (YoY)	MAY	2.20%	2.10%	2.10%
6/16	Empire Manufacturing	JUN	-2	-8.7	-3.2	6/27	U. of Michigan Confidence	JUN F	56.7	56.4	56.7
6/16	NAHB Housing Market Index	JUN	19	18	19	6/30	Chicago Purchasing Manager	JUN	48	49.6	49.1

SOURCE: Bloomberg, LLC

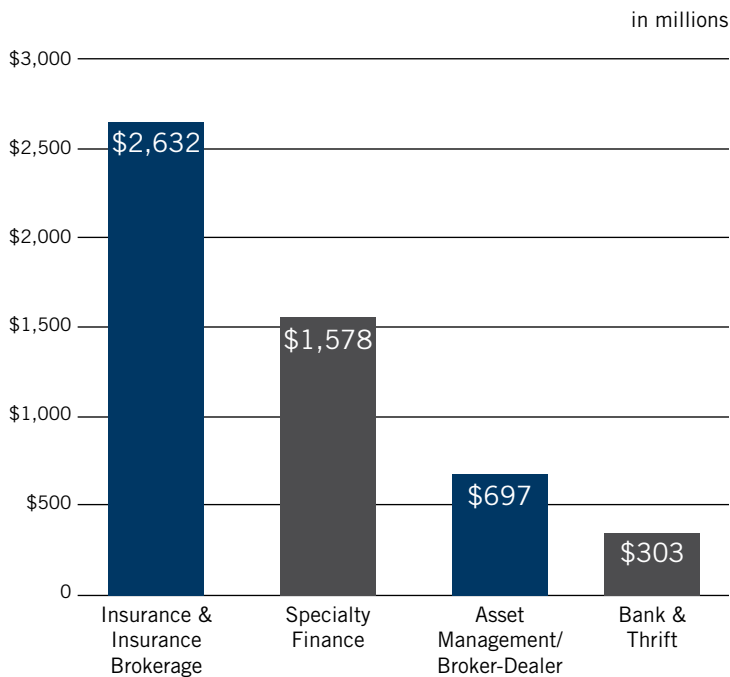
Economic Data Points - July 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
7/1	ISM Manufacturing	JUN	48.5	50.2	49.6	7/16	CPI Ex Food & Energy (MoM)	JUN	--	--	0.20%
7/1	ISM Prices Paid	JUN	87	91.5	87	7/16	Consumer Price Index (YoY)	JUN	--	--	4.20%
7/1	Construction Spending MoM	MAY	-0.60%	-0.40%	-0.40%	7/16	CPI Ex Food & Energy (YoY)	JUN	--	--	2.30%
7/1	Domestic Vehicle Sales	JUN	10.2M	--	10.5M	7/16	CPI Core Index SA	JUN	--	--	214.832
7/1	Total Vehicle Sales	JUN	14.0M	--	14.3M	7/16	Consumer Price Index NSA	JUN	--	--	216.632
7/2	Challenger Job Cuts YoY	JUN	--	--	45.60%	7/16	Industrial Production	JUN	--	--	-0.20%
7/2	ADP Employment Change	JUN	-20K	--	40K	7/16	Capacity Utilization	JUN	--	--	79.40%
7/2	Factory Orders	MAY	0.50%	--	1.10%	7/16	NAHB Housing Market Index	JUL	--	--	18
7/3	Change in Nonfarm Payrolls	JUN	-60k	--	-49k	7/16	Minutes of June 24-25 FOMC Meeting				
7/3	Unemployment Rate	JUN	5.40%	--	5.50%	7/17	House Starts	JUN	--	--	975K
7/3	Change in Manufact. Payrolls	JUN	-30K	--	-26K	7/17	Building Permits	JUN	--	--	969K
7/3	ISM Non-Manf. Composite	JUN	51	--	51.7	7/17	Philadelphia Fed.	JUL	--	--	-17.1
7/7	RPX Composite 28dy YoY	APR	--	--	-13.97%	7/22	Richmond Fed Manufact. Index	JUL	--	--	-12
7/7	RPX Composite 28dy Index	APR	--	--	235.4	7/22	House Price Index MoM	MAY	--	--	-0.80%
7/8	Pending Home Sales MoM	MAY	-3.00%	--	6.30%	7/24	Existing Home Sales	JUN	--	--	4.99M
7/8	Consumer Credit	MAY	\$6.9B	--	\$8.9B	7/24	Existing Home Sales MoM	JUN	--	--	2.00%
7/10	ICSC Chain Store Sales YoY	JUN	--	--	3.00%	7/25	Durable Goods Orders	JUN	--	--	0.00%
7/11	Trade Balance	MAY	-\$62.1B	--	-\$60.9B	7/25	Durables Ex Transportation	JUN	--	--	-0.90%
7/11	Import Price Index (MoM)	JUN	1.80%	--	2.30%	7/25	U. of Michigan Confidence	JUL F	--	--	--
7/11	Import Price Index (YoY)	JUN	--	--	17.80%	7/25	New Home Sales	JUN	--	--	512K
7/11	U. of Michigan Confidence	JUL P	56	--	56.4	7/25	New Home Sales MoM	JUN	--	--	-2.50%
7/15	Producer Price Index (MoM)	JUN	--	--	1.40%	7/29	S&P/CaseShiller Home Price Ind	MAY	--	--	169.9
7/15	PPI Ex Food & Energy (MoM)	JUN	--	--	0.20%	7/29	S&P/CS Composite-20 YoY	MAY	--	--	-15.30%
7/15	Producer Price Index (YoY)	JUN	--	--	7.20%	7/29	Consumer Confidence	JUL	--	--	50.4
7/15	PPI Ex Food & Energy (YoY)	JUN	--	--	3.00%	7/30	ADP Employment Change	JUL	--	--	--
7/15	Advance Retail Sales	JUN	--	--	1.00%	7/31	GDP QoQ (Annualized)	2Q A	--	--	1.00%
7/15	Retail Sales Less Autos	JUN	--	--	1.20%	7/31	Personal Consumption	2Q A	--	--	1.10%
7/15	Empire Manufacturing	JUL	--	--	-8.7	7/31	GDP Price Index	2Q A	--	--	2.70%
7/15	IBD/TIPP Economic Optimism	JUL	--	--	37.4	7/31	Core PCE QoQ	2Q A	--	--	2.30%
7/15	Business Inventories	MAY	--	--	0.50%	7/31	Employment Cost Index	2Q	--	--	0.70%
7/16	Consumer Price Index (MoM)	JUN	--	--	0.60%	7/31	Chicago Purchasing Manager	JUL	--	--	49.6

SOURCE: Bloomberg, LLC

M&A Transaction Update

Announced Transactions - June 2008



SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - June 2008

Insurance & Insurance Brokerage	22
Asset Management & Broker/Dealer	16
Bank & Thrift	10
Specialty Finance	8

SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - 2008 YTD

Insurance & Insurance Brokerage	131
Asset Management & Broker/Dealer	84
Bank & Thrift	61
Specialty Finance	34

SOURCE: SNL Financial, Bloomberg, Factiva

Financial Deal Alert

Hovde Financial is pleased to announce that its client, First Azle Bancshares, Inc., headquartered in Azle, Texas, has signed a definitive agreement to be acquired by Pinnacle Bancorp, Inc., in a 100% cash transaction valued at \$47.25 million.

As of March 31, 2008, First Bank (a wholly-owned subsidiary of First Azle) had \$202.3 million in assets with five branches in Tarrant County and a branch in Parker County, Texas.

Top Financial Advisors in Bank and Thrift Transactions

Last Two Years, Sell-Side Advisory Transactions

Rank	Firm	# of Deals
1	Keefe, Bruyette & Woods, Inc.	46
2	Sandler, O'Neill & Partners, L.P.	45
3	Hovde Financial	34
4	Howe Barnes Hoefer & Arnett, Inc.	27
5	Stifel, Nicolaus & Company, Incorporated	22
6	Sheshunoff & Co. Investment Banking LP	16
7	Austin Associates, LLC	9
8	McAdams Wright Ragen, Inc.	8
8	Professional Bank Services, Inc.	8
8	SAMCO Capital Markets, Inc.	8

SOURCE: SNL Financial (data from 6/30/2006 - 6/30/2008)

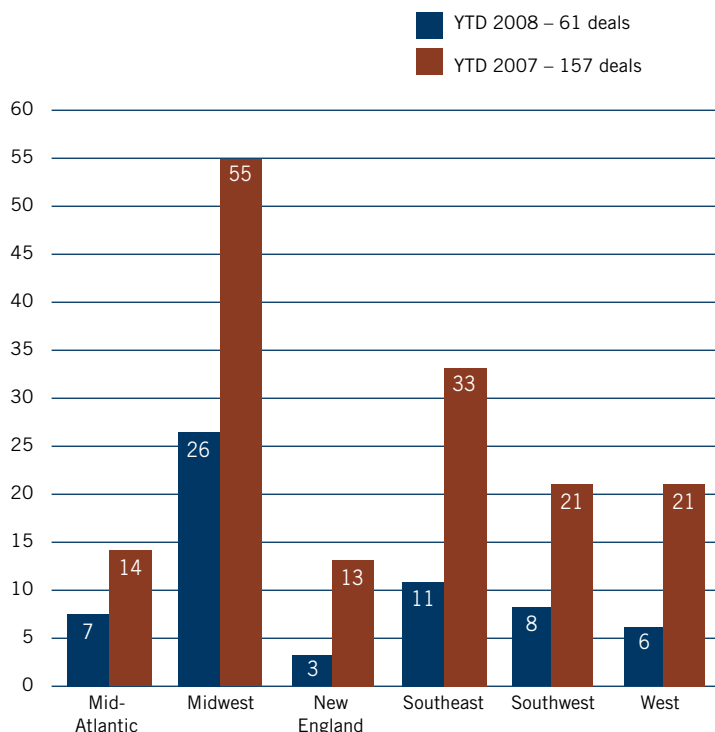
Bank & Thrift Transactions - June 2008

Buyer	Buyer State	Target	Target State	Announced	DV (\$MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
Lone Star State Bancshares, Inc.	TX	First Bank of Brownfield	TX	6/6/2008	NA	NA	NA	NA
Summit Financial Group, Inc.	WV	Greater Atlantic Financial Corp.	VA	6/9/2008	12.1	NM	517.9	7.67
Whitney Holding Corporation	LA	Parish National Corporation	LA	6/9/2008	165.0	17.8	277.8	17.21
FBOP Corporation	IL	PFF Bancorp, Inc.	CA	6/13/2008	30.5	NM	24.8	-3.99
Hometown Community Bancorp, Inc.	IL	Alpha Financial Group, Inc.	IL	6/17/2008	NA	NA	NA	NA
First Perry Bancorp, Inc.	PA	HNB Bancorp, Inc.	PA	6/18/2008	NA	NA	NA	NA
NATCOM Bancshares, Inc.	WI	Superior Bancorporation, Limited	WI	6/18/2008	NA	NA	NA	NA
Wells Fargo & Company	CA	Farmers State Bank of Fort Morgan	CO	6/19/2008	NA	NA	NA	NA
First Citizens Bancorporation, Inc.	SC	Community Bankshares, Inc.	SC	6/25/2008	95.8	35.6	196.3	13.4
BancIndependent Incorporated	AL	Citizens Bancorp of Lawrence	AL	6/26/2008	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	\$428	203.7	22.8	13.8
Midwest	\$464	181.0	29.9	9.6
New England	\$185	168.5	22.5	9.6
Southeast	\$1,177	250.7	22.1	15.8
Southwest	\$249	254.1	17.9	20.4
West	\$4,369	77.1	59.5	-0.4
Average		191.2	27.3	11.6

SOURCE: SNL Financial

Deal Pricing by Quarter

Quarter	Deal Value (MM)	Price/TBV (%)	P/ LTM Ern	P/ Core Dep Prem
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	\$2,502	32.1	NA	12.8
2Q2008	\$1,777	188.6	32.8	9.8

SOURCE: SNL Financial

Insurance and Insurance Brokerage Transactions - June 2008

Buyer	Target	Announced	DV (\$MM)
NIA Group LLC	Taylor Financial Services Group Inc.	6/1/2008	NA
Hub International Limited	Nett & Champion Insurance Services	6/3/2008	NA
Montpelier Re Holdings Ltd.	Blue Ocean Re Holdings Ltd	6/5/2008	30.5
Bearence Management Group	Rosenbloom & Rosenbloom	6/5/2008	NA
Brown & Brown, Inc.	Dill, Joyce & Thresher, Inc.	6/6/2008	NA
Brown & Brown, Inc.	Edward J. Kernan & Company, Incorporated	6/6/2008	NA
Willis Group Holdings Limited	Hilb Rogal & Hobbs Company	6/7/2008	1,706.9
Pacific Mutual Holding Company	Scottish Re International life reinsurance segment	6/9/2008	71.2
Brown & Brown, Inc.	HBA Insurance Group, Inc.	6/9/2008	NA
Hub International Limited	Falkenberg Agencies Ltd	6/9/2008	NA
Odyssey Re Holdings Corp.	Hooghuis Group LLC	6/9/2008	NA
Brown & Brown, Inc.	Alpha Benefits Group, Inc.	6/11/2008	NA
Wilton Re Holdings Limited	HealthMarkets' life insurance companies	6/12/2008	140.0
Arthur J. Gallagher & Co.	Lance Group, LLC	6/13/2008	NA
Arthur J. Gallagher & Co.	Voluntary Benefits Solutions LLC	6/18/2008	NA
Enstar Group Limited	Goshawk Insurance Holdings Plc	6/20/2008	90.1
BEN-E-LECT	Affiliate Healthcare Administrators, Inc.	6/23/2008	NA
White Mountains Insurance Group, Ltd.	Entertainment Brokers International Insurance Services	6/23/2008	NA
Goldman Sachs Group, Inc.	4B Insurance Services, Inc.	6/24/2008	NA
Allied World Assurance Company Holdings, Ltd.	Darwin Professional Underwriters, Inc.	6/27/2008	549.5
Humana Inc.	METCARE Health Plans, Inc.	6/30/2008	14.0
Ironshore Inc.	Pembroke Managing Agency Limited	6/30/2008	29.7

SOURCE: Factiva, AM Best

Asset Management/Broker-Dealer Transactions - June 2008

Buyer	Target	Announced	DV (\$MM)
Bank Hapoalim B.M.	NuVerse Advisors, LLC	6/1/2008	34.0
Royal Bank of Canada	Richardson Barr & Co.	6/2/2008	NA
IntercontinentalExchange, Inc.	Creditex Group, Inc.	6/3/2008	625.0
Forward Management, LLC	Accessor Capital Management, LP.	6/4/2008	NA
Bryn Mawr Bank Corporation	JNJ Holdings LLC	6/9/2008	19.0
Green Drake Capital Corp.	Trade Receivable Exchange, Inc.	6/9/2008	NA
Pecunia Management, LLC	CS Capital Strategies Financial Group, Inc.	6/9/2008	NA
BNP Paribas Group	Equity Prime Brokerage Business of BoA	6/10/2008	NA
Wilmington Trust Corporation	UBS Fiduciary Trust Company	6/19/2008	NA
Citigroup Inc.	Intra S. A. Corretora de Câmbio e Valores	6/19/2008	NA
Forward Management, LLC	Berkeley Capital Management Retail Division	6/23/2008	NA
Merrill Lynch & Co., Inc.	Ureta y Bianchi Corredores de Bolsa S.A.	6/24/2008	NA
optionsXpress Holdings, Inc.	Open E Cry, LLC	6/25/2008	18.0
Franklin Financial Services Corporation	Community Financial, Inc.	6/26/2008	1.1
Northern Trust Corporation	Lakepoint Investment Partners LLC	6/26/2008	NA
Riverview Management	Riverview Alternative Investment Advisors, LLC	6/30/2008	NA

SOURCE: Factiva, Bloomberg

Specialty Finance Transactions - June 2008

Buyer	Target	Announced	DV (\$MM)
MetLife, Inc.	First Horizon Residential Mortgage Business	6/3/2008	NA
EZCORP, Inc.	Value Financial Services, Inc.	6/5/2008	73.1
RapidAdvance	Merchant Cash Express Limited	6/10/2008	NA
Wilton Re Holdings Limited	HealthMarkets' Student Loan Companies	6/12/2008	4.5
Wells Fargo & Company	Transcap Associates, Inc.	6/12/2008	NA
Banco Santander, S.A.	RoadLoans Direct Lending Division	6/20/2008	NA
Lone Star Funds	CIT Home Lending Business	6/30/2008	1,500.0
Eggemeyer Capital LLC	White River Capital, Inc.	6/30/2008	NA

SOURCE: Factiva, Bloomberg, Reuters