



Hovde

Financial Institutions
Monthly Overview

Capital Markets
Economic Data Review
M&A Statistics

March 2008

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March 2008 - Hovde Monthly Overview

Economic Outlook.....	page 1
Capital Markets	page 3
Proprietary Index Valuations.....	page 4
Economic Data Review	page 5
Mergers & Acquisitions.....	page 6

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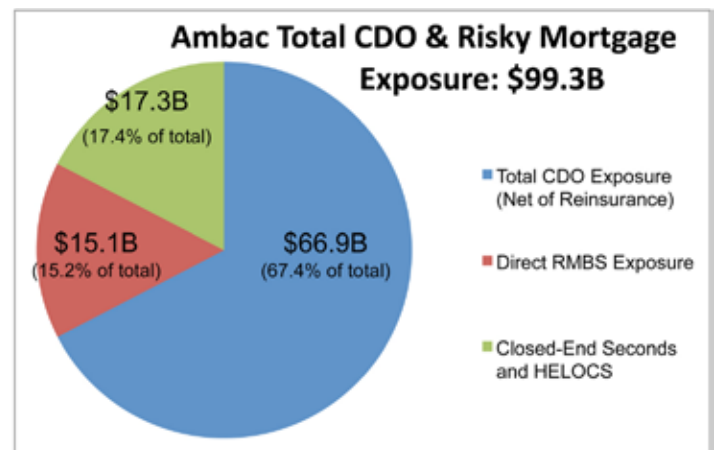
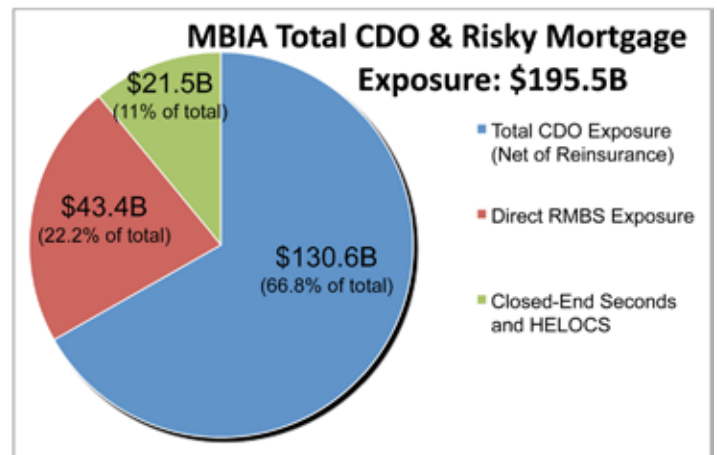
“First you take a drink, then the drink takes a drink, then the drink takes you.”
 —F. Scott Fitzgerald

The credit markets certainly have taken the investment community for a ride during these last few quarters...to the point where more than just a drink was needed. During the recent months, we were inundated by the media, market commentators, and policy makers alike as they flooded the airwaves with the latest credit crisis du jour: the monoline insurance companies, commonly known as “monoline bond insurers” or, simply, as “monolines.” As if this were the new catch phrase of the year, it was rare that a week passed without a related news headline or without the markets violently reacting to the latest rumor surrounding these insurers. So, after witnessing all of this commotion and listening to all of the noise in the marketplace...what exactly is a monoline bond insurer and why is everyone so concerned? In this monthly overview, which reviews some of the highlights from March, we would like to take you on a brief journey inside this latest credit saga.

A monoline insurer typically refers to an insurance company that provides guarantees to debt issuers, often in the form of credit wraps, which then enhance the credit status of the issuer. Because monolines have carried the coveted AAA rating—as bestowed upon them by the leading credit agencies (Moody’s, S&P, and Fitch Ratings)—issuers have turned to these insurers to increase the rating of a debt security or to ensure that a debt security is not downgraded.¹ In theory, this sounds like an appealing concept: a company or local municipality seeking to borrow capital by issuing debt purchases insurance from one of the monolines. In turn, the insurance company is obligated to repay the loan if the original borrowing company or local municipality defaults on its payments. This type of insurance allows the borrower (despite, in some cases, having average financial health) to purchase a “policy” that can provide it with an excellent, new AAA debt rating—thereby allowing the borrower to pay lower interest rates on its loans and have the ability to raise capital from a greater scope of investors. Not a bad deal, but there is much more to this story.

The largest of the monolines were formed in the 1970s; Ambac in 1971 and MBIA in 1973. Since then, other companies, such as FGIC, SCA, CIFG, and Assured Guarantee, have entered the space, each vying for the opportunity to insure debt issues. These insurance companies originally provided wraps for municipal bond issues. *Now it is time for your first drink.* During the last decade, in order to seek ever-increasing profits, they began providing credit enhancements for other types of debt, such as MBSs and CDOs—either of these sound familiar? The seemingly stable business model of insuring municipal bonds permitted the monolines to enhance their credit rating and carry a AAA stature. However, as the bond insurers descended into the structured finance market, it is now apparent that they took an enormous risk—which has failed miserably—when they decided to enter the more complex ABS, MBS and CDO realm. Relatively unknown outside of the credit markets until recently, monoline insurers have come under serious duress because they insure about \$1 trillion in municipal debt and approximately \$580 billion of other securities—with many being subprime, Alt-A and home equity securitizations which are all highly susceptible to the ongoing deterioration of the residential mortgage lending market.

What has transpired over the last few quarters in the credit and mortgage lending markets has had a profound impact on the business model and the viability of these bond insurers. As the default rates increase on subprime and other residential mortgage loans, monolines are left exposed to billions of dollars of toxic mortgage securities and other structured products for which they have provided a guarantee. Therefore, with the losses mounting and their balance sheets in a roil, these insurance companies are in danger of losing their precious AAA debt rating—a crushing prospect because debt issuers are, in essence, paying the monolines for the highest rating to attach to their bonds. With many of these securities beginning to, and continuing to, implode on debt issuers’ balance sheets, the monolines are left holding the proverbial bag...with billions of dollars of debt in it. Since January 2008, Moody’s, S&P, and Fitch Ratings have downgraded some of the AAA-rated monolines as a result of their substantial losses relating to the subprime meltdown. The fear is that if *all* of the rating agencies downgrade the two largest insurers, Ambac and MBIA (Fitch has downgraded Ambac and MBIA), billions of dollars worth of security values will plunge further, leaving investors and debt issuers with even greater mark-to-market writedowns. Although this fear has not become a reality thus far, the *possibility* of further downgrades remains. In fact, most sophisticated investors know that these monolines are far from AAA-rated companies and are likely now sub-investment



(Sources: MBIA Prospectus & Form 424B5; Ambac Prospectus & 10-K)

(continued on page 2)

¹ www.investopedia.com

Continued from page 1

grade companies (a quick look at where their stocks are trading should be evidence enough of this dynamic). However, if their ratings were to drop, it would leave more assets trading at deeper discounts due to the valuation models used by Wall Street and result in the same type of volatile reaction we are now seeing in the municipal market and what we experienced in the broader markets earlier this year.

And just when you thought this saga could not become any more complicated, an all too familiar chatter in the housing and mortgage markets has been making its rounds: a bailout plan. *Now could be a good time to have that second drink.* We have heard talks of a government-led bailout calling for capital commitments from many of the large banks whose *own* debt is insured by the monolines; a rather convoluted scenario in our opinion. For now, though, banks have been able to avoid committing their own capital to support the major monolines, as Ambac and MBIA have recently raised some additional funding through extremely dilutive capital offerings to both public and private investors. While this has kept rating agencies at bay, for now, it will almost certainly not be the last time the rating agencies require the bond insurers to raise additional capital in order to maintain their ratings.

Now it is time for a third drink. Because of the monolines' disastrous foray into the structured finance market, it has created a massive dislocation in the municipal market since the monolines back almost 50% of the securities in the long-term muni market and an even greater portion of the auction rate securities (ARS) market. With the muni market facing its most severe conditions in a generation, the bond insurers are right in the thick of this commotion; now that the monolines' ratings have been called into question, there has been a flight of capital from the auction rate market. Many holders of ARS did not conduct their due diligence when pursuing these investments and, instead, relied solely on the monolines' ratings. Should the monolines, who insure these bonds, become bankrupt or not have the capital to back these issues, then the issued debt is in grave risk of being downgraded.

Delving deeper into the issues surrounding the monolines and the muni market, it is important to note that of the over \$325 billion in total ARS, approximately 60% is comprised of municipal debt. In a normal environment (i.e., up until about mid-January 2008), municipalities would issue long-term bonds and investors would bid on the securities and set their coupon rates weekly through a Dutch auction process. This system basically enabled municipalities to issue long-term debt while still getting the benefit of lower interest rates that would typically come with shorter-term financing options. Unfortunately, with the recent turmoil in the credit markets and worries about the monoline guarantees, these auctions suddenly began to fail because the broker/dealers who would traditionally step in to purchase any remaining amounts of a debt issue stopped doing so, fearing potential downgrades to the underlying bonds and the loss of liquidity in ARS as a result of downgrades to the monolines. *Furthermore*, as there was not enough demand to purchase all the ARS, many rates would then reset to a previously "written-in" maximum

rate (which can range from 175% of LIBOR to 300% of LIBOR, or a set fixed rate as high as 15%), thereby making it economically very difficult for the issuing municipality, as they were suddenly saddled with the commitment to make a higher payment on the debt. So, a municipality, which was once accustomed to paying rates to lenders in the low single digits, is *now* being forced to pay double-digit rates. This is causing extreme stress for municipalities and many are scrambling to refinance their debt.

Another closely related part of the muni market that has suffered as a result of the concerns surrounding the monolines is the \$375 billion market for variable rate demand notes. These notes are nearly identical to ARS in that they are priced on a weekly or monthly basis in a Dutch auction format. However, these notes were not only insured by the monolines but were also backstopped by liquidity providers (typically Wall Street and money center banks), who were contractually obligated to buy the notes at par in the event of an auction failure, providing guaranteed liquidity to investors. The problem with these liquidity backstops is that they are contingent upon the ratings of the monolines that insure the individual bonds. If the bond insurers are downgraded, not only will this impair the municipalities' abilities to finance themselves in this market, but the backstop feature could force many Wall Street institutions to absorb a large portion of these bonds on their balance sheets—adding to the billions of dollars worth of toxic securities they already hold.²

For now, Moody's and S&P are allowing Ambac, MBIA and the other bond insurers to keep their heads above water. However, with the credit markets still in shambles, the headwinds could again pound the monolines just as quickly if more questions arise regarding their solvency. Even *if* banks were to partake in a government-initiated bailout and even *if* more public and private investors were interested in assuming the responsibility for certain distressed assets and/or committing further capital, it still may not be enough to keep the monolines afloat down the road. If the monolines are unable to sustain themselves, regulators have also proposed a plan to separate their business into two entities: one for insuring municipal debt and the other for insuring ABS. Frankly, such a split could have cataclysmic results and propel the financial markets into further disarray. Despite the possibility of preserving AAA ratings for municipal bonds, ABS could suffer lower ratings, thereby forcing banks that own the mortgage-backed debt to incur further writedowns by as much as \$35 billion more.

So, where has all of this taken us to? In all honesty, it is hard to say, but the monolines have taken multiple companies, municipalities and countless investors for quite the ride recently. Throughout the course of the year, we will analyze and opine upon other topics in the structured finance markets as more issues are sure to evolve amidst this turmoil. So, sit back and watch what else these markets have to offer—but always remain vigilant, because where there are losses, there are always opportunities. Oh, and don't have *too* many of those drinks...you'll need to keep your wits about you as we continue on this long, strange journey during 2008.

² Lehman Brothers Municipal Market Commentary—March 2008

Federal Reserve Aggregate Bank Data

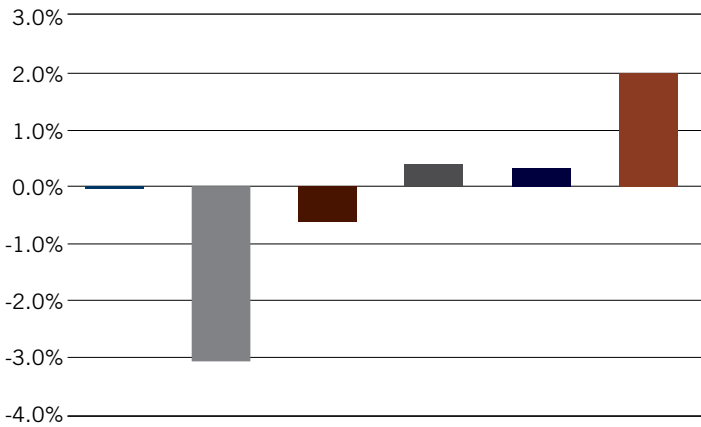
	2/2007	6/2007	7/2007	8/2007	9/2007	10/2007	11/2007	12/2007	1/2008	2/2008	MoM	YoY
ASSETS												
Securities												
Secs in Bank Credit	2,230	2,302	2,312	2,339	2,370	2,404	2,466	2,441	2,431	2,469	1.6%	10.7%
Treasury & Agency	1,200	1,179	1,184	1,183	1,170	1,136	1,119	1,111	1,103	1,108	0.5%	-7.7%
Other	1,030	1,123	1,131	1,156	1,200	1,268	1,346	1,330	1,328	1,361	2.5%	32.1%
Loans and Leases												
C&I	1,202	1,259	1,278	1,312	1,358	1,397	1,412	1,435	1,449	1,458	0.6%	21.3%
Real Estate	3,372	3,413	3,422	3,447	3,476	3,549	3,569	3,584	3,602	3,621	0.5%	7.4%
Consumer	744	762	770	777	784	782	792	805	815	813	-0.2%	9.2%
Other	523	574	585	629	651	669	664	673	697	692	-0.7%	32.3%
Other Assets	852	867	880	895	922	934	951	961	982	971	-1.1%	14.0%
Total Assets	9,828	10,031	10,121	10,301	10,473	10,627	10,781	10,853	10,929	10,994	0.6%	11.9%
LIABILITIES												
Deposits												
Transaction	634	623	610	628	608	622	608	593	615	617	0.3%	-2.7%
Nontransaction	5,706	5,655	5,692	5,745	5,823	5,943	6,032	6,070	6,098	6,159	1.0%	7.9%
Large time	1,748	1,779	1,774	1,822	1,872	1,972	2,032	2,020	2,058	2,095	1.8%	19.9%
Other	3,959	3,876	3,918	3,923	3,951	3,971	4,000	4,050	4,040	4,063	0.6%	2.6%
Borrowings	1,972	2,096	2,115	2,202	2,252	2,209	2,241	2,324	2,268	2,278	0.5%	15.5%
Other Liabilities	578	604	600	597	600	628	672	660	701	710	1.3%	22.8%
Total Liabilities	8,910	8,955	9,068	9,216	9,375	9,506	9,659	9,758	9,794	9,839	0.5%	10.4%
Residual (assets less liabilities)	917	1,075	1,053	1,085	1,098	1,121	1,122	1,095	1,135	1,155	1.8%	25.9%

all values in \$ billions

SOURCE: Federal Reserve Documents

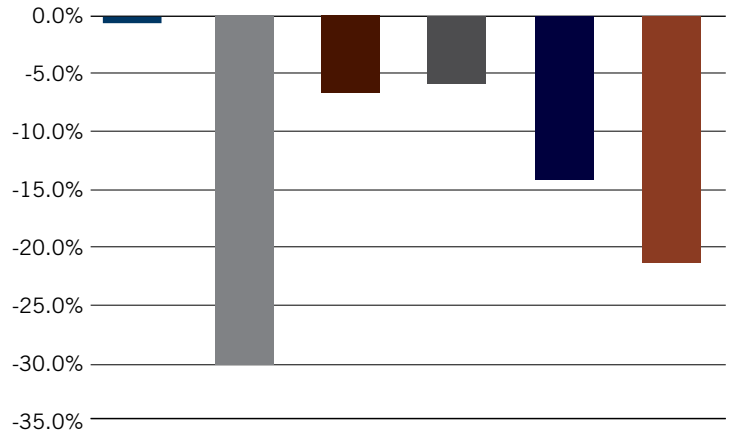
Major Market Index Performance

March 2008



SOURCE: Bloomberg, LLC

Last Twelve Months



SOURCE: Bloomberg, LLC

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

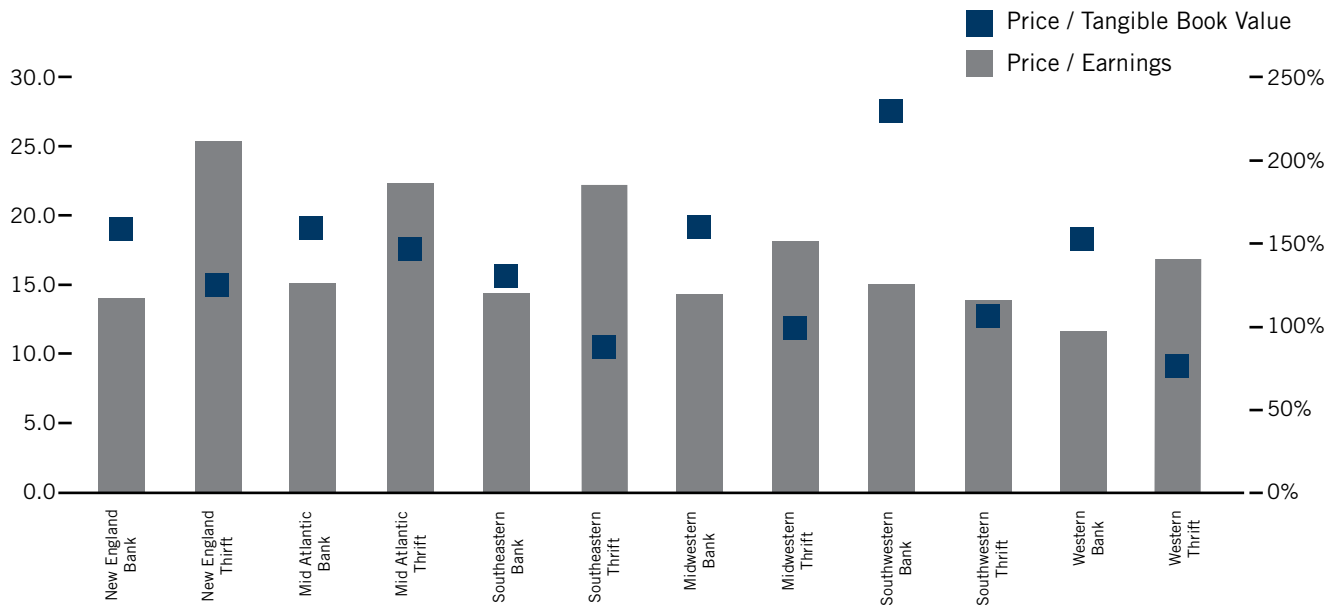
SOURCE: Bloomberg, LLC



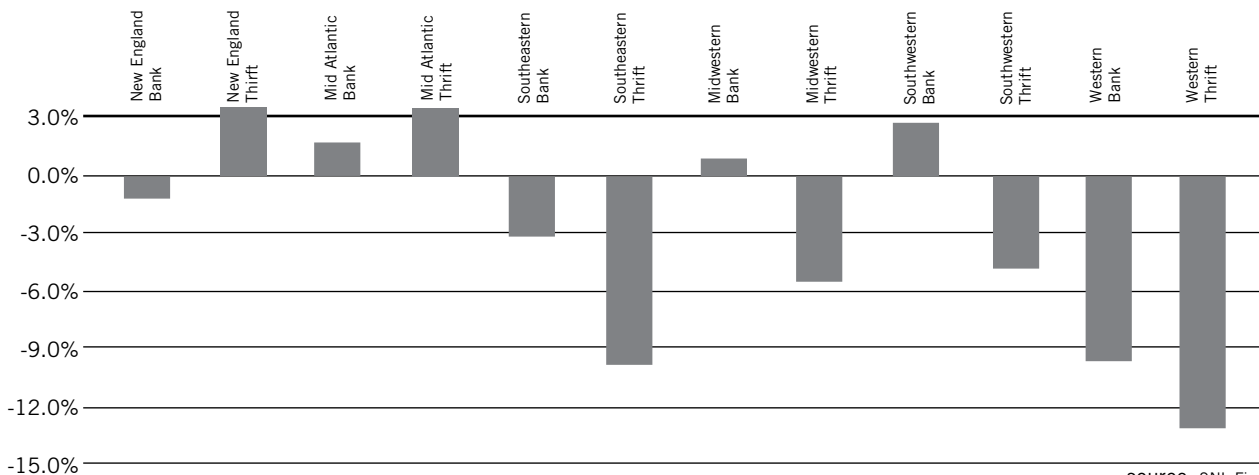
Bank and Thrift Index Valuations

		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	15.3	13.8	156%	130%	263%	155%	1.4%	-1.3%	-13.8%	21
	Thrift	27.5	25.3	114%	106%	138%	128%	3.6%	3.6%	-12.7%	22
Mid Atlantic	Bank	13.0	15.3	131%	140%	253%	154%	2.1%	1.7%	-16.6%	90
	Thrift	17.4	22.4	147%	129%	215%	146%	1.7%	3.3%	-14.4%	56
Southeastern	Bank	10.0	14.6	106%	109%	197%	132%	-0.2%	-3.1%	-29.1%	135
	Thrift	11.4	21.9	70%	84%	91%	89%	-4.0%	-10.2%	-45.7%	10
Midwestern	Bank	10.3	14.5	171%	114%	254%	156%	5.0%	1.0%	-17.9%	90
	Thrift	17.4	18.8	162%	92%	168%	100%	-2.5%	-5.4%	-23.9%	47
Southwestern	Bank	18.8	16.0	158%	158%	245%	228%	8.6%	2.7%	-14.7%	19
	Thrift	12.0	13.8	158%	100%	171%	103%	-4.4%	-4.8%	-35.2%	6
Western	Bank	13.5	12.0	151%	120%	197%	152%	0.7%	-10.3%	-36.4%	69
	Thrift	15.5	16.8	78%	77%	118%	77%	-9.0%	-13.3%	-44.3%	15

Index Valuations



YTD Price Performance



SOURCE: SNL Financial and 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	-7.4	-22.2	-11.7
3/3	ISM Price Paid	FEB	73.5	75.5	76	3/17	Net Long-term TIC Flows	JAN	\$60.0B	\$62.0B	\$56.5B
3/3	Construction Spending MoM	JAN	-0.70%	-1.70%	-1.10%	3/17	Total Net TIC Flows	JAN	\$85.0B	\$37.4B	\$60.4B
3/3	Total Vehicle Sales	FEB	15.5M	15.4M	15.2M	3/17	Industrial Production	FEB	-0.10%	-0.50%	0.10%
3/3	Domestic Vehicle Sales	FEB	11.9M	11.7M	11.7M	3/17	Capacity Utilization	FEB	81.20%	80.90%	81.50%
3/5	Challenger Job Cuts YoY	FEB	--	-14.20%	19.10%	3/18	Producer Price Index (MoM)	FEB	0.40%	0.30%	1.00%
3/5	ADP Employment Change	FEB	18K	-23K	130K	3/18	PPI Ex Food & Energy (MoM)	FEB	0.20%	0.50%	0.40%
3/5	Nonfarm Productivity	4Q F	1.80%	1.90%	1.80%	3/18	Producer Price Index (YoY)	FEB	6.80%	6.40%	7.40%
3/5	ISM Non-Manufact. Composite	FEB	47.3	49.3	44.6	3/18	PPI Ex Food & Energy (YoY)	FEB	2.10%	2.40%	2.30%
3/6	Pending Home Sales MoM	JAN	-1.00%	0.00%	-1.50%	3/18	Housing Starts	FEB	995K	1065K	1012K
3/6	Mortgage Delinquencies	4Q	--	5.82%	5.59%	3/18	Building Permits	FEB	1020K	978K	1048K
3/6	ICSC Chain Store Sales YoY	FEB	0.60%	1.90%	0.50%	3/18	FOMC Rate Decision	18-Mar	2.25%	2.25%	3.00%
3/7	Change in Nonfarm Payrolls	FEB	23K	-63K	-17K	3/20	Philadelphia Fed.	MAR	-19	-17.4	-24
3/7	Unemployment Rate	FEB	5.00%	4.80%	4.90%	3/24	Existing Home Sales	FEB	4.85M	5.03M	4.89M
3/7	Change in Manufact. Payrolls	FEB	-25K	-52K	-28K	3/24	Existing Home Sales (MoM)	FEB	-0.80%	2.90%	-0.40%
3/7	Average Weekly Hours	FEB	33.7	33.7	33.7	3/25	S&P/CS Composite-20 YoY	JAN	-10.50%	-10.70%	-9.10%
3/7	Consumer Credit	JAN	\$7.0B	\$6.9B	\$4.5B	3/25	Consumer Confidence	MAR	73.5	64.5	75
3/11	Trade Balance	JAN	-\$59.5B	-\$58.2B	-\$58.8B	3/25	House Price Index MoM	JAN	--	-1.10%	-0.20%
3/11	IBD/TIPP Economic Optimism	MAR	40.5	42.5	44.5	3/25	Richmond Fed Manufact. Index	MAR	-5	6	-5
3/12	Monthly Budget Statement	FEB	-\$170.0B	-\$175.6B	-\$120.0B	3/26	Durable Goods Orders	FEB	0.70%	-1.70%	-5.30%
3/13	Import Price Index (MoM)	FEB	0.80%	0.20%	1.70%	3/26	Durables Ex Transportation	FEB	-0.30%	-2.60%	-1.60%
3/13	Import Price Index (YoY)	FEB	--	13.60%	13.70%	3/26	New Home Sales	FEB	578K	590K	588K
3/13	Advance Retail Sales	FEB	0.20%	-0.60%	0.30%	3/26	New Home Sales MoM	FEB	-1.70%	-1.80%	-2.80%
3/13	Retail Sales Less Autos	FEB	0.20%	-0.20%	0.30%	3/27	GDP Annualized	4Q F	0.60%	0.60%	0.60%
3/13	Business Inventories	JAN	0.50%	0.80%	0.60%	3/27	Personal Consumption	4Q F	1.90%	2.30%	1.90%
3/14	Consumer Price Index (MoM)	FEB	0.30%	0.00%	0.40%	3/27	GDP Price Index	4Q F	2.70%	2.40%	2.70%
3/14	CPI Ex Food & Energy (MoM)	FEB	0.20%	0.00%	0.30%	3/27	Core PCE QoQ	4Q F	2.70%	2.50%	2.70%
3/14	Consumer Price Index (YoY)	FEB	4.30%	4.00%	4.30%	3/28	Personal Income	FEB	0.30%	0.50%	0.30%
3/14	CPI Ex Food & Energy (YoY)	FEB	2.40%	2.30%	2.50%	3/28	Personal Spending	FEB	0.10%	0.10%	0.40%
3/14	CPI Core Index SA	FEB	--	213.851	213.765	3/28	PCE Deflator (YoY)	FEB	3.50%	3.40%	3.70%
3/14	Consumer Price Index NSA	FEB	212.223	211.693	211.08	3/28	PCE Core (MoM)	FEB	0.10%	0.10%	0.30%
3/16	Federal Reserve Intermeeting Discount Rate Cut to			3.25%		3/28	PCE Core (YoY)	FEB	2.10%	2.00%	2.20%
3/17	Current Account Balance	4Q	-\$183.8B	-\$172.9B	-\$178.5B	3/31	Chicago Purchasing Manager	MAR	46	48.2	44.5

SOURCE: Bloomberg, LLC

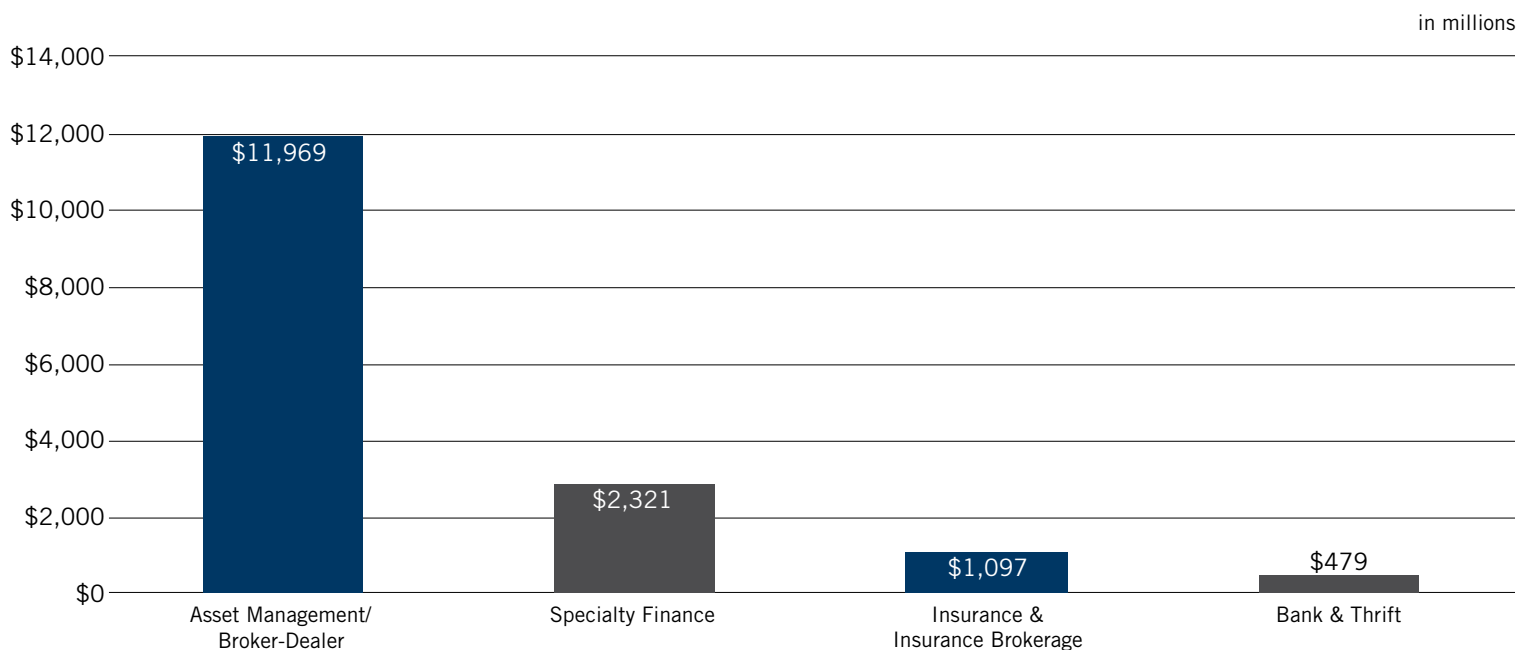
Economic Data Points - April 2008

Date	Event	Period	Survey	Actual	Prior	Date	Event	Period	Survey	Actual	Prior
4/1	ISM Manufacturing	MAR	47.5	48.6	48.3	4/16	CPI Ex Food & Energy (MoM)	MAR	--	--	0.00%
4/1	ISM Prices Paid	MAR	75	83.5	75.5	4/16	Consumer Price Index (YoY)	MAR	--	--	4.00%
4/1	Construction Spending MoM	FEB	-1.00%	-0.30%	-1.70%	4/16	CPI Ex Food & Energy (YoY)	MAR	--	--	2.30%
4/1	Total Vehicle Sales	MAR	15.2M	--	15.3M	4/16	Housing Starts	MAR	--	--	1065K
4/1	Domestic Vehicle Sales	MAR	11.6M	--	11.7M	4/16	CPI Core Index SA	MAR	--	--	213.851
4/2	Challenger Job Cuts YoY	MAR	--	--	-14.20%	4/16	Building Permits	MAR	--	--	978K
4/2	ADP Employment Change	MAR	-45K	--	-23K	4/16	Consumer Price Index NSA	MAR	--	--	211.693
4/3	ISM Non-Manufact. Composite	MAR	48.5	--	49.3	4/16	Industrial Production	MAR	--	--	-0.50%
4/4	Change in Nonfarm Payrolls	MAR	-50K	--	-63K	4/16	Capacity Utilization	MAR	--	--	80.90%
4/4	Unemployment Rate	MAR	5.00%	--	4.80%	4/17	Philadelphia Fed.	APR	--	--	-17.4
4/4	Change in Manufact. Payrolls	MAR	-35K	--	-52K	4/22	Richmond Fed Manufact. Index	APR	--	--	6
4/4	Average Weekly Hours	MAR	33.7	--	33.7	4/22	Existing Home Sales	MAR	--	--	5.03M
4/7	Consumer Credit	FEB	\$6.0B	--	\$6.9B	4/22	House Price Index MoM	FEB	--	--	-1.10%
4/8	Pending Home Sales MoM	FEB	-1.00%	--	0.00%	4/22	Existing Home Sales MoM	MAR	--	--	2.90%
4/8	IBD/TIPP Economic Optimism	APR	--	--	42.5	4/24	Durable Goods Orders	MAR	--	--	-1.70%
4/8	Minutes of March 18 FOMC Meeting					4/24	Durables Ex Transportation	MAR	--	--	-2.60%
4/10	Trade Balance	FEB	-\$57.5B	--	-\$58.2B	4/24	Continuing Claims	12-Apr	--	--	--
4/10	ICSC Chain Store Sales YoY	MAR	--	--	1.90%	4/24	New Home Sales	MAR	--	--	590K
4/10	Monthly Budget Statement	MAR	-\$80.0B	--	-\$96.3B	4/24	New Home Sales MoM	MAR	--	--	-1.80%
4/11	Import Price Index (MoM)	MAR	1.80%	--	0.20%	4/29	S&P/CS Composite-20 YoY	FEB	--	--	-10.70%
4/11	Import Price Index (YoY)	MAR	--	--	13.60%	4/29	Consumer Confidence	APR	--	--	64.5
4/14	Advance Retail Sales	MAR	--	--	-0.60%	4/29-30	U.S. Federal Reserve Open Market Committee Meeting				
4/14	Retail Sales Less Autos	MAR	--	--	-0.20%	4/30	ADP Employment Change	APR	--	--	--
4/14	Business Inventories	FEB	--	--	0.80%	4/30	GDP Annualized	1Q A	--	--	0.60%
4/15	Producer Price Index (MoM)	MAR	--	--	0.30%	4/30	Personal Consumption	1Q A	--	--	2.30%
4/15	PPI Ex Food & Energy (MoM)	MAR	--	--	0.50%	4/30	GDP Price Index	1Q A	--	--	2.40%
4/15	Producer Price Index (YoY)	MAR	--	--	6.40%	4/30	Core PCE QoQ	1Q A	--	--	2.50%
4/15	PPI Ex Food & Energy (YoY)	MAR	--	--	2.40%	4/30	Employment Cost Index	1Q	--	--	0.80%
4/15	Empire Manufacturing	APR	--	--	-22.2	4/30	Chicago Purchasing Manager	APR	--	--	48.2
4/16	Consumer Price Index (MoM)	MAR	--	--	0.00%	4/30	FOMC Rate Decision	30-Apr	1.75%	--	2.25%

SOURCE: Bloomberg, LLC

M&A Transaction Update

Announced Transactions - March 2008



SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - March 2008

Bank & Thrift	14
Insurance & Insurance Brokerage	19
Specialty Finance	11
Asset Management & Broker/Dealer	16

SOURCE: SNL Financial, Bloomberg, Factiva

Deal Count - 2008 YTD

Bank & Thrift	33
Insurance & Insurance Brokerage	76
Specialty Finance	17
Asset Management & Broker/Dealer	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	Keefe, Bruyette & Woods, Inc.	52
2	Sandler O'Neill & Partners, LP	48
3	Hovde Financial	46
4	Howe Barnes Hofer & Arnett, Inc.	30
5	Stifel, Nicolaus & Company, Inc.	23
6	Sheshunoff & Co. Investment Banking LP	15
7	Austin Associates, LLC	8
7	Burke Capital Group, LLC	8
7	Goldman, Sachs & Co.	8

SOURCE: SNL Financial (data from 3/31/2006 - 3/31/2008)

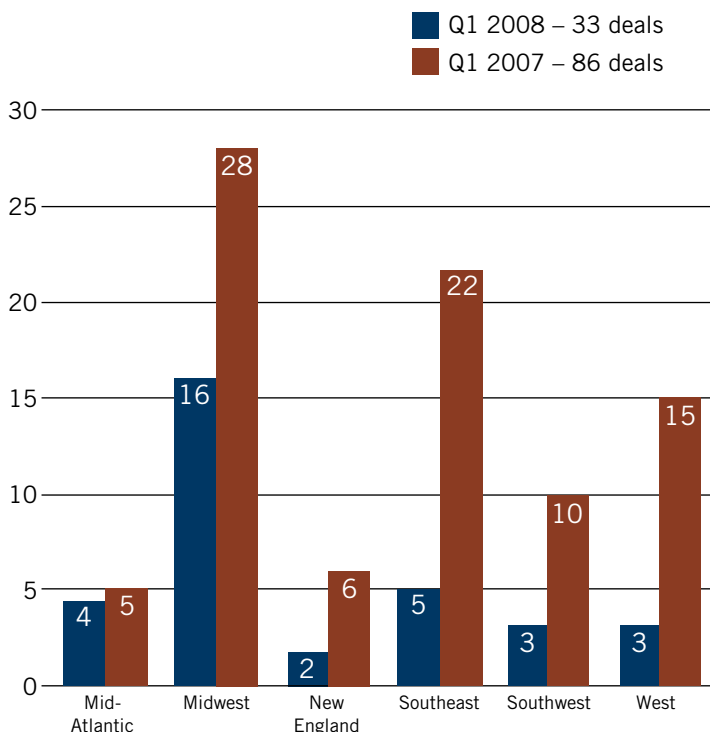
Bank & Thrift Transactions - March 2008

Buyer	Buyer State	Target	Target State	Announced	DV (\$MM)	P/LTM Ern	P/TBV (%)	Core Deposit Premium (%)
First Citizen Bancorporation, Inc.	SC	Merchants & Farmers Bank	GA	3/4/2008	36.8	12.3	196.2	17.67
Investor Group		Starbanc Holding Company	TX	3/6/2008	17.0	22.6	230.0	19.76
Liberty Bancorp, Inc.	MO	Kit Bancshares, Inc.	MO	3/7/2008	NA	NA	NA	NA
Village Bank and Trust Financial Corp.	VA	River City Bank	VA	3/9/2008	20.3	NA	130.5	5.58
Eastern Bank Corporation	MA	MASSBANK Corp.	MA	3/10/2008	171.9	21.2	157.3	11.37
Robertson Holding Company, L.P.	TN	Union National Bancorp of Barbourville, Inc.	KY	3/14/2008	NA	NA	NA	NA
Frandsen Financial Corporation	MN	Tower Bancshares, Inc.	MN	3/17/2008	NA	NA	NA	NA
Frandsen Financial Corporation	MN	Anderson Financial Group, Incorporated	MN	3/18/2008	NA	NM	NA	NA
Capitol Bancorp Ltd.	MI	Forethought Federal Savings Bank	IN	3/18/2008	NA	NA	NA	NA
First Financial Service Corporation	KY	FSB Bancshares, Incorporated	IN	3/19/2008	14.0	NA	141.2	8.34
Liberty Financial Services, Inc.	IA	Valley Bank National Association	SD	3/19/2008	NA	18.7	NA	NA
Valley National Bancorp	NJ	Greater Community Bancorp	NJ	3/19/2008	167.2	NM	273.0	15.69
U.S. Bancorp	MN	Mellon 1st Business Bank, NA	CA	3/28/2008	NA	NA	NA	NA
Northstar Financial Group, Inc.	MI	Capital Bancorp - 4 Michigan banks	MI	3/31/2008	52.0	22.5	149.6	7.73

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	\$255	251.0	21.1	22.1
Midwest	\$211	158.9	27.1	8.7
New England	\$172	157.3	22.5	11.4
Southeast	\$142	176.1	16.7	12.3
Southwest	\$84	242.2	17.9	22.0
West	\$4,145	32.1	NA	NA
Average		174.2	22.4	12.6

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	\$5,008	17,420.0	22.4	12.8

SOURCE: SNL Financial

Insurance and Insurance Brokerage Transactions - March 2008

Buyer	Target	Announced	DV (\$MM)
Southwest Insurance Partners, Inc.	Southwest Risk, LP	3/01/2008	NA
Brown & Brown, Inc.	W. J. Fowler & Company	3/03/2008	NA
Argo Group International Holdings, Ltd.	Massamont Insurance Agency Inc.	3/04/2008	NA
Goldman Sachs Group, Inc.	Corporate Planning Systems LLC	3/05/2008	NA
Flagstone Reinsurance Holdings Limited	Imperial Reinsurance Company Limited	3/06/2008	20.8
Arthur J. Gallagher & Co.	Splinter Group, Inc.	3/07/2008	NA
Berkshire Hathaway Inc.	White Mountain subsidiaries	3/08/2008	836.2
Hub International Limited	Flynn Insurance Agency	3/10/2008	NA
Philadelphia Consolidated Holding Corp.	Gillingham & Associates Inc.	3/11/2008	NA
Arthur J. Gallagher & Co.	Bankers Financial Benefits	3/11/2008	NA
Edgewood Partners Insurance Center	Kelley & Swain, Inc.	3/12/2008	NA
Palisades Safety and Insurance Association	National Atlantic Holdings Corporation	3/13/2008	69.7
Third party title insurance agency	Financial Assurance Services' title insurance agency business	3/15/2008	NA
Centene Corporation	Celtic Group, Inc.	3/18/2008	80.0
Humana Inc.	OSF Health Plans, Inc.	3/19/2008	90.5
Arthur J. Gallagher & Co.	Providium Consulting Group, LLC	3/19/2008	NA
Arthur J. Gallagher & Co.	Healthcare Risk Solutions, LLC	3/20/2008	NA
Brown & Brown, Inc.	Powers & Effler Insurance Brokers, Inc.	3/31/2008	NA
FIRSTPLUS Financial Group, Inc.	Premier Group LLC	3/31/2008	NA

SOURCE: Factiva, AM Best

Asset Management/Broker-Dealer Transactions - March 2008

Buyer	Target	Announced	DV (\$MM)
Ladenburg Thalmann Financial Services Inc.	Punk, Ziegel & Company, L.P.	3/04/2008	NA
Duff Capital Advisors	Azimuth Asset Management, LLC	3/05/2008	NA
Macquarie Group Limited	Allegiance Investment Management, LLC	3/06/2008	NA
Lehman Brothers Holdings Inc.	U.S. Municipal bond business	3/06/2008	NA
Cowen Group, Inc.	Latitude Capital Group	3/07/2008	NA
FBR Capital Markets Corporation	East Peak Advisors, LLC	3/10/2008	NA
Halcyon Asset Management LLC	Alternative Asset Management Acquisition Corp.	3/12/2008	NA
Undisclosed buyer	Asset management business	3/13/2008	NA
JPMorgan Chase & Co.	Bear Stearns Companies Inc.	3/16/2008	2,491.1
CME Group Inc.	NYMEX Holdings, Inc.	3/17/2008	9,467.1
iFinix Corporation	ProActive Futures	3/19/2008	NA
Componus, Inc.	JPC Capital Partners, Inc.	3/20/2008	NA
Rodman & Renshaw Capital Group, Inc.	Miller Mathis & Company, LLC	3/24/2008	9.4
JPMorgan Chase & Co.	Institutional global custody portfolio	3/27/2008	NA
Western Sizzlin Corporation	Mustang Capital Management, LLC	3/28/2008	1.2
Grove Creek Asset Management, LLC	Estabrook Capital Management, LLC	3/31/2008	NA

SOURCE: Factiva, Bloomberg

Specialty Finance Transactions - March 2008

Buyer	Target	Announced	DV (\$MM)
JP Morgan Chase & Co.	Unicorn Financial Services, Inc.	3/03/2008	NA
Rock Capital 2, LLC	KKR Financial Corporation	3/04/2008	NA
Premium Financial Specialists Inc.	AMGRO, Inc.	3/12/2008	NA
American International Group, Inc.	Inversora Pichincha S.A.	3/17/2008	NA
EZCORP, Inc.	Value Financial Services, Inc.	3/17/2008	73.0
INVESCO Ltd.	Option One mortgage servicing business	3/17/2008	1,147.7
Northern Star Financial, Inc.	River City Group, Inc.	3/20/2008	NA
American Express Company	GE Corporate Payment Services	3/27/2008	1,100.0
Banco Santander, S.A.	GE Money's business in Germany, Finland and Austria	3/27/2008	NA
Banco Santander, S.a.	U.K. card and auto businesses	3/27/2008	NA
Wallick & Volk, Inc.	Citizens Mortgage retail branch network	3/28/2008	NA

SOURCE: Factiva, Bloomberg, Reuters