

## TRANSACTION PROFILE: ROYAL PALM / MERCANTILE

### *4 ½ Year-Old Florida Community Bank Receives 3.7x Core Book Value*

Hovde Financial is pleased to announce that its client, Royal Palm Bancorp, Inc. (OTC: "RYPL"), headquartered in Naples, Florida, and its wholly-owned subsidiary, Royal Palm Bank of Florida, have signed a definitive agreement to merge with Mercantile Bancorp, Inc. (AMEX: "MBR"), of Quincy, IL, in an all-cash transaction valued at \$44.4 million. This transaction represents Mercantile's initial foray into Florida, whose \$1+ billion franchise is primarily located in Illinois. Mercantile's interest in Florida, like many potential buyers with whom we talk, is primarily driven by Florida's attractive demographics and the fact that certain members of Mercantile's management and many of their customers have second homes in the state.

Royal Palm, a community bank with three branches in Naples/Ft. Myers, FL and \$147 million in assets, was only in operation for 4.5 years. The bank is primarily a real estate lender with 41% of its loan portfolio in construction and 20% in commercial real estate. The bank's deposit base was heavily weighted in CDs (72%), and it had an ROA of 0.67% and an ROE of 5.76%. Additionally, it is important to note that the bank was over-capitalized at almost 10%. A few months before deciding to explore a sale and hiring Hovde, the bank raised \$6 million in common stock to fund future growth. At the time we were hired to undergo our discreet marketing process, the bank's tangible capital ratio was about 14%.

The pricing multiples we successfully negotiated on behalf of Royal Palm were extremely high and reflective of the superior value Florida community banks can receive in the market today. The \$44.4 million deal equated to an 82% premium to its stock price, 33.6x 2006 budgeted earnings, 3.7x core book value, and a 32% premium on core deposits. Core book value assumes a premium on normalized equity of 7.00% and dollar-for-dollar on the excess. It essentially adjusts for the excess equity from the \$6 million in new capital they recently raised. Price to stated book (capital ratio of 10%) was 3.0x.

Hovde Financial initiated the transaction, served as exclusive financial advisor to Royal Palm, and delivered a fairness opinion to Royal Palm's Board of Directors. This announcement represents the 19<sup>th</sup> Florida community bank we have been fortunate enough to sell since 2003. Further, Hovde Financial has now brought 7 new buyers into the Florida acquisition landscape -- expounding upon our exceptional and proprietary buyer intelligence.

While it is clear pricing has started to come down across the country, in Florida, there is a broad group of emerging new buyers and a select group of existing buyers that will still enable companies like Royal Palm to receive exceptional pricing. The key is simply knowing the key players, and when and how to approach them.

### **About Hovde Financial**

Hovde Financial is a nationwide investment bank focused exclusively on the financial services industry, specializing in providing a variety of investment banking and financial advisory services to community banks and thrifts. Founded in 1987, the firm has been a financial advisor in 230 merger and acquisition transactions for an aggregate deal value of over \$19 billion. In addition, Hovde has advised on approximately \$5.5 billion in branch transactions. Client-driven and results-oriented, the firm's experienced principals and bankers are committed to providing superior, value-added advice.

# TRANSACTION PROFILE

HOVDE FINANCIAL IS PLEASED TO ANNOUNCE

**Royal Palm Bancorp, Inc. - Naples, FL**

has agreed to merge with

**Mercantile Bancorp, Inc. - Quincy, IL**

Hovde Financial both initiated this transaction and served as exclusive financial advisor to Royal Palm Bancorp, Inc.

## Overview of the Deal

- Quincy, IL-based Mercantile Bancorp, Inc. (AMEX: "MBR") enters Florida with the announced signing of a definitive agreement to acquire Naples, FL-based Royal Palm Bancorp, Inc (OTC: "RYPL") in an all-cash transaction valued at \$44.4 million.
- Based on the total deal value of \$44.4 million, this price represents an 82% market premium, 34x Royal Palm's 2006 estimated earnings, 3.7x core book value, 3.0x stated book value and a 32% premium to core deposits.
- This transaction represents the 19<sup>th</sup> Florida transaction Hovde has announced since 2003. Furthermore, Hovde has now brought seven new acquirors into Florida (Mercantile-IL, Popular-PR, Fifth Third-OH, Whitney-LA, Marshal & Ilsley-WI, Home-AR, Stark-IA.)



## Transaction Pricing

Aggregate Deal Price (\$million)	\$44.4
Announced Date	5/30/2006
Anticipated Closing Date	Q3 2006
Form of Consideration	100% Cash
Consideration Structure	Fixed Price
Premium-to-Market (Stock Price: \$14.00)	82.1%
Price-to-Tangible Book Value	303.9%
Price-to-Core Book (7.00%, \$ for \$ on excess)	371.2%
Price-to-2006 Estimated Earnings	33.6x
Premium-to-Core Deposits	32.1%
Price-to-Total Assets	28.9%

## Pro Forma Market Share - Naples MSA

Rank	Institution	Branch Count	Deposits in Market (\$000)	Market Share (%)
1	Bank of America Corp. (NC)	17	1,958,878	20.1
2	Fifth Third Bancorp (OH)	16	1,780,481	18.2
3	Wachovia Corp. (NC)	20	1,488,255	15.2
4	Orion Bancorp Inc. (FL)	6	764,510	7.8
5	AmSouth Bancorp. (AL)	11	710,696	7.3
6	Florida Community Banks Inc (FL)	3	353,804	3.6
7	SunTrust Banks Inc. (GA)	7	310,852	3.2
8	Northern Trust Corp. (IL)	2	294,486	3.0
9	Synovus Financial Corp. (GA)	2	247,351	2.5
10	Alabama National BanCorp. (AL)	3	234,685	2.4
11	Bancshares of Florida Inc. (FL)	2	228,974	2.4
12	First Citizens BancShares Inc. (NC)	5	179,547	1.8
13	BankUnited Financial Corp. (FL)	3	130,327	1.3
14	Marco Community Bancorp Inc. (FL)	1	125,550	1.3
15	Colonial BancGroup Inc. (AL)	4	112,861	1.2
16	Third FS&LA M.H.C. (OH)	1	103,158	1.1
17	TIB Financial Corp. (FL)	3	99,147	1.0
<b>18</b>	<b>Mercantile Bancorp, Inc. - Pro Forma</b>	<b>2</b>	<b>95,355</b>	<b>1.0</b>
19	Huntington Bancshares Inc. (OH)	2	72,426	0.7
20	JPMorgan Chase & Co. (NY)	3	72,232	0.7
21	Bank of Naples (FL)	1	67,087	0.7
22	Stark Bank Group Ltd. (IA)	1	52,364	0.5
23	Old Florida Bankshares Inc. (FL)	1	51,703	0.5
24	BB&T Corp. (NC)	2	49,326	0.5
25	Comerica Inc. (MI)	1	41,681	0.4

## Buyer and Seller Financial Information (as of 3/31/2006 & 12/31/2005)

	<u>Mercantile</u>	<u>Royal Palm</u>
Headquarters	Quincy, IL	Naples, FL
Ticker	MBR	RYPL
States of Operation	IL(11),MO(8)	FL(3)
Total Branches	19	3
Total Assets (\$000)	1,140,745	147,394
Total Deposits (\$000)	965,342	127,275
Core Deposits (\$000)	683,332	87,221
Tangible Equity (\$000)	85,178	14,608
LTM Net Income (\$000)	9,411	779
LTM ROAA (%)	0.85	0.67
LTM ROAE (%)	10.43	5.76
Efficiency Ratio (%)	60.43	63.91
Non-Interest Income /AA (%)	0.75	0.10
NPAs / Assets (%)	0.35	1.60
NCOs / Average Loans	0.17	0.00
Tangible Equity Ratio (%)	7.47	9.91

## TRANSACTION PROFILE

### Recent Hovde Financial Florida Deals

Transactions Announced Since January 1, 2003

Sorted by Price-to-Tangible Book Value

Date Announced	Buyer	ST	Seller (Hovde Client)	City	Total Assets (\$000)	Consider. Type <sup>(a)</sup>	Deal Value (\$M)	Price/Tang. Bk (%)	Price/LTM EPS (x)
08/02/04	Fifth Third Bancorp	OH	First National Bankshares	Naples	\$5,331,000	S	\$1,575.0	625.8	46.2
10/13/04	Whitney Holding Corp.	LA	Destin Bancshares, Inc.	Destin	450,863	M	115.0	569.5	28.7
10/07/03	Synovus Financial Corp.	GA	Peoples Florida Banking Corp.	Palm Harbor	230,664	M	78.1	482.7	26.3
07/28/05	Whitney Holding Corp.	LA	First National Bankshares	Bradenton	334,621	M	120.0	457.2	34.4
12/23/03	Colonial BancGroup, Inc.	AL	P.C.B. Bancorp, Inc.	Clearwater	660,113	M	143.8	433.9	25.2
03/19/04	Whitney Holding Corp.	LA	Madison Bancshares Inc.	Palm Harbor	204,909	M	65.8	393.6	30.3
02/03/03	F.N.B. Corporation	FL	Charter Banking Corp.	Tampa	645,578	C	150.3	391.4	37.2
10/24/05	Synovus Financial Corp.	GA	Banking Corporation of Florida	Naples	322,398	S	91.0	357.2	21.7
04/04/06	Riverside Banking Co.	FL	First Community Bank Hlding Co.	Debary	258,658	C	NA	NA	NA
01/21/04	South Financial Group, Inc.	SC	CNB Florida Bancshares, Inc.	Jacksonville	810,299	S	160.1	328.6	25.5
09/28/04	Colonial BancGroup, Inc.	AL	Union Bank of Florida	Ft. Lauderdale	1,052,505	M	240.0	316.2	28.1
05/30/06	Mercantile Bancorp, Inc.	IL	Royal Palm Bancorp, Inc.	Naples	147,394	C	44.4	303.9	54.7
05/18/04	ABC Bancorp	GA	Citizens Bancshares, Inc.	Crawfordville	54,810	C	11.7	304.8	NM
11/10/05	Marshall & Ilsley Corp	WI	Gold Banc Corp. <sup>(b)</sup>	Bradenton	4,076,770	M	714.7	300.8	26.8
08/17/04	Popular, Inc.	PR	Kislak Financial Corporation	Miami Lakes	962,115	C	158.0	240.2	26.9
11/22/05	Seacoast Banking Corp.	FL	Big Lake Financial Corporation	Okeechobee	311,530	S	43.0	216.1	18.6
01/25/05	Home Bancshares, Inc.	AR	Marine Bancorp, Inc.	Marathon	201,360	M	16.8	197.9	12.9
11/04/05	Starke Bank Group, Ltd.	IA	Pelican Financial, Inc.	Naples	193,958	C	27.7	185.7	NM
06/30/04	F.N.B. Corporation	FL	First Bradenton Bank	Bradenton	54,058	S	8.3	171.2	30.8
<b>Average</b>								<b>348.8</b>	<b>29.4</b>

(a) S-stock, C-cash, M-mixture

(b) 65% of Gold Banc's franchise was located in Kansas and Missouri

Source: SNL Securities, L.C.

