

Positioning Your Bank for the Recovery



May 12, 2010

The Chicago Club
Chicago, Illinois

Welcome and Introductions



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Mergers and Acquisitions/ Capital Markets Update



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Discussion Materials for:

VEDDER PRICE®

May 12, 2010



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Table of Contents

1. Current M&A Environment and Forecast
2. New Developments: FDIC-Assisted Transactions
3. Consolidation Opportunities in Chicago MSA
4. KBW Experience

Current M&A Environment and Forecast



Current M&A Environment: Recent Activity

➤ Scoreboard for Non FDIC-assisted deals since January 2009

National	
Deals Announced:	210
Deals Closed:	96
Deals Pending:	70
Deals Terminated:	44
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Branch Deals Announced:	119

21% of all M&A deals announced since January 2009 have terminated

Chicago MSA	
Deals Announced:	6
Deals Closed:	2
Deals Pending:	1
Deals Terminated:	3
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Branch Deals Announced:	0



Source: SNL Financial. Data as of 5/7/2010.

Current M&A Environment: Emerging Trends

➤ Catalyst for activity at these low levels

- Charter consolidation
- Limited access to needed capital
- Regulatory mandates
- FDIC receiverships

➤ Current structure mechanics

- Buyer protection
 - Floating exchange ratio based on seller's credit conditions at closing
 - Hold-backs & escrowed consideration (earn-outs) post closing
- Seller likely to receive equity consideration in a discount to book value valuation
- Merger of equals (similar size banks, in market)

Current M&A Environment: Headwinds Challenging Conventional M&A

- **Depressed equity currencies**
- **Constrained access to debt financing**
- **Asset quality**
 - KBW estimates that small to mid-cap banks are only half-way through provisioning cycle
 - Much uncertainty remains regarding CRE values
- **Accounting & income tax considerations**
- **Capital preservation – Repay TARP**
- **Competing FDIC assisted transactions**
- **Bank personnel consumed by inward focus on their own issues**
- **Investment portfolio losses**

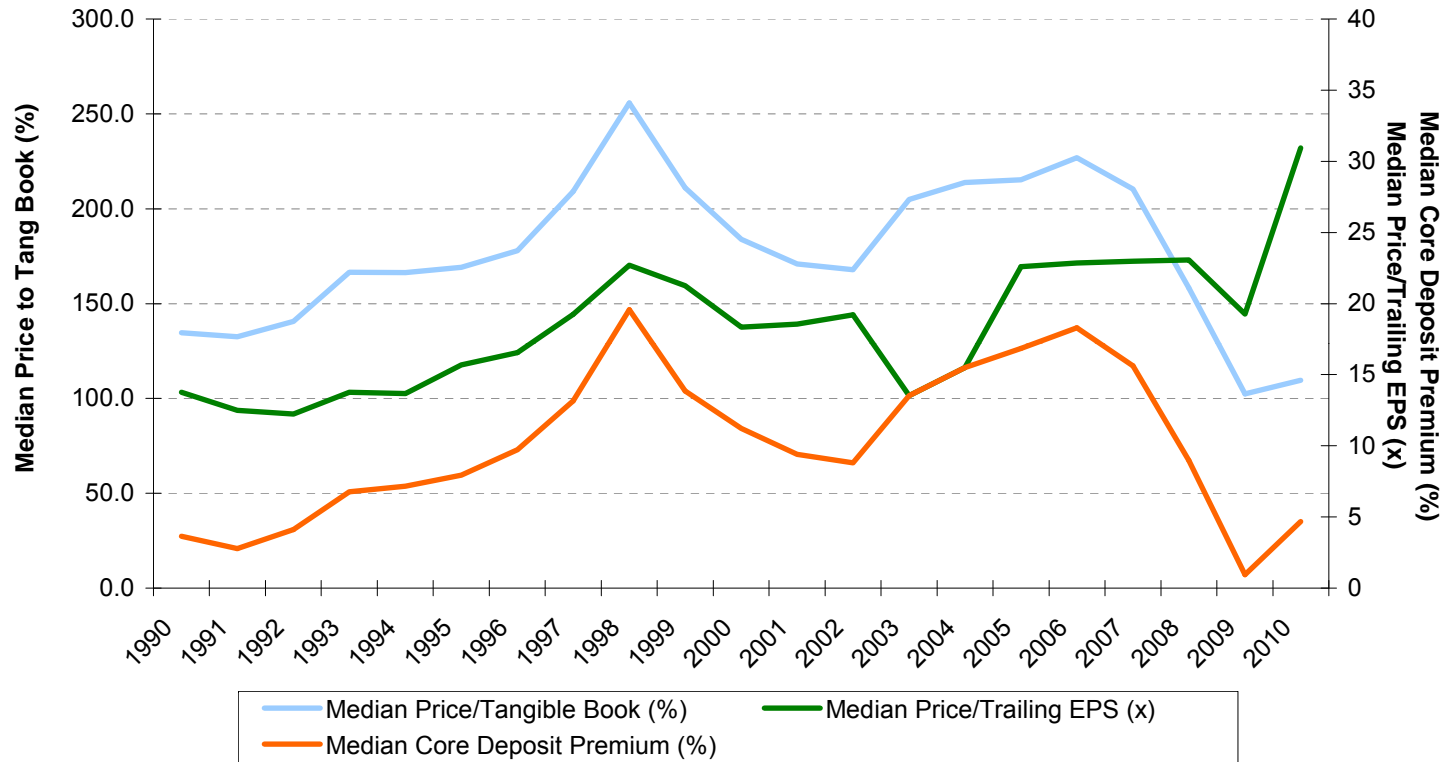
M&A Forecast

- **KBW believes conventional M&A activity will return in 2012**
- **The benefits of consolidation will overcome the challenges**
 - Capital is available for the consolidators
 - Normalized earnings become more transparent in the next 6-8 quarters
 - Opportunities for large market share gains in product and delivery channels – especially Chicago
 - Large universe of “Stressed Survivors”
 - Lack access to capital
 - Inability to grow earning assets and therefore revenue
 - Deposit rich franchises
 - Regulatory pressure

M&A Forecast

- **Announcements will continue**
 - FDIC resolutions
 - Branch acquisitions
 - Distressed asset purchases & sales
 - Mergers
 - Recapitalizations

Historical Acquisition Multiples



Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Transactions	167	274	356	451	523	435	441	450	475	334	254	249	211	258	270	270	293	284	159	137	32
Median Price/Tangible Book (%)	134.6	132.5	140.6	166.4	166.3	169.1	177.9	209.1	255.8	211.1	183.9	170.8	167.9	204.8	213.9	215.3	226.9	210.4	158.2	102.4	109.5
Median Price/Trailing EPS (x)	13.8	12.5	12.2	13.8	13.7	15.7	16.6	19.2	22.7	21.3	18.3	18.6	19.2	13.5	15.5	22.6	22.9	23.0	23.1	19.3	30.9
Median Core Deposit Premium (%)	3.7	2.8	4.1	6.8	7.2	8.0	9.7	13.2	19.6	13.9	11.2	9.4	8.8	13.5	15.5	16.8	18.3	15.6	9.0	1.0	4.7
Average Transaction Value (\$M)	21.7	88.0	46.2	57.2	46.4	158.9	123.4	235.3	675.6	218.1	399.0	172.6	87.7	325.9	547.1	127.8	428.1	310.8	294.9	21.2	26.1



Source: SNL Financial. Data as of 4/21/2010.

Traditional M&A: Protection from Credit Deterioration



- Acquisition of Harleystown National Corp. in a transaction that included a floating exchange ratio designed to help insulate First Niagara from credit deterioration
- As initially structured, the deal would give Harleystown shareholders 0.474 share of First Niagara for each Harleystown share owned, however, the share exchange ratio would start to decrease if Harleystown's loan delinquencies reached \$238 million (6.5%) before the deal closed and the ratio could shrink to as small as 0.30 if loan losses reached \$349 million (9.4%)

Delinq. (\$mm)	Ex. Ratio (x)	Value per HNBC Share (\$)	Total Transaction Value (\$000)
< \$225	0.474x	5.50	236,773
\$225 - \$230	0.471x	5.47	235,375
\$230 - \$235	0.468x	5.44	233,976
\$235 - \$240	0.466x	5.40	232,577
\$240 - \$245	0.463x	5.37	231,179
\$245 - \$250	0.460x	5.34	229,780
\$250 - \$255	0.456x	5.29	227,782
\$255 - \$260	0.452x	5.24	225,784
\$260 - \$265	0.448x	5.20	223,786
\$265 - \$270	0.444x	5.15	221,788
\$270 - \$275	0.440x	5.11	219,790
\$275 - \$280	0.434x	5.04	216,942
\$280 - \$285	0.429x	4.97	214,095



- Credit earn-outs and loan escrows have also been implemented in recent transactions to help protect buyers from deterioration in the acquired loan portfolio, as seen in Rabobank's recent acquisition of CBC subsidiary Napa Community Bank

Contingent Consideration

\$9 million Loan Charge-off Example
Total Loans (\$MM)

Allocation of Consideration (dollars in millions)	Pooled	Loan by Loan
Contingent Consideration	\$10	\$10
Loss on Loan	(\$9)	(\$4)
Remaining Earnout	\$1	\$6

\$100
\$4M contingent consideration allocated to \$9M loan. Remainder allocated to other loans.



Source: SNL Financial.

Tracking Merger & Acquisition Candidates

Market Performance

Ticker	Institution	5/7/10 Price (\$)	Market Cap (\$MMs)	Price To:			Premium to:		Div. Payout Ratio (%)	Div. Yield (%)	Avg. Daily Volume (1 Mnth.)		
				LTM EPS (x)	2010E EPS (x)	2011E EPS (x)	Book Value (%)	Tang. BV (%)				Core Deposits (%)	Core Deposits (%)
WTFC	Wintrust Financial Corporation, (IL)	34.87	1,083	NM	22.4	15.0	100	137	14.8	4.0	7.4	0.5	421,582
PVTB	PrivateBancorp, Inc., (IL)	13.03	929	NM	NM	26.1	95	107	11.7	0.8	NM	0.3	921,628
FMER	FirstMerit Corporation, (OH)	20.71	1,881	28.0	20.7	15.6	163	196	20.9	10.2	81.6	3.1	921,327
MBFI	MB Financial, Inc., (IL)	23.01	1,173	NM	31.5	13.7	111	186	17.8	7.6	NM	0.2	427,206
FMBI	First Midwest Bancorp, Inc., (IL)	14.12	1,046	NM	40.3	16.4	110	155	20.3	7.2	NM	0.3	728,890
TAYC	Taylor Capital Group, Inc., (IL)	11.42	126	NM	NM	NM	134	134	5.2	1.3	NM	0.0	50,253
Median:			1,064	28.0	26.9	15.6	110	146	16.3	5.6	44.5	0.3	578,048

Financial Highlights

Institution	Assets (\$MMs)	Loans/ Deposits (%)	Equity/ Assets (%)	Tangible		Oper. ROAA (%)	Oper. ROAE (%)	Oper. ROATE (%)	NIM (%)	Liquidity Ratio (%)	Efficiency Ratio (%)	
				Equity/ Assets (%)	Equity / Assets (%)							
Wintrust Financial Corporation, (IL)	12,840	94.88	10.63	8.56	6.28	0.29	3.04	4.02	3.33	14.07	64.21	
PrivateBancorp, Inc., (IL)	12,799	83.80	9.53	8.73	6.85	(0.66)	(6.74)	(7.35)	3.34	13.43	62.63	
FirstMerit Corporation, (OH)	12,323	79.87	9.38	7.93	7.93	0.52	5.44	6.61	3.66	8.57	66.41	
MB Financial, Inc., (IL)	10,185	79.64	12.66	8.90	6.89	(0.10)	(0.80)	(1.18)	3.62	25.78	58.49	
First Midwest Bancorp, Inc., (IL)	7,593	91.07	15.06	11.81	9.20	0.32	2.18	2.90	4.23	7.14	58.52	
Taylor Capital Group, Inc., (IL)	4,514	101.66	5.62	5.62	2.10	(1.04)	(17.65)	(17.65)	3.12	15.64	59.88	
Median:		11,254	87.43	10.08	8.65	6.87	0.10	0.69	0.86	3.48	13.75	61.26

Capital/Asset Quality

Institution	Leverage Ratio (%)	Tier 1 Capital Ratio (%)	Total Capital Ratio (%)	NPAs/ Loans&REO (%)	Reserves/ NPAs (%)	Reserves/ Loans (%)	NCOs/ Avg Loans (%)	Loan Loss Prov/ NCOs (%)	Texas Ratio (%)	
										Wintrust Financial Corporation, (IL)
PrivateBancorp, Inc., (IL)	10.57	12.47	14.89	4.59	54.3	2.37	2.39	127.49	40.6	
FirstMerit Corporation, (OH)	9.06	11.43	12.68	1.58	104.1	1.57	1.27	111.91	16.5	
MB Financial, Inc., (IL)	10.30	14.42	16.39	4.75	61.1	2.77	2.89	101.54	55.7	
First Midwest Bancorp, Inc., (IL)	13.06	15.15	17.21	5.25	51.0	2.71	1.36	100.09	48.3	
Taylor Capital Group, Inc., (IL)	7.07	9.29	12.34	5.59	59.0	3.33	3.59	77.79	87.2	
Median:		10.44	12.89	14.90	4.67	56.6	2.54	1.88	105.02	44.5



Source: SNL Financial. Data as of 3/31/10. Estimates from First Call.

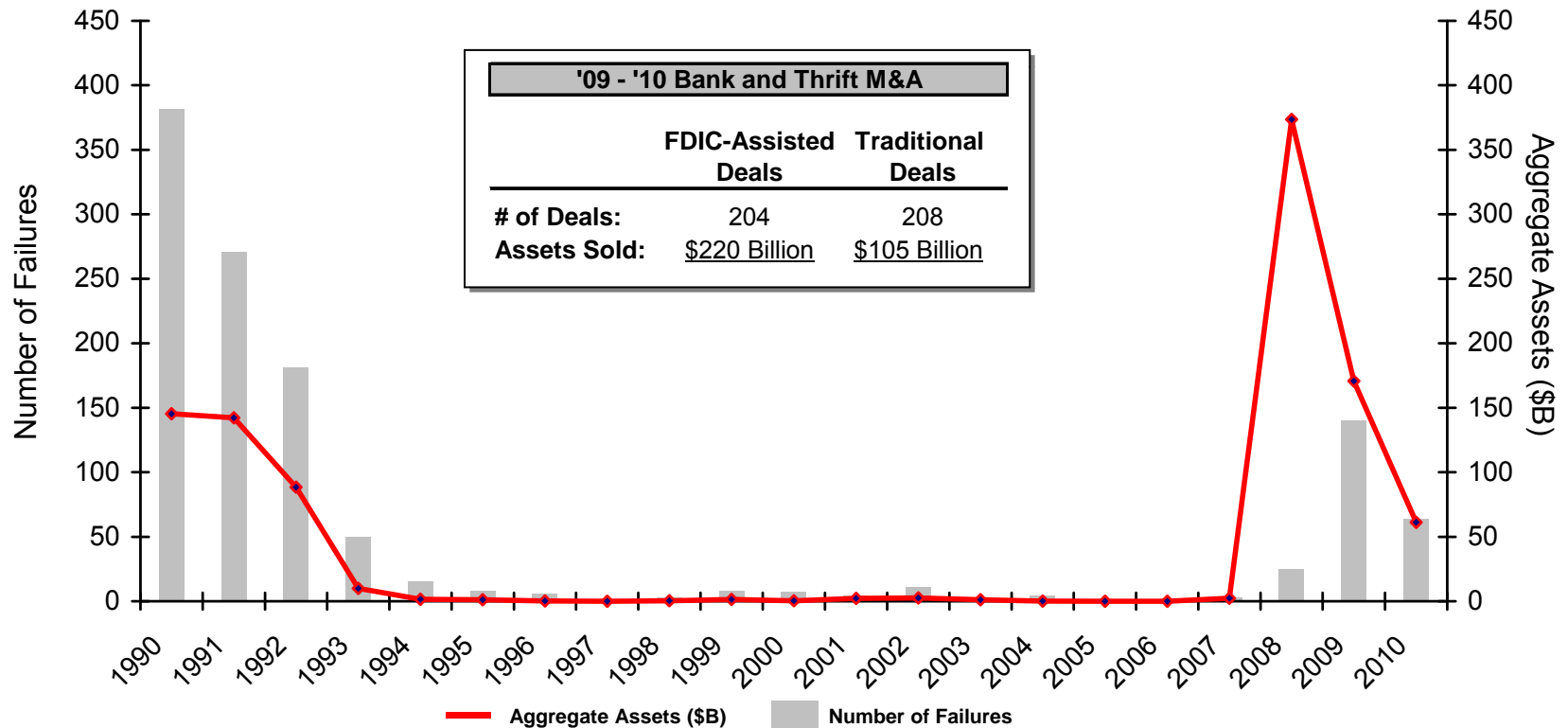
New Developments: FDIC-Assisted Transactions



Historical Bank & Thrift Failures

- Bank and thrift failures remain well below those levels seen in the early 1990s, though they are on the rise, with the number of failures in 2009 (140) more than five times full-year 2008 failures (25)

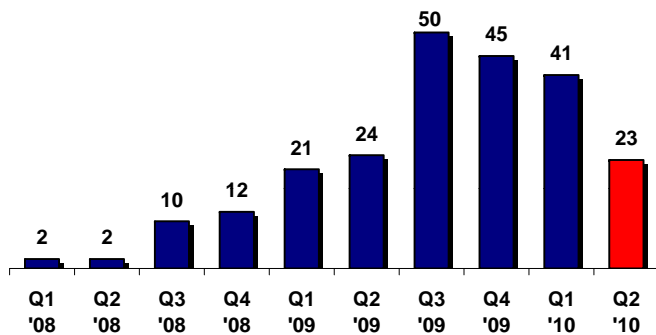
Bank & Thrift Failures since 1990



Source: Federal Deposit Insurance Corporation.

Summary of FDIC Transactions: 2008 – 2010 YTD

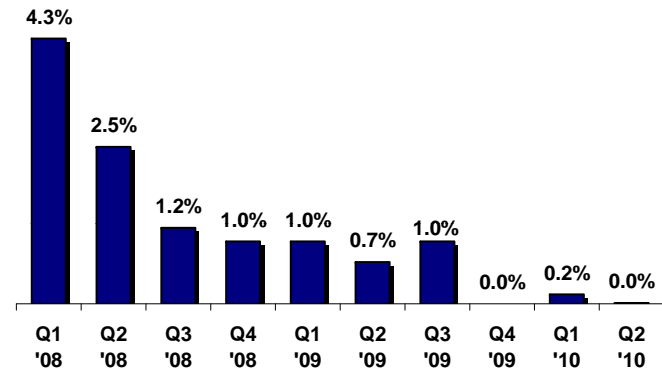
Number of Transactions



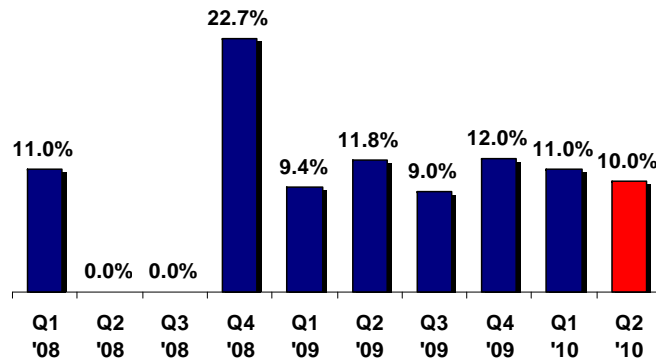
Total Transaction:
230

Median Deposit Premium:
0.40%

Deposit Premium (%)



Discount / Assets (%)

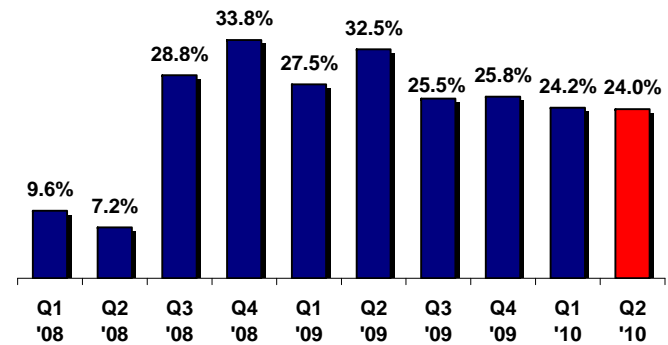


Median Cost to FDIC:
26.7%

With Loss Sharing:
23.2%

Without Loss Sharing:
32.5%

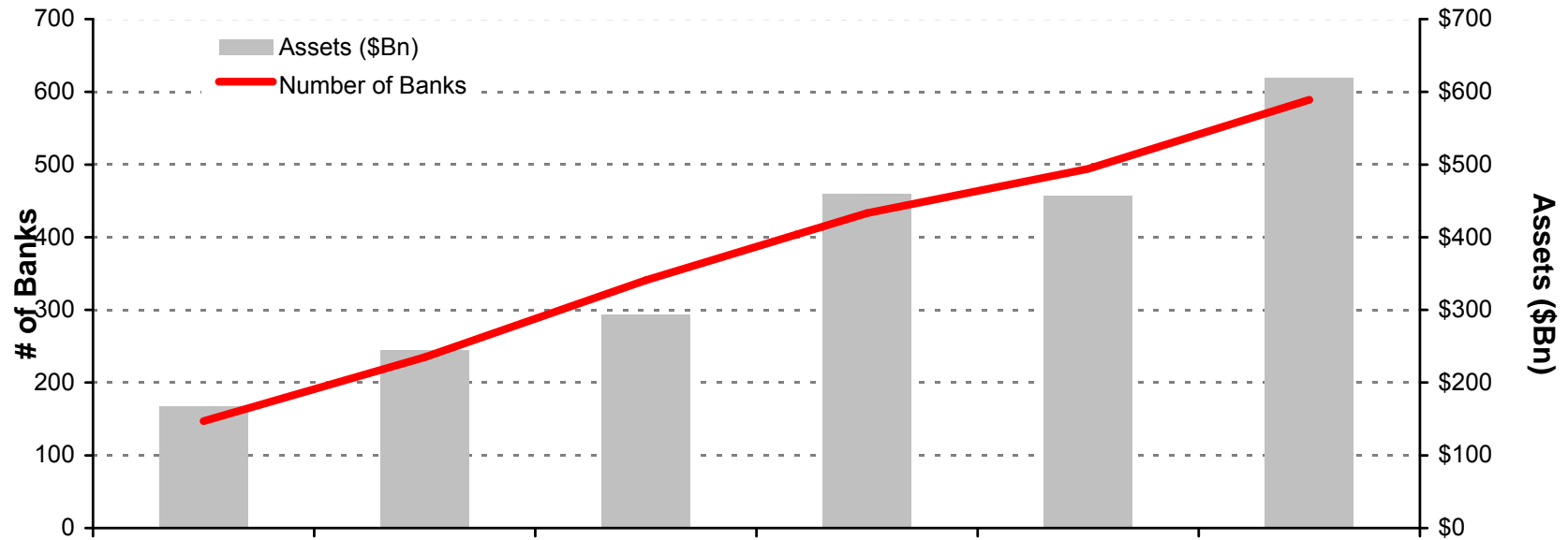
Cost to FDIC / Assets (%)



Source: SNL Financial and FDIC.

Size of the Opportunity is Increasing

National Quarterly Roll: Banks with Texas Ratios greater than 100%



	2008Q3		2008Q4		2009Q1		2009Q2		2009Q3		2009Q4	
	# of Banks	Assets (\$Bn)	# of Banks	Assets (\$Bn)	# of Banks	Assets (\$Bn)	# of Banks	Assets (\$Bn)	# of Banks	Assets (\$Bn)	# of Banks	Assets (\$Bn)
Beginning of Q:	111	\$160.3	147	\$167.0	235	\$244.2	341	\$293.0	433	\$460.0	494	\$457.4
Failed / Acq. during Q:	12	\$47.1	16	\$27.3	24	\$17.1	27	\$26.6	55	\$60.8	45	\$66.1
Improved during Q:	7	\$3.3	9	\$15.0	9	\$31.7	16	\$4.9	22	\$46.2	36	\$10.8
Added during Q:	54	\$59.8	113	\$122.1	140	\$102.3	135	\$207.9	138	\$114.1	132	\$175.2
End of Q:	147	\$167.0	235	\$244.2	341	\$293.0	433	\$460.0	494	\$457.4	589	\$619.4

vs. 702 on
FDIC's
"Problems
List"



Source: SNL Financial.

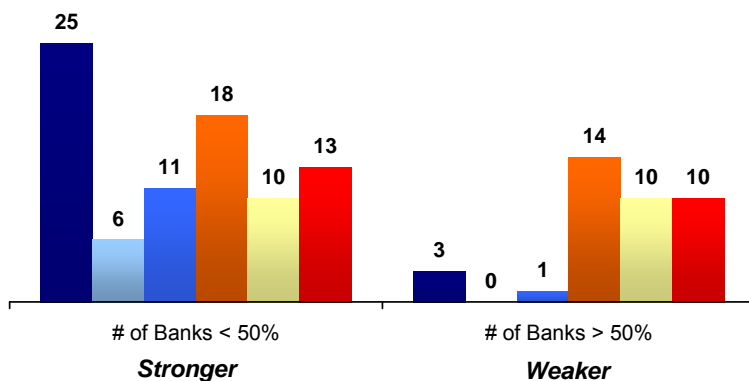
Lack of Healthy “Middle Market” Buyers in Distressed Regions

Targets

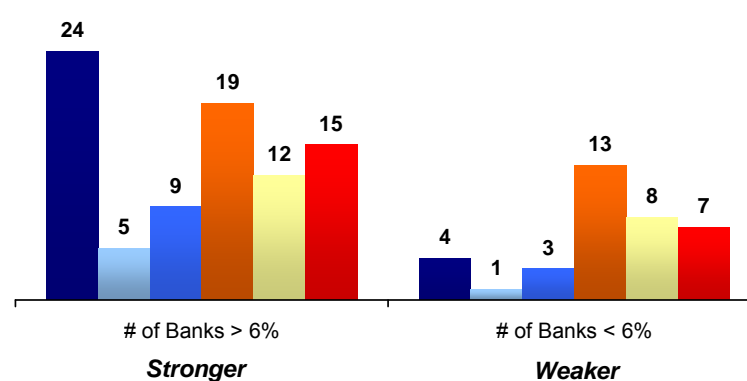
	Texas Ratio > 100% (< \$10 bn in assets)					
	MA	NE	SW	MW	SE	WE
# of Banks	30	7	35	157	191	71
Assets (\$Bn)	\$34.6	\$2.8	\$20.4	\$98.5	\$95.7	\$51.4

Buyers

Texas Ratio



TCE Ratio



■ MA ■ NE ■ SW ■ MW ■ SE ■ WE

Includes banks with assets between \$3 billion and \$20 billion



Source: SNL Financial.

Changes to FDIC Process

Changes to Loss Share

- FDIC Threshold and Loss Share 95 / 5 eliminated
- Intrinsic Loss Estimate
- Asset Discount: Now expressed as a %; before was in \$
- First Loss Tranche Bid
- Cash payment to FDIC if Asset Discount is less than Deposit Premium + Target Equity
- 50/50 loss share in TD acquisition in Florida driven by accounting compliance risks

FDIC Rationale

- Politically motivated and 95 / 5 very costly to fund in the future
- Replaces Threshold in clawback definition
- Mandated by Washington; gives FDIC flexibility to remove assets/liabilities prior to closing
- Complicate bidding & extract more value from process
- Rare scenario but FDIC trying to conserve cash resources
- Reduces losses to FDIC fund

Importance

- Higher discounts initially
- Reduced future economic benefit
- Higher risk between due diligence and closing
- Lower economic benefit
- Liquidity may be a concern
- Possibility of different bid structures

All puts more emphasis/importance on credit due diligence and understanding transaction process

FDIC Transaction Terms: *Two Extremes*



4/16/10 Acquisition of:

- Riverside National Bank of Florida (FL)
- AmericanFirst Bank (FL)
- First Federal Bank of North Florida (FL)

Target Financials

Total Assets:	\$3.90 billion
Total Deposits:	\$3.17 billion

Deal Highlights

- 50/50 Loss Share
- 0% Discount on Assets
- Goodwill created
- Intrinsic Loss Est. / Loans Acq.: 36.7%



4/23/10 Acquisition of:

- Broadway Bank (IL)

Target Financials

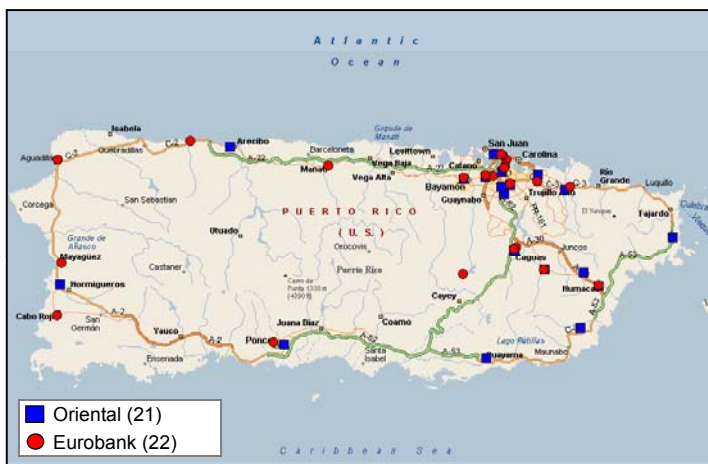
Total Assets:	\$1.15 billion
Total Deposits:	\$1.11 billion

Deal Highlights

- 80/20 Loss Share
- 19.6% Discount on Assets
- \$30 million one-time gain (i.e., negative goodwill)
- Self capitalizing
- Intrinsic Loss Est. / Loans Acq.: 36.5%

Contingent Capital: Oriental Financial Group Acquisition of Eurobank

Pro Forma Franchise



Balance Sheet

	OFG ⁽¹⁾ Standalone (\$B)	Eurobank ⁽²⁾ Standalone (\$B)
Assets	6.5	2.6
Loans	1.2	1.5
Deposits	1.8	2.0

Source: SNL Financial

(1) Data as of 3/31/2010

(2) Data as of 12/31/2009; Does not reflect assets acquired

Transaction Overview

- Oriental Financial Group Inc. (NYSE: OFG), the parent company of Oriental Bank & Trust, announced on April 30, 2010, that it had acquired Eurobank in an FDIC-assisted transaction with loss sharing
- With the transaction, OFG will increase its total number of full-service offices to 43 and increase total assets to approximately \$8.0 billion
- At the same time, OFG announced the completion of a \$200.0 million contingent capital raise in a private placement
- The contingent capital was raised through the private placement of 200,000 shares of Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock
- The preferred stock will convert into shares of OFG common stock at a conversion price of \$15.015 per share after the Company has received stockholder approval to permit such conversion
- The preferred shares, upon conversion, represent 13.3 million common shares, or 28.7% of pro forma shares outstanding
- On March 16, 2010, Oriental Financial Group raised approximately \$100 million, including the overallotment option, in a common stock offering
- Keefe, Bruyette & Woods served as financial advisor on the acquisition, sole placement agent on the contingent capital raise, and sole bookrunner on the common stock offering



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Consolidation Opportunities in Chicago MSA



Chicago Market Versus Other Major Metropolitan Areas

Rank	Market (MSA)	Total Deposits (\$000)	Market Share (%)	
			Top 5	Top 10
1	New York-Northern New Jersey-Long Island, NY-NJ-PA	893,284,624	60.67	77.05
2	Los Angeles-Long Beach-Santa Ana, CA	318,073,987	59.66	78.30
3	Chicago-Joliet-Naperville, IL-IN-WI	284,098,932	46.50	63.22
4	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	283,150,275	56.47	73.73
5	Salt Lake City, UT	250,549,710	72.51	88.53
6	San Francisco-Oakland-Fremont, CA	214,601,304	82.64	91.07
7	Charlotte-Gastonia-Rock Hill, NC-SC	183,973,380	96.15	97.90
8	Washington-Arlington-Alexandria, DC-VA-MD-WV	165,096,473	66.23	84.37
9	Dallas-Fort Worth-Arlington, TX	157,435,299	71.55	78.67
10	Boston-Cambridge-Quincy, MA-NH	154,572,807	61.51	73.59
11	Las Vegas-Paradise, NV	153,621,433	91.12	97.20
12	Miami-Fort Lauderdale-Pompano Beach-Homestead, FL	152,799,524	50.96	66.04
13	Houston-Sugar Land-Baytown, TX	118,350,448	68.71	79.98
14	Atlanta-Sandy Springs-Marietta, GA	114,773,481	66.71	76.74
15	Detroit-Warren-Livonia, MI	93,413,031	74.54	90.49
16	Minneapolis-St.Paul-Bloomington, MN-WI	76,532,505	71.46	78.42
17	Sioux Falls, SD	74,111,295	96.71	98.80
18	Seattle-Tacoma-Bellevue, WA	72,125,904	64.93	79.51
19	Pittsburgh, PA	71,772,629	73.81	86.28
20	Saint Louis, MO-IL	67,473,967	49.42	65.00
Median of Top 20 Markets			67.71	79.09

Chicago is the most fragmented market among major metropolitan areas – greatest opportunity for consolidation



Source: SNL Financial.

Chicago MSA – Potential for Consolidation

Chicago-Joliet-Naperville, IL-IN-WI

Rank	Institution	Type	State	No. of Branches	Deposits in Market (\$000)	Total Market Share (%)
1	JPMorgan Chase Bank NA	Bank	OH	413	45,011,033	15.84
2	Bank of America NA	Bank	NC	185	33,215,035	11.69
3	Harris NA	Bank	IL	239	25,359,932	8.93
4	MB Financial Bank NA	Bank	IL	99	15,269,714	5.37
5	Northern Trust Co.	Bank	IL	16	13,256,078	4.67
6	PNC Bank NA	Bank	DE	136	11,294,401	3.98
7	Citibank NA	Bank	NV	74	9,861,253	3.47
8	Fifth Third Bank	Bank	OH	179	8,632,855	3.04
9	PrivateBank & Trust Co.	Bank	IL	20	8,351,370	2.94
10	U.S. Bank NA	Bank	OH	89	5,945,297	2.09
11	RBS Citizens NA	Bank	RI	114	5,732,793	2.02
12	First Midwest Bank	Bank	IL	86	5,605,879	1.97
13	TCF National Bank	Bank	SD	207	3,440,755	1.21
14	Cole Taylor Bank	Bank	IL	11	3,259,596	1.15
15	Midwest Bank and Trust Co.	Bank	IL	26	2,558,981	0.90
16	Old Second National Bank	Bank	IL	28	2,299,594	0.81
17	American Chartered Bank	Bank	IL	15	2,298,282	0.81
18	Parkway Bank & Trust Co.	Bank	IL	24	2,120,833	0.75
19	Standard Bank & Trust Co.	Bank	IL	43	1,974,947	0.70
20	First American Bank	Bank	IL	49	1,960,847	0.69
21	Wells Fargo Bank NA	Bank	SD	9	1,893,467	0.67
22	Associated Bank NA	Bank	WI	27	1,725,236	0.61
23	ShoreBank	Bank	IL	13	1,720,512	0.61
24	West Suburban Bank	Bank	IL	41	1,697,900	0.60
25	Centier Bank	Bank	IN	38	1,675,434	0.59
Market Total				3,217	284,098,932	100.00

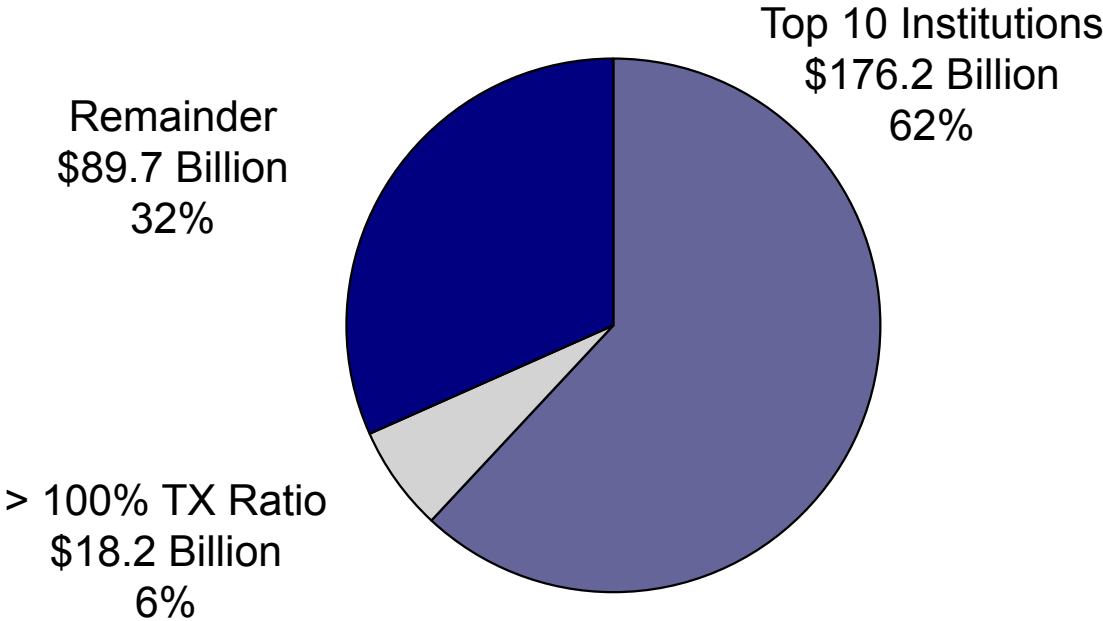
Top 10 Institutions Control
Approximately 62% of
Market

18 institutions in the top 100 of the Chicago MSA have Texas Ratios > 100%
Represents over \$17 billion in aggregate assets and over \$14 billion in aggregate deposits



Source: SNL Financial. Note: institutions outside of Top 100 account for \$19.6 billion in deposits, approximately 6.9% of market share.

Potential Market Share Increase in the Chicago MSA



Of the 286 institutions with market share in the Chicago MSA, 47 have Texas Ratios greater than 100% and represent approximately 6% of the Chicago deposit market share



Source: SNL Financial.

KBW Experience



KBW Professionals

Charles E. Shomo, *Managing Director*

- Mr. Shomo joined KBW in 1998 as a Managing Director in the Chicago Investment Banking Department. Mr. Shomo specializes in mergers & acquisitions, valuations and capital market transactions for bank and thrift institutions
- In the past ten years at KBW he has led or co-led over 25 merger or sale transactions for KBW clients with value exceeding \$5 billion
- For thirteen years prior to joining KBW, Mr. Shomo was a Senior Vice President at two regional investment banking firms as a member of the debt capital markets group and corporate finance departments specializing in thrift institutions and commercial banks. Mr. Shomo spent seven years as the Chief Financial Officer of a \$900 million asset thrift institution in Chicago and also served as a Director of a federal chartered thrift institution for seven years

Jeffrey A. Brand, *Principal*

- Mr. Brand focuses on merger and acquisition, capital markets and valuation activities for Midwestern financial institutions. Mr. Brand has over a decade of investment banking experience and has been involved in merger and acquisition and capital markets transactions totaling over \$5.0 billion in the last 8 years at KBW
- In the past year, Mr. Brand has developed a deep knowledge of FDIC receivership transactions. He has advised several clients on FDIC assisted opportunities, including five successful transactions that range from a \$3.5B Deposit-only bid to a \$1.8B Whole-bank with Loss Share. Mr. Brand specializes in the bank and thrift sector but has expertise in advising non-bank clients including asset managers, insurance companies and broker dealers



Leading Global Financial Services Specialist

Full service investment bank with sole focus on financial institutions

Blue chip pedigree



M&A

- Trusted and long-term M&A adviser
- Top-ranked financials M&A advisory practice in the U.S.
- Established European advisory capability

Research

- Top ranked financials research covering over 442 US companies
- Highly ranked pan-European and Asian coverage of over 172 companies

Sales & Trading

- US sales team top ranked in *"Institutional Investor"* polls
- The largest specialist sales team in London

Capital Markets

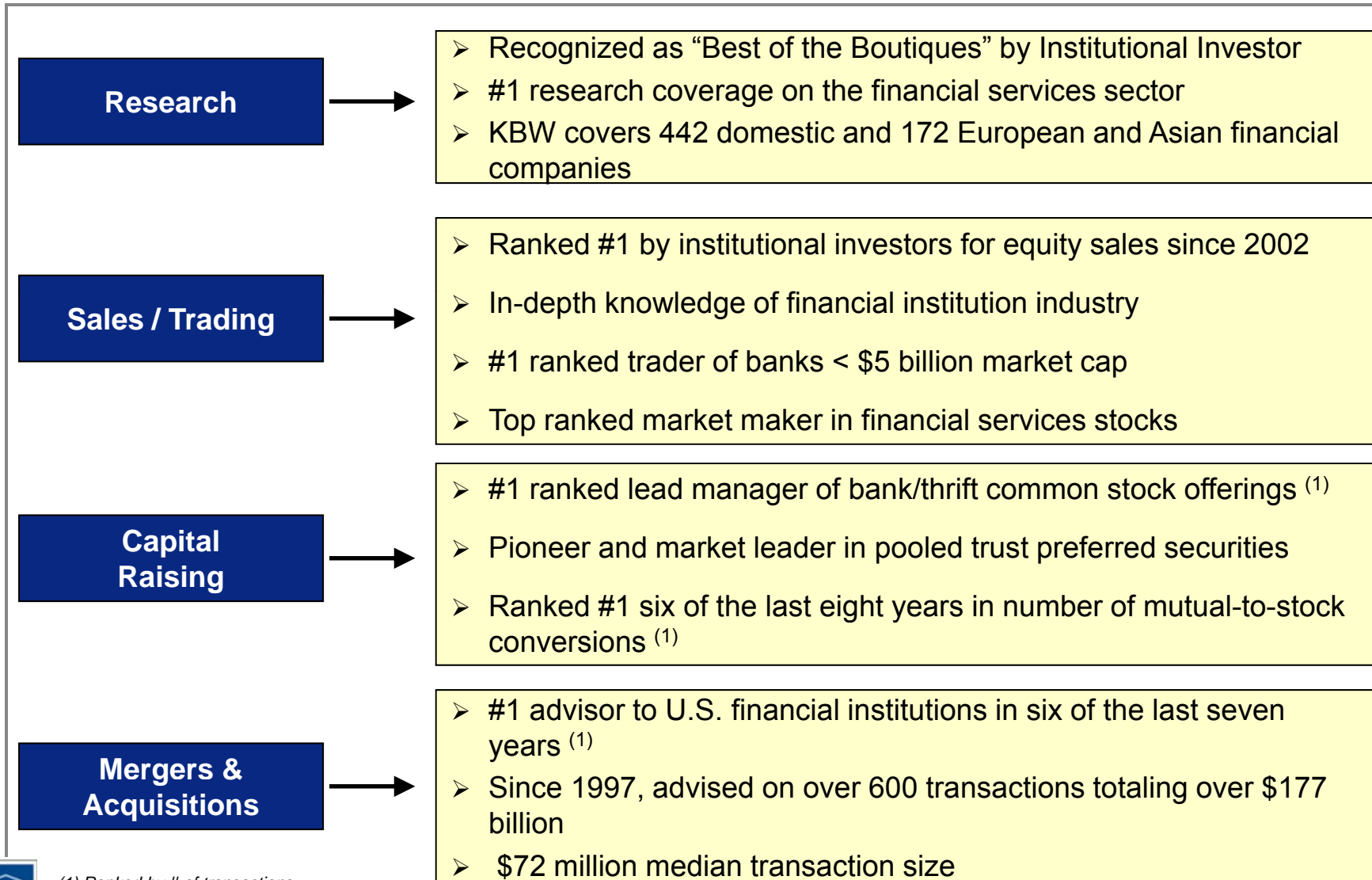
- Top-ranked specialist based on number of ECM offerings since January 2004
- Specialist debt issuance – no.1 for offerings of pooled notes for banks and insurers

Asset Management

- Focused & growing manager of U.S. & European financial equities & fixed income products



KBW - The Industry Leader



⁽¹⁾ Ranked by # of transactions.

KBW: The Investment Banker for Midwest Institutions

KBW has focused its resources on Midwest banking companies for nearly four decades

- **KBW has over 20 investment banking professionals dedicated to the Midwest**
- **KBW has advised on 158 Midwest M&A transactions worth over \$15.3 billion ⁽¹⁾**
- **KBW has lead managed or co-managed 78 capital markets transactions raising \$16.2 billion of capital ⁽²⁾**
- **KBW equity research has followed Midwest banking companies since the firm's inception in 1962**
- **KBW has traded the stocks of Midwest banking companies since the firm's inception in 1962**

Source: SNL Financial.

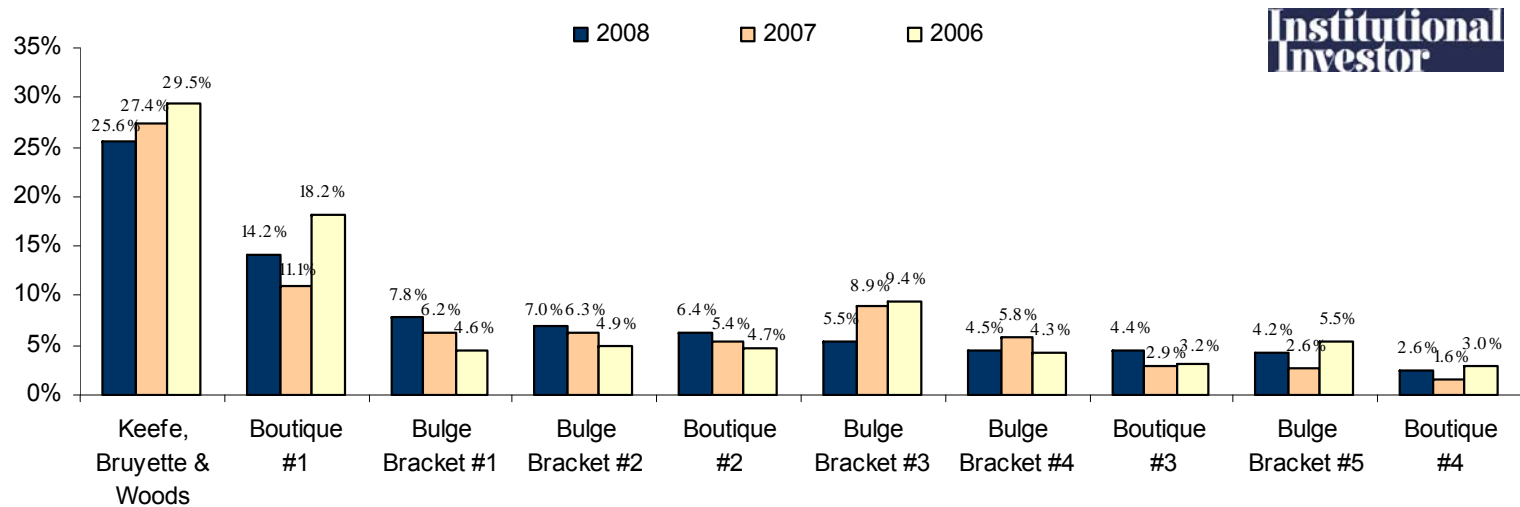
(1) Includes Midwest bank and thrift transactions since 1997. Note: Only disclosed deal values shown.

(2) Includes Midwest capital markets transactions (common stock, preferred stock, senior debt, subordinated debt) since 1997 that KBW was the book manager, non-book lead manager, or co-manager.



Best Financial Institutions Sales Team For 7 Consecutive Years

- Institutional Investor Magazine has ranked KBW Sales #1 seven years running for the financial services sector. The scoring system is weighted by assets under management so KBW is having the largest impact with the largest funds in the country.
- KBW has 30 dedicated financial services sales professionals in the U.S. with 8.5 years of average experience following financial stocks. 15 of them are Senior Vice Presidents with more than 12 years of average experience following financial stocks.



Year	2008	2007	2006	2005	2004	2003	2002
KBW Rank	# 1	# 1	# 1	# 1	# 1	# 1	# 1



Source: Institutional Investor Research Group, Inc. 2008 All-America Sales Team Report.

M&A Financial Service Deal Rankings

- KBW is the leading merger and acquisition advisor to banks and thrifts as ranked by number of transactions since 2000

KBW: Leading M&A Advisor

Historical Rankings

Year	# of Deals	Deal Value
2010 YTD	1	1
2009	2	2
2008	2	8
2007	1	5
2006	2	5
2005	1	7
2004	1	7
2003	1	3
2002	2	4
2001	1	5
2000	1	7

Volume Rank	Deal Value Rank	Firm	Since 2000	
			Number of Deals	Total Deal Value (\$M)
1	6	Keefe, Bruyette & Woods, Inc.	334	88,936
2	5	Sandler O'Neill & Partners, L.P.	294	99,872
3	13	Hovde Financial, LLC	140	10,998
4	15	Howe Barnes Hoefler & Arnett, Inc.	133	4,833
5	12	Stifel, Nicolaus & Company, Incorporated	127	12,308
6	18	Sheshunoff & Co. Investment Banking LP	66	2,724
7	20	Austin Associates, LLC	58	2,184
8	23	SAMCO Capital Markets, Inc.	53	1,543
9	17	KeyBanc Capital Markets	52	2,896
10	14	RBC Capital Markets Corporation	49	5,738
11	28	DD&F Consulting Group	48	1,272
12	11	Morgan Keegan & Company, Inc.	48	13,366
13	26	RP Financial, LC	47	1,478
14	25	Carson Medlin Company	46	1,502
15	4	Barclays Capital Inc.	44	114,936

 Sovereign Bancorp

Sale to



\$1.9 Billion
October 2008

 TD Bank Financial Group

Acquisition of



\$8.5 Billion
October 2007



Sale to



\$2.2 Billion
June 2006

 North Fork

Sale to



\$14.6 Billion
March 2006

 HUDSON UNITED BANK HUB

Sale to



\$1.9 Billion
July 2005

 Bank of America

Acquisition of



\$35.1 Billion
June 2005



Source: SNL Financial. Data as of 4/28/2010. Note: Deal values are not available for select deals.

KBW advised on \$35.6 billion Bank on America/MBNA transaction in 2005 and \$14.6 billion Capital One/North Fork transaction in 2006.

FDIC Assisted Deals: KBW Successful Bid Advisory



Acquisition of deposits (\$1.97 billion) and certain assets (\$1.58 billion) from FDIC receivership

Eurobank

San Juan, PR
April 30, 2010



Acquisition of deposits (\$68 million) and certain assets (\$88 million) from FDIC receivership

Key West Bank

Key West, FL
March 26, 2010



Acquisition of deposits (\$340 million) and certain assets (\$233 million) from FDIC receivership

Bank of Hiwassee

Hiwassee, GA
March 19, 2010



MUTUAL of OMAHA



Acquisition of deposits (\$117 million) and certain assets (\$120 million) from FDIC receivership

Marco Community Bank

Marco Island, FL
February 19, 2010



Columbia Banking System, Inc.

Acquisition of deposits (\$270 million) and certain assets (\$350 million) from FDIC receivership

American Marine Bank

Bainbridge Island, WA
January 29, 2010



Columbia Banking System, Inc.

Acquisition of deposits (\$980 million) and certain assets (\$1,000 million) from FDIC receivership

Columbia River Bank

The Dalles, OR
January 22, 2010



Hancock
HOLDING COMPANY

Acquisition of deposits (\$1.70 billion) and certain assets (\$1.60 billion) from FDIC receivership


Peoples First Community Bank

Panama City, FL
December 18, 2009



Source: FDIC. Note: Includes only announced transactions.



FDIC Assisted Deals: KBW Successful Bid Advisory



Acquisition of deposits (\$176 million) and certain assets (\$174 million) from FDIC receivership

Prosperan Bank



Oakdale, MN
November 6, 2009

Acquisition of deposits (\$230 million) and certain assets (\$260 million) from FDIC receivership

First DuPage Bank


Westmont, IL
October 23, 2009

Acquisition of deposits (\$101 million) and certain assets (\$111 million) from FDIC receivership

American United Bank


Lawrenceville, GA
October 23, 2009




Acquisition of deposits (\$3.1 billion) and certain assets (\$200 million) from FDIC receivership

First National Bank of Nevada & Heritage Bank, NA



Scottsdale, AZ
July 25, 2008

Acquisition of deposits (\$3.7 billion) and certain assets (\$850 million) from FDIC receivership

Franklin Bank, SSB


Houston, TX
November 7, 2008

Acquisition of deposits (\$849 million) and certain assets (\$888 million) from FDIC receivership

Founders Bank

Worth, IL
July 2, 2009




Source: FDIC. Note: Includes only announced transactions.

FDIC Assisted Deals: KBW Advisory Experience

Date of Failure	Failed Institution	City, State	Failed Inst. Total Assets (\$M)	Assuming Institution	Acquirer's Assets Prior to Acquisition (\$M)	Result of KBW Client
04/30/10	Eurobank	San Juan, PR	2,561	Oriental Financial Group Inc.	6,509	Won Bid
03/26/10	Key West Bank	Key West, FL	88	Centennial Bank	2,676	Won Bid
03/19/10	Bank of Hiawassee	Hiawassee, GA	378	Citizens South Banking Corporation	792	Won Bid
02/26/10	Rainier Pacific Bank	Tacoma, WA	718	Umpqua Holdings Corporation	10,043	Lost Bid / Withdrew
02/19/10	Marco Community Bank	Marco Island, FL	120	Mutual of Omaha Insurance Company	4,110	Won Bid
02/19/10	George Washington Savings Bank	Orland Park, IL	413	FirstMerit Corporation	10,538	Lost Bid / Withdrew
01/29/10	American Marine Bank	Bainbridge Island, WA	350	Columbia Banking System, Inc.	3,167	Won Bid
01/22/10	Columbia River Bank	The Dalles, OR	1,006	Columbia Banking System, Inc.	3,167	Won Bid
01/22/10	Evergreen Bank	Seattle, WA	489	Umpqua Holdings Corporation	9,388	Lost Bid / Withdrew
12/18/09	Peoples First Community Bank	Panama City, FL	1,800	Hancock Holding Company	6,805	Won Bid
12/18/09	Republic Federal Bank, N.A.	Miami, FL	433	1st United Bancorp, Inc.	669	Lost Bid / Withdrew
12/04/09	The Buckhead Community Bank	Atlanta, GA	874	State Bank & Trust Company	1,833	Lost Bid / Withdrew
12/04/09	First Security National Bank	Norcross, GA	128	State Bank & Trust Company	1,833	Lost Bid / Withdrew
11/06/09	Prosperan Bank	Oakdale, MN	200	Alerus Financial Corp.	760	Won Bid
10/23/09	First DuPage Bank	Westmont, IL	279	First Midwest Bancorp, Inc.	7,678	Won Bid
10/23/09	American United Bank	Lawrenceville, GA	111	Ameris Bancorp	2,207	Won Bid
10/23/09	Flagship National Bank	Bradenton, FL	190	First Federal Bank of Florida	632	Lost Bid / Withdrew
10/30/09	Community Bank of Lemont	Lemont, IL	82	U.S. Bancorp,	265,058	Lost Bid / Withdrew
10/16/09	San Joaquin Bank	Bakersfield, CA	775	CVB Financial Corp.	6,546	Lost Bid / Withdrew
09/18/09	Irwin Union B&TC	Columbus, IN	2,840	First Financial Bancorp.	3,784	Lost Bid / Withdrew
09/11/09	Corus Bank, National Association	Chicago, IL	7,000	MB Financial, Inc.	8,402	Lost Bid / Withdrew
08/21/09	Guaranty Bank	Austin, TX	13,000	Banco Bilbao Vizcaya Argentaria, S.A.	59,466	Lost Bid / Withdrew
07/02/09	Founders Bank	Worth, IL	963	PrivateBancorp, Inc.	8,797	Won Bid
07/02/09	First National Bank of Danville	Danville, IL	166	First Financial Corporation	2,215	Lost Bid / Withdrew
02/06/09	County Bank	Merced, CA	1,624	Westamerica Bancorporation	4,008	Lost Bid / Withdrew
01/16/09	National Bank of Commerce	Berkeley, IL	431	Republic Bancorp Co.	906	Lost Bid / Withdrew
11/21/08	Community Bank	Loganville, GA	681	Community Bankers Trust Corporation	720	Lost Bid / Withdrew
11/07/08	Franklin Bank, SSB	Houston, TX	5,100	Prosperity Bancshares, Inc.	6,788	Won Bid
10/31/08	Freedom Bank	Bradenton, FL	287	Fifth Third Bancorp	53,865	Lost Bid / Withdrew
08/29/08	Integrity Bank	Alpharetta, GA	1,045	Regions Financial Corporation	139,354	Lost Bid / Withdrew
08/01/08	First Priority Bank	Bradenton, FL	241	SunTrust Banks, Inc.	171,501	Lost Bid / Withdrew
07/25/08	First Natl Bk NV/ First Hrtg	Newport Beach, CA	3,654	Mutual of Omaha Insurance Company	774	Won Bid
07/25/08	First Natl Bk NV/ First Hrtg	Reno, NV	3,654	Mutual of Omaha Insurance Company	774	Won Bid



*Approximate. Source: FDIC and SNL Financial. Yellow highlight indicates a transaction in which KBW advised the winning bidder.

KBW Securities Portfolio Analytics

Team Lead

- William K. Weber, SVP:
 - FDIC regulator, Division of Resolutions
 - Managed disposition of troubled banks & thrifts
- The KBW securities analysis team consists of 10 professionals

Securities Portfolio Review

- Product composition and characteristics
- Volatility Analysis
- Cashflow forecasting

Funding Review

- Term Structure Analysis
- Implicit Value
- Market Value



*Evaluation of the Portfolio for
Founder's which was sold to The
PrivateBank and Trust Company*
Founders Bank
Receivership - July 2009



Evaluation for the FDIC
Receivership - July 2009



Evaluation for FDIC
Receivership - June 2009



Portfolio evaluation
First National Bank of Nevada
Receivership - July 2008



*Portfolio Evaluation and Risk
Analysis for the Regulators,
TARP/Private Equity*
February 2009

KBW Loan Portfolio Analytics: FDIC Assignments

Transaction Process

- KBW advises the FDIC on evaluating the loan portfolio of failed or soon-to-be failed banks
- In some cases the FDIC has engaged KBW to market and sell those portfolios
- Typically a three-step process:
 - Preliminary valuation of portfolio
 - In-depth valuation
 - Sale of portfolio
- KBW manages the marketing of the transaction:
 - KBW team members on-site to conduct due diligence on the loan portfolios
 - Manage the bidding process

Asset & Performance Class Expertise

- Asset Classes:
 - Construction & Development and Acquisition & Development
 - Residential Mortgages – First Liens and Home Equity Loans
 - Consumer – Auto, Marine & RVs
 - Credit Cards
 - Commercial and Multifamily Mortgages
 - Business Loans and Leases
- Performance Classes:
 - Performing
 - Subperforming
 - Nonperforming
 - Charge-Offs, Deficiencies and Judgments
 - Bankrupt Accounts

\$2.0 Billion

FDIC

Sub / Non-Performing
Construction Loan
Sale

 *In Process*

\$300 Million

FDIC

Performing / NP
Shared National Credit
Loan Sale

 *In Process*

\$1.4 Billion

FDIC

Sub / Non-Performing
Construction Loan
Sale

 March 2009

\$86 Million

FDIC


Performing / NP
Shared National Credit
Loan Sale

 February 2009

\$76 Million

FDIC

Performing / NP CRE
and C&I Swaps Loan
Sale

 February 2009

Recent Sale & Portfolio Valuation / Capital Adequacy* Volumes:	2004	-	\$2.9 Billion
	2005	-	\$2.6 Billion
	2006	-	\$4.4 Billion
	2007	-	\$4.3 Billion
	2008	-	\$569 Billion
	2009	-	\$19 Billion

** Added in 2008*



Banking Environment and Capital Markets Update

VEDDER PRICE®

Positioning Your Bank for the Recovery Seminar

May 12, 2010

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Bank Operating Environment Overview

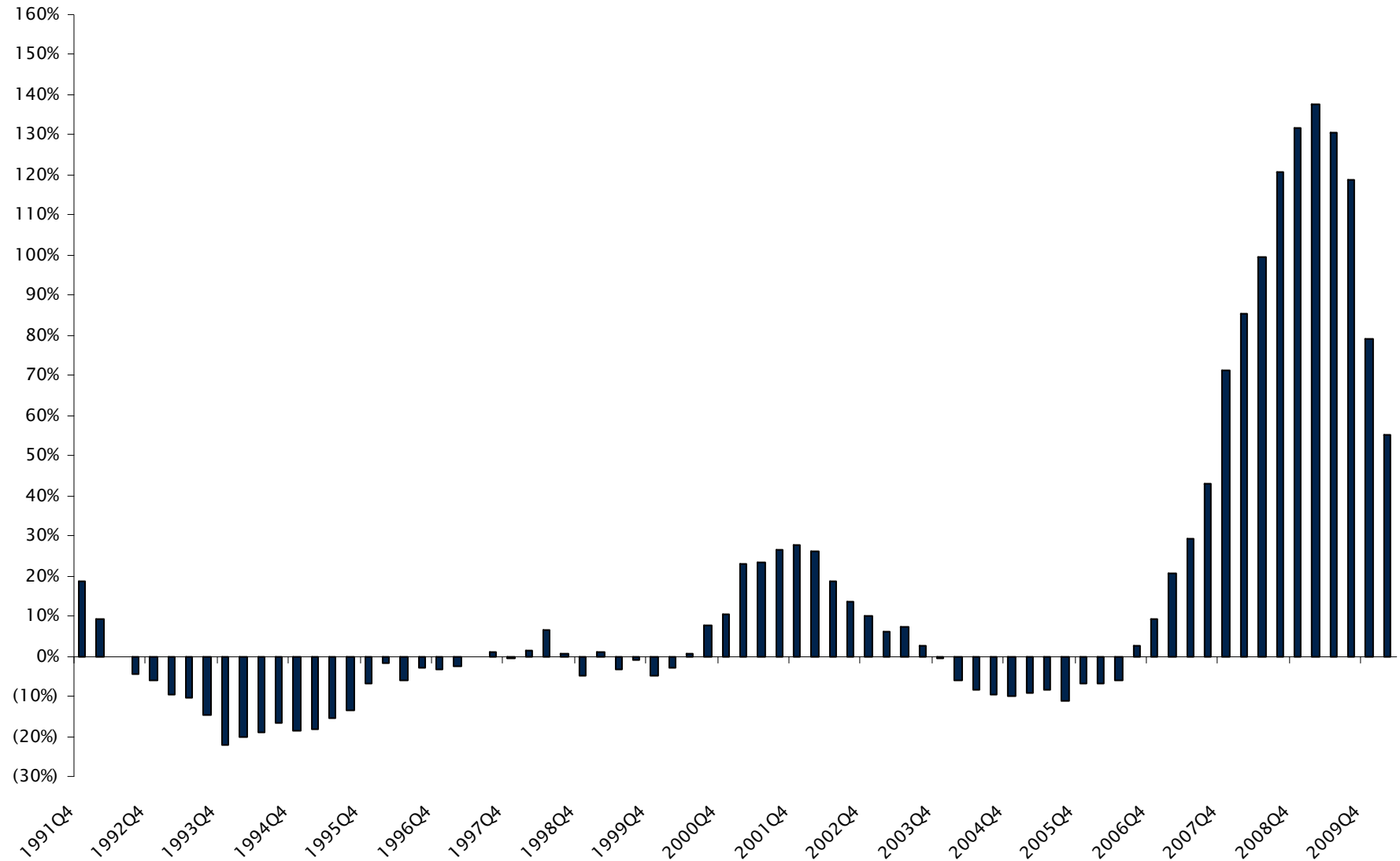
While the industry has seen some signs of stabilizing, there are still many challenges expected

- ❑ Asset quality issues
 - NPLs and NCOs continue to rise, but at a declining rate
 - Continued reserve building necessary
 - Weakness spreading to additional asset classes (CRE, Consumer and to a lesser extent, Commercial Loans) as well as geographic areas
- ❑ Mark-to-Market accounting
- ❑ Significant industry-wide capital need
 - Increased focus on tangible common equity
- ❑ Sharp rise in bank failures expected
- ❑ Increased government / regulatory influence
- ❑ Global deleveraging
- ❑ Macro economic issues will continue to impact the industry
 - Is the Great Recession a “V” or a “W”?
 - Housing prices – decline seems to have abated
 - Unemployment levels seem to be stabilizing – for now
 - Consumer spending remains vulnerable
- ❑ Fundamental headwinds of sluggish balance sheet growth, stagnating fee revenue and rising expense burden (regulatory, workout, deposit insurance, etc.)
- ❑ Risk to NIMs in a rising rate environment

Bank Operating Environment Overview

Nationwide Credit Quality Trends

Median NPA Growth (YoY) for all Banks and Thrifts

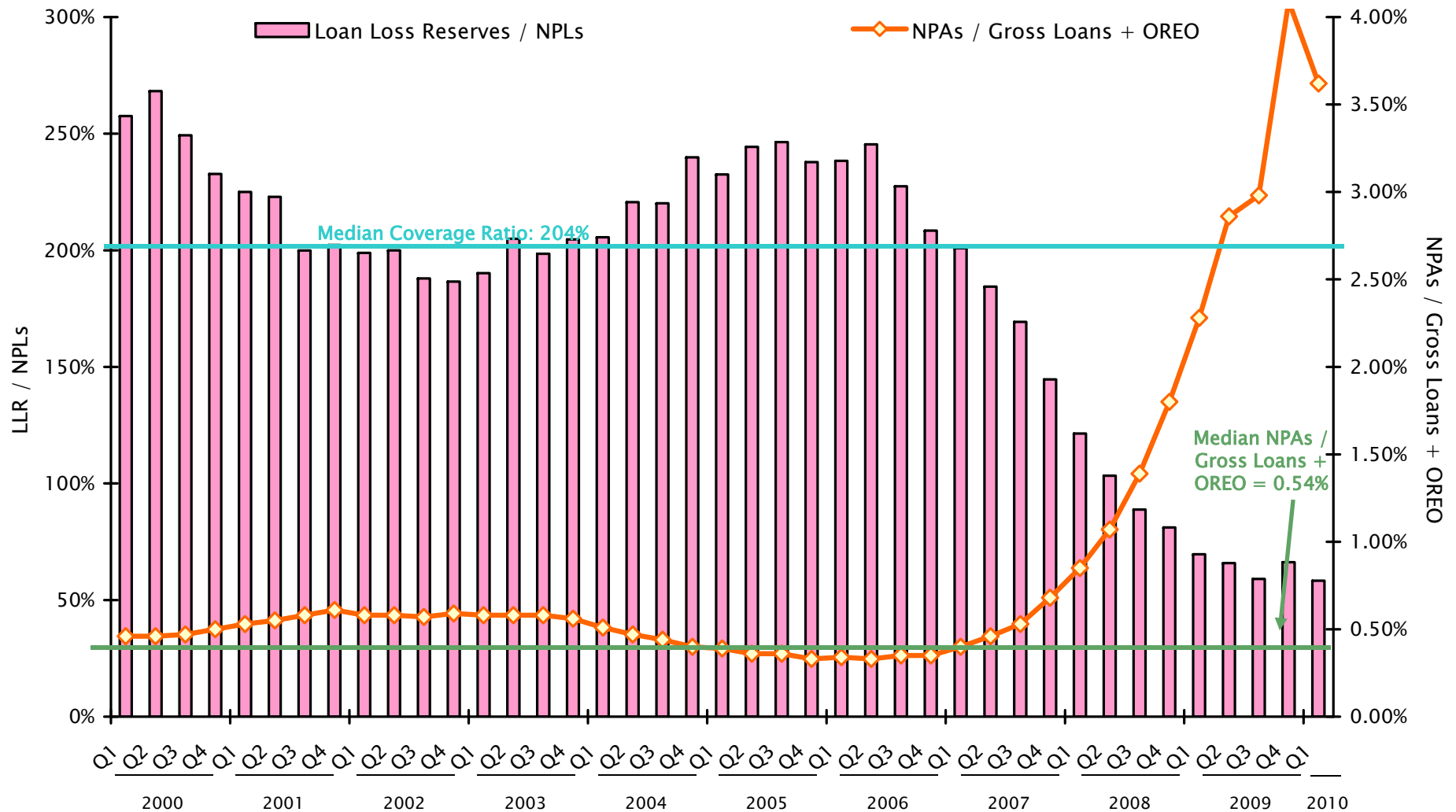


Note: Includes all publicly traded banks and thrifts nationwide. 2010Q1 data to the extent available
Source: SNL Financial and Sandler O'Neill

Bank Operating Environment Overview

Nationwide Credit Quality Trends

Coverage Ratio versus NPA Levels: 2000 – Q1 2010

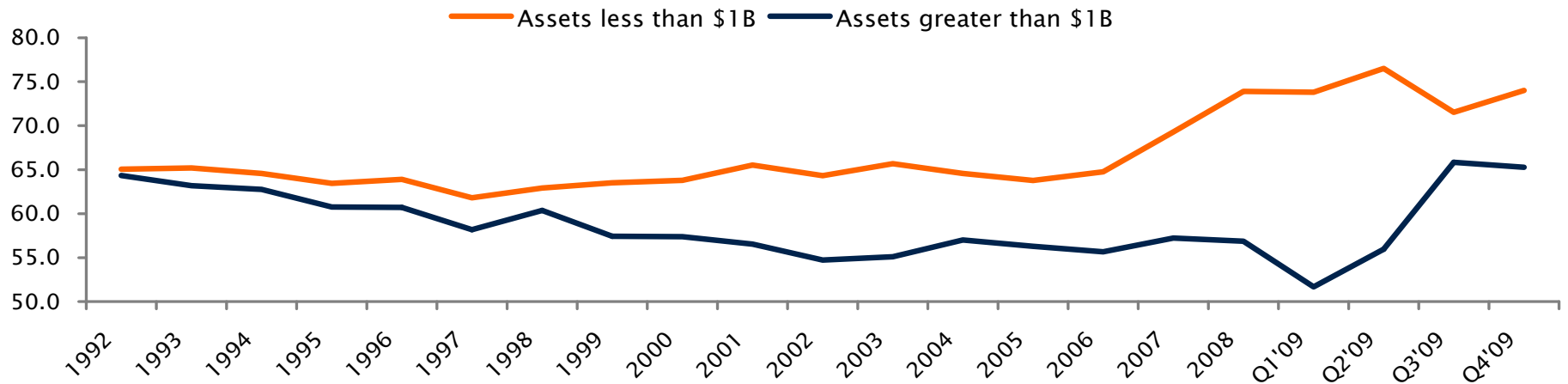


Note: Includes all publicly traded banks and thrifts nationwide. 2010Q1 data to the extent available
 Source: SNL Financial

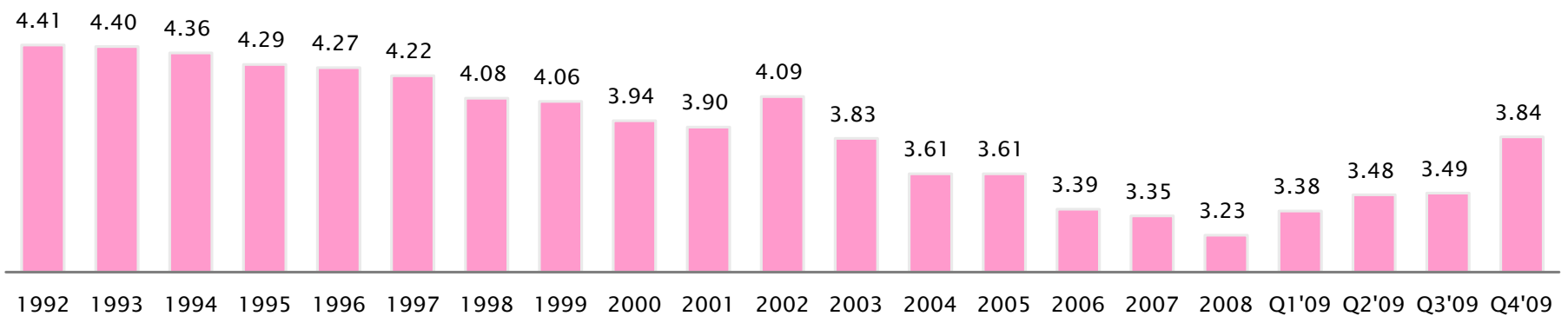
Bank Operating Environment Overview

Ongoing Underlying Operating Pressures

A Widening Gap: The Efficiency Ratios between Large and Small Institutions



Historical Net Interest Margin Levels: FDIC Insured Commercial Banks



Bank Operating Environment Overview

While the challenges facing the industry are real, there is also reason for tempered optimism

- ❑ Over the immediate to near term, as we work through the remainder of this cycle
 - The pace of credit deterioration appears to be moderating
 - Pre-tax, pre-provision earnings are being aided by a favorable yield curve
 - Bank balance sheets are generally awash in liquidity

- ❑ Over the intermediate term, as recovery takes hold
 - Potential for generational re-intermediation of banks in credit creation function
 - Assets appropriately priced and structured for inherent risk
 - Consolidation opportunities at more compelling valuations

- ❑ Capital is the critical key to both safe passage through this cycle and the pursuit of opportunities beyond it

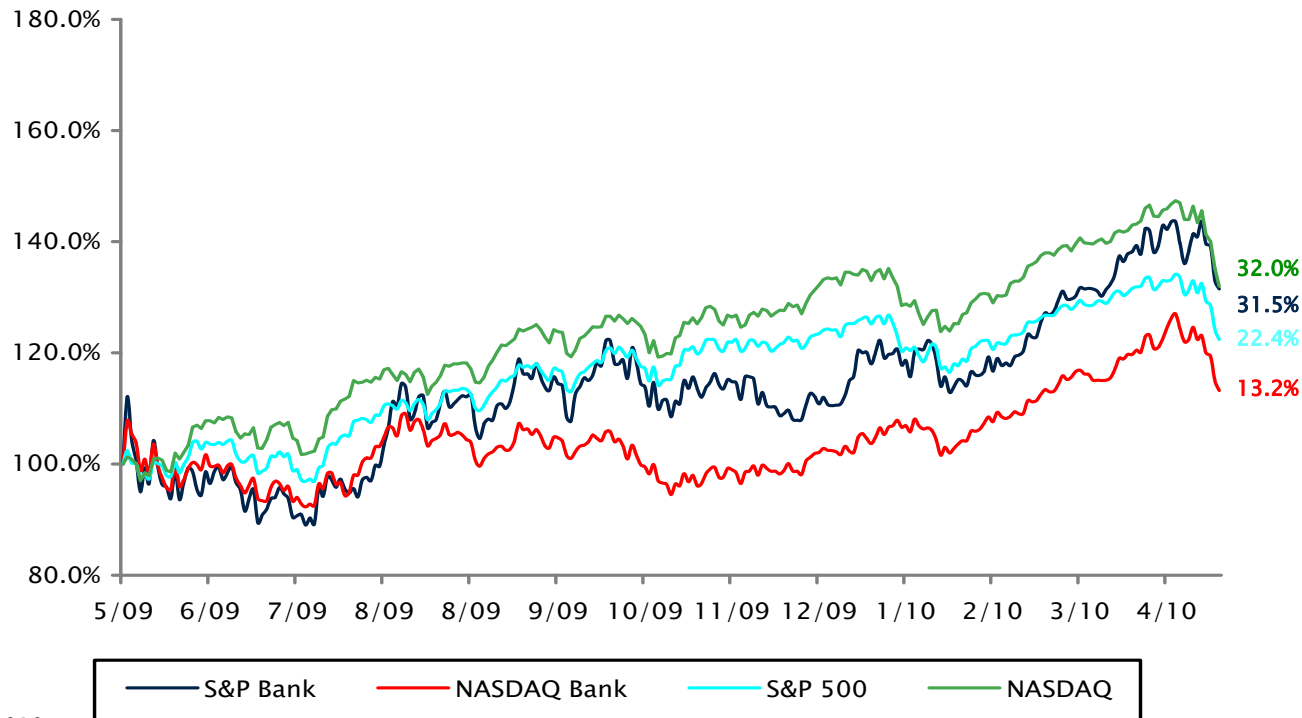
- ❑ Clear bifurcation between stronger and weaker institutions will be evident

Capital Markets Update

The bank equity rally YTD has been noteworthy

	Index Value 5/7/10	Percentage of 52-Week		Index Performance					
		High	Low	2006	2007	2008	2009	YTD 2010	Since 9/14/08
Dow Jones Industrials	10,380.43	92.64%	127.42%	16.29%	6.43%	-33.84%	18.82%	-0.46%	-9.12%
NASDAQ Composite	2,265.64	89.55	136.14	9.52	9.81	-40.54	43.89	11.50	0.19
S&P 500	1,110.88	91.26	126.59	13.62	3.53	-38.49	23.45	9.16	-11.25
Russell 2000	653.00	88.01	138.40	17.00	-2.75	-34.80	25.22	18.63	-9.34
NASDAQ Bank	1,837.20	89.11	122.66	11.01	-22.07	-23.92	-18.50	24.87	-26.09
S&P Bank	148.78	91.50	156.83	12.27	-32.54	-49.94	-8.86	29.72	-22.53

Relative Performance Since May 7, 2009



Market data as of May 7, 2010
Source: SNL Financial

Capital Markets Update

Recent Trends

- ❑ The market crisis beginning in the Fall of 2008 significantly impacted the capital raising efforts of most banks
 - Of the \$34.4 billion in common stock issuances by banks between September 1, 2008 – May 1, 2009, \$31.0 billion, or 90%, was raised by BAC, JPM and WFC
 - Limited capital issuances by community banks from the TARP CPP announcement through April 2009
- ❑ Government stress test results announced in May 2009 sparked significant common equity raising
 - Of the 19 financial institutions participating in the SCAP, 10 were required to raise capital
 - Since April 2009, 17 SCAP banks have raised in excess of \$110 billion in common equity
 - Quick action allowed capitalization on positive investor sentiment and market rally
- ❑ Since May 1, 2009, there have been 167 capital raising transactions by community banks and thrifts totaling \$16.1 billion in proceeds – of that amount, \$13.2 billion (82%) has been in the form of common equity¹
 - However, investors remain very selective and many attempted offerings have been aborted

Data as of May 7, 2010

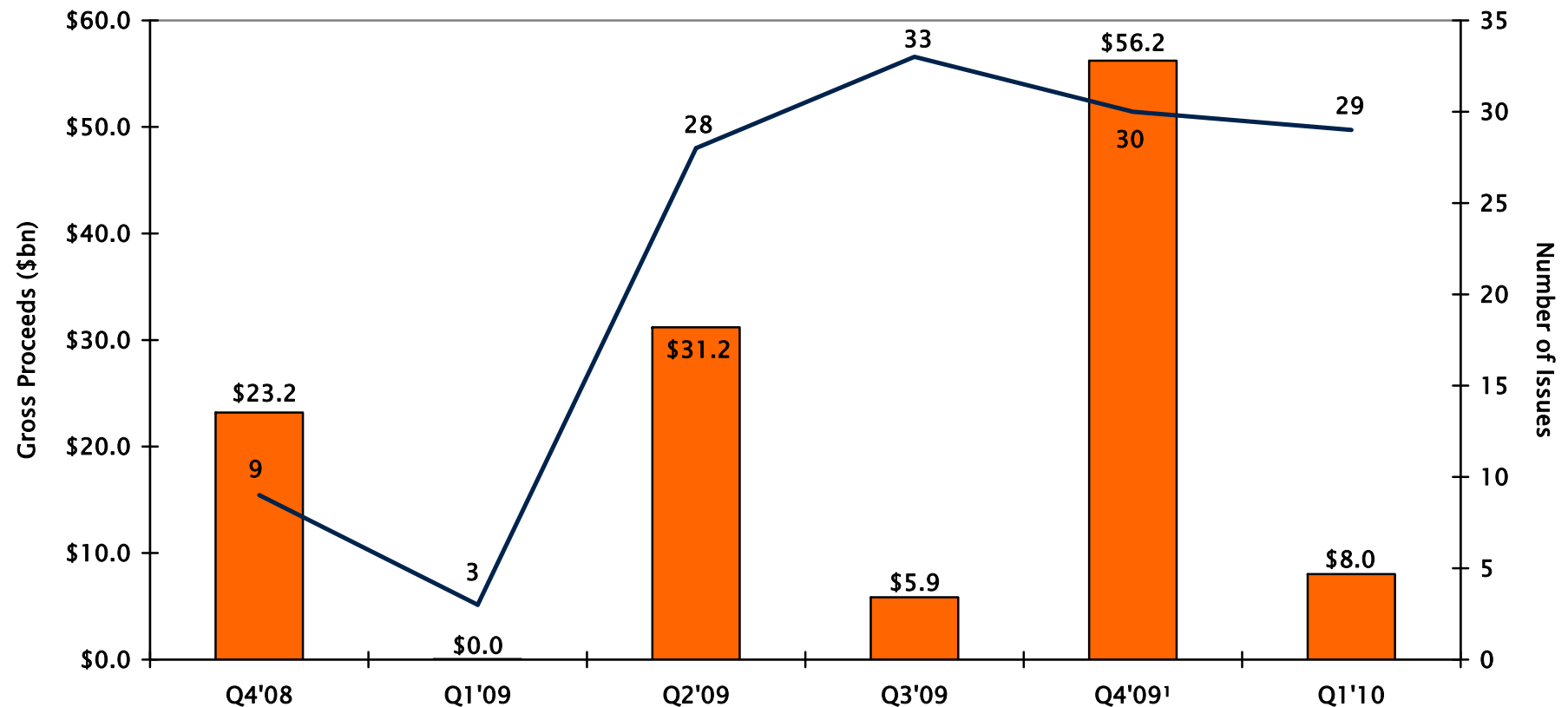
¹ Completed offerings for institutions with total assets < \$20bn and offering value ≥ \$10mm; excludes conversion offerings and TARP issuances

Source: SNL Financial

Capital Markets Update

Recent Equity Issuance Environment for Banks

- The equity capital markets have been open to new issuance in recent months



- Last week saw the re-emergence of volatility in the equity markets over concerns about distress in Greece and Portugal, potential contagion to rest of Europe and renewed geopolitical and national security concerns
 - Consolidated impact of these events on the new issuance market yet to fully be determined

Note: Data includes underwritten U.S. offerings; excludes exchange offers

¹ Included in the common stock total is a \$19.3 billion issuance of common equivalent junior preferred stock by Bank of America Corporation

Source: SNL Financial

Capital Markets Update

Recent Trends, Continued

- ❑ Capital raises today are generally for two purposes:
 - Offensive – to take advantage of current and expected near-to-intermediate-term market dislocations and opportunities
 - Defensive – to fill a bank’s expected capital shortfall as a result of current and expected losses

- ❑ Understanding “the hole” is the key issue
 - Stress testing the balance sheet and an independent loan review are prerequisites for most issuers

- ❑ Mutual fund involvement has been significant due to many funds’ underweight positions in financials

- ❑ Impact of TARP
 - 80 banks have repaid TARP funds, while 58 other banks have announced their intention to repay
 - Institutional investors have pulled-back on initial resistance to invest in TARP institutions

Capital Markets Update

Recent Trends, Continued

- ❑ Focus by investors on Tangible Common Equity
 - TARP and other preferreds have become disproportionately large in the capital structure
 - Ongoing OTTI and credit charges hit common stock, not preferred stock; investors want a buffer
 - The UST and regulators have recently issued guidance that regulatory capital must be predominantly permanent capital that can absorb losses (i.e. tangible common equity)
 - Common stock investors need to have assurance that a bank has sufficient reserves and tangible common equity to absorb the losses a bank may experience during this credit cycle
 - The Texas Ratio—(NPAs & 90+ Days Past Due) / (Tangible Common Equity + Loan Loss Reserves)—measures just that and when it approaches 100% it becomes a very good indicator of a bank's likely failure – the lower the Texas Ratio the better






- ❑ Dividend reductions widespread as companies seek to boost capital retention

- ❑ Exchange / tender offers have also been used to improve TCE ratios

Capital Markets Update

Focus on Tangible Common Equity

Market Valuation Relative to TCE Ratio

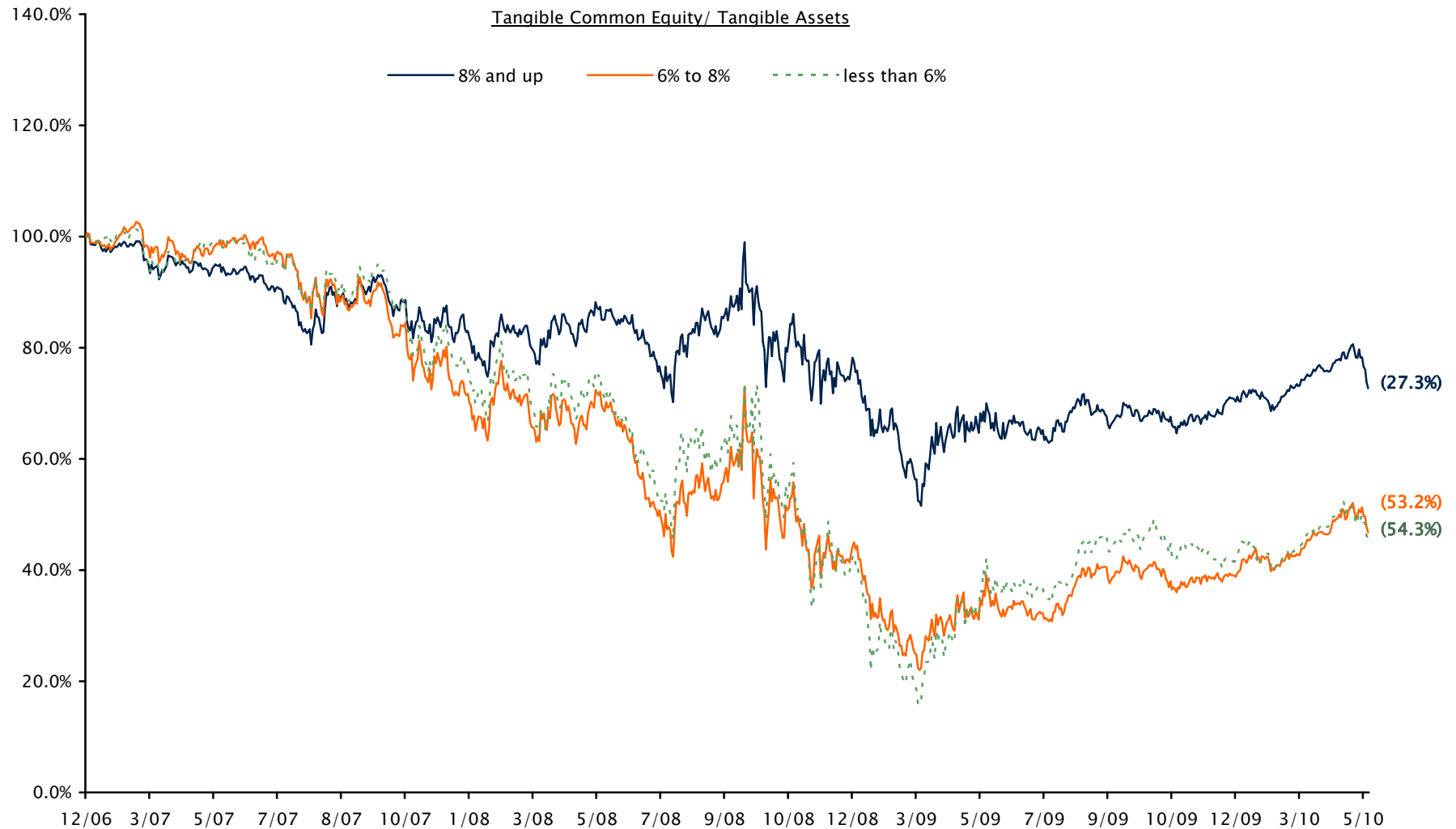
TCE Ratio		Median Price / TBV
7% and up		114.6%
6% to 7%		113.2%
5% to 6%		83.5%
4% to 5%		61.4%
< 4%		56.8%

Note: Includes all nationwide banks and thrifts traded on the Nasdaq, NYSE, or NYSE Amex, excluding takeover targets
Financial data as of March 31, 2010 if available or December 31, 2009; market data as of May 7, 2010
Source: SNL Financial

Capital Markets Update

Market Reaction to Capitalization Since January 1, 2007

Stock Performance Tiered by Tang. Common Equity/ Tang. Assets

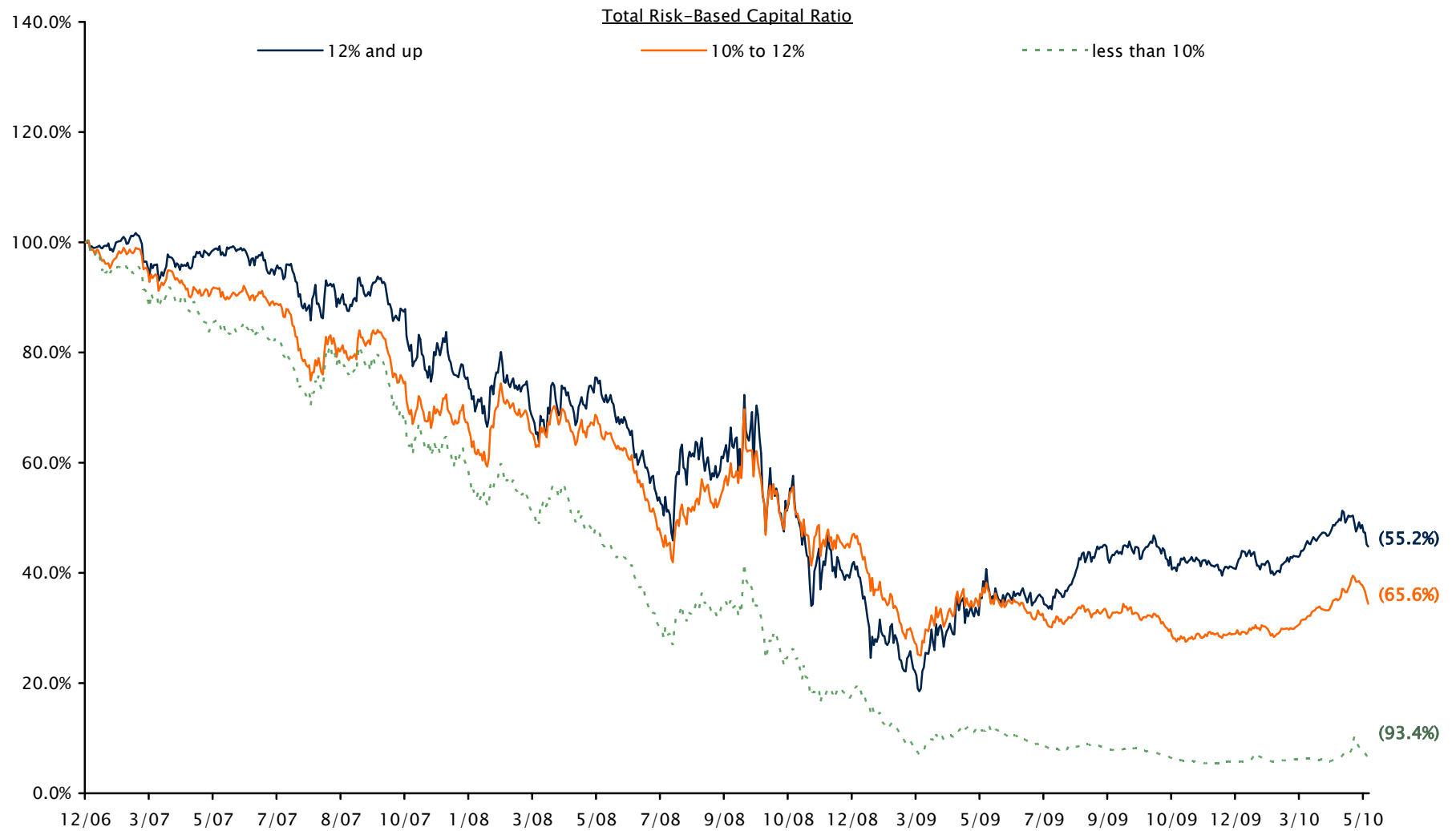


Note: Market data as of May 7, 2010
Source: SNL Financial

Capital Markets Update

Market Reaction to Capitalization Since January 1, 2007

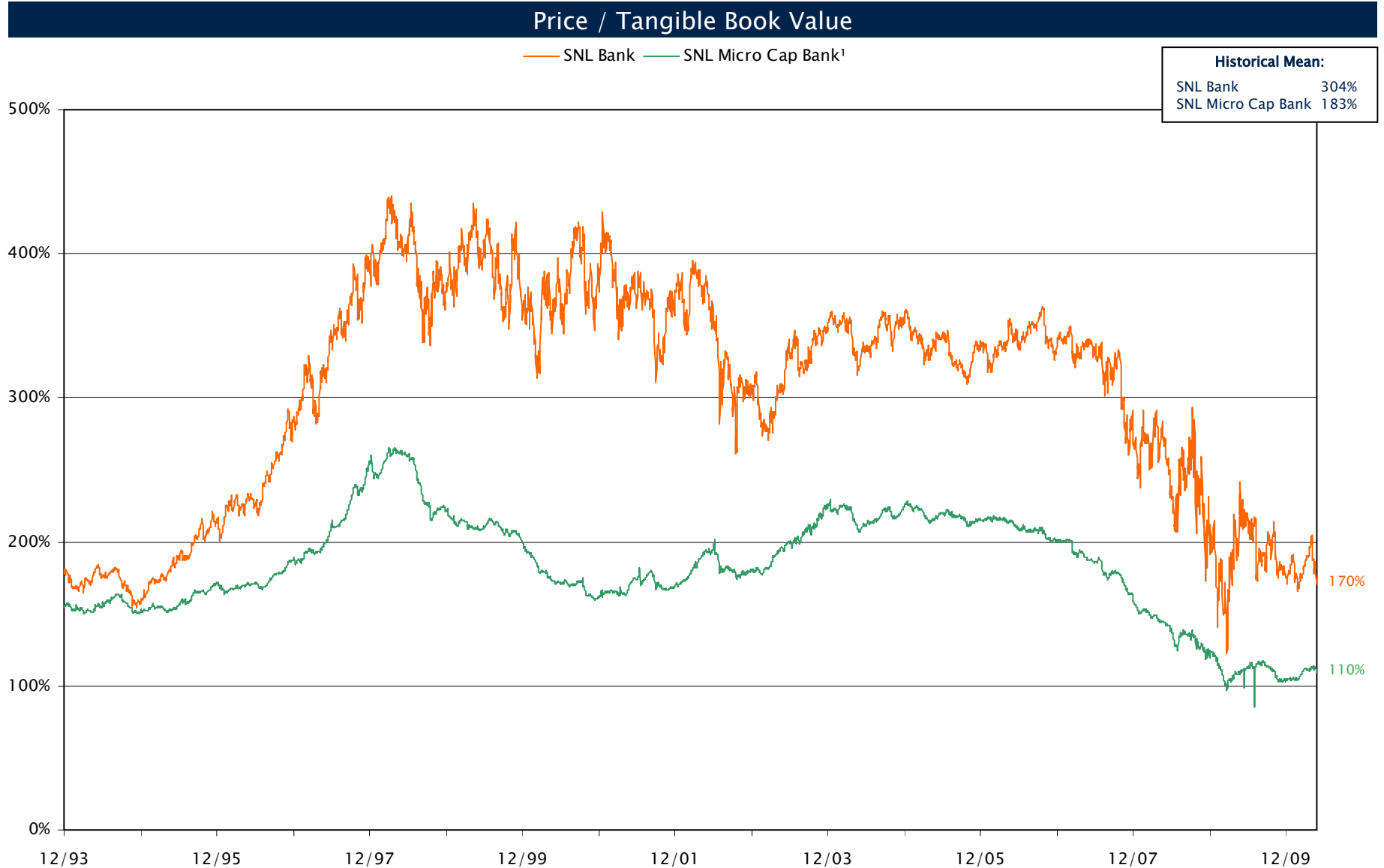
Stock Performance Tiered by Total Risk-Based Capital Ratio



Note: Market data as of May 7, 2010
Source: SNL Financial

Capital Markets Update

Comparative Performance: Price / Tangible Book Value



¹ Includes all publicly traded banks in SNL's coverage universe with less than \$250M total common market capitalization as of most recent pricing data
 Market data as of May 7, 2010
 Source: SNL Financial

Capital Markets Update

Debt and Hybrid Capital Markets

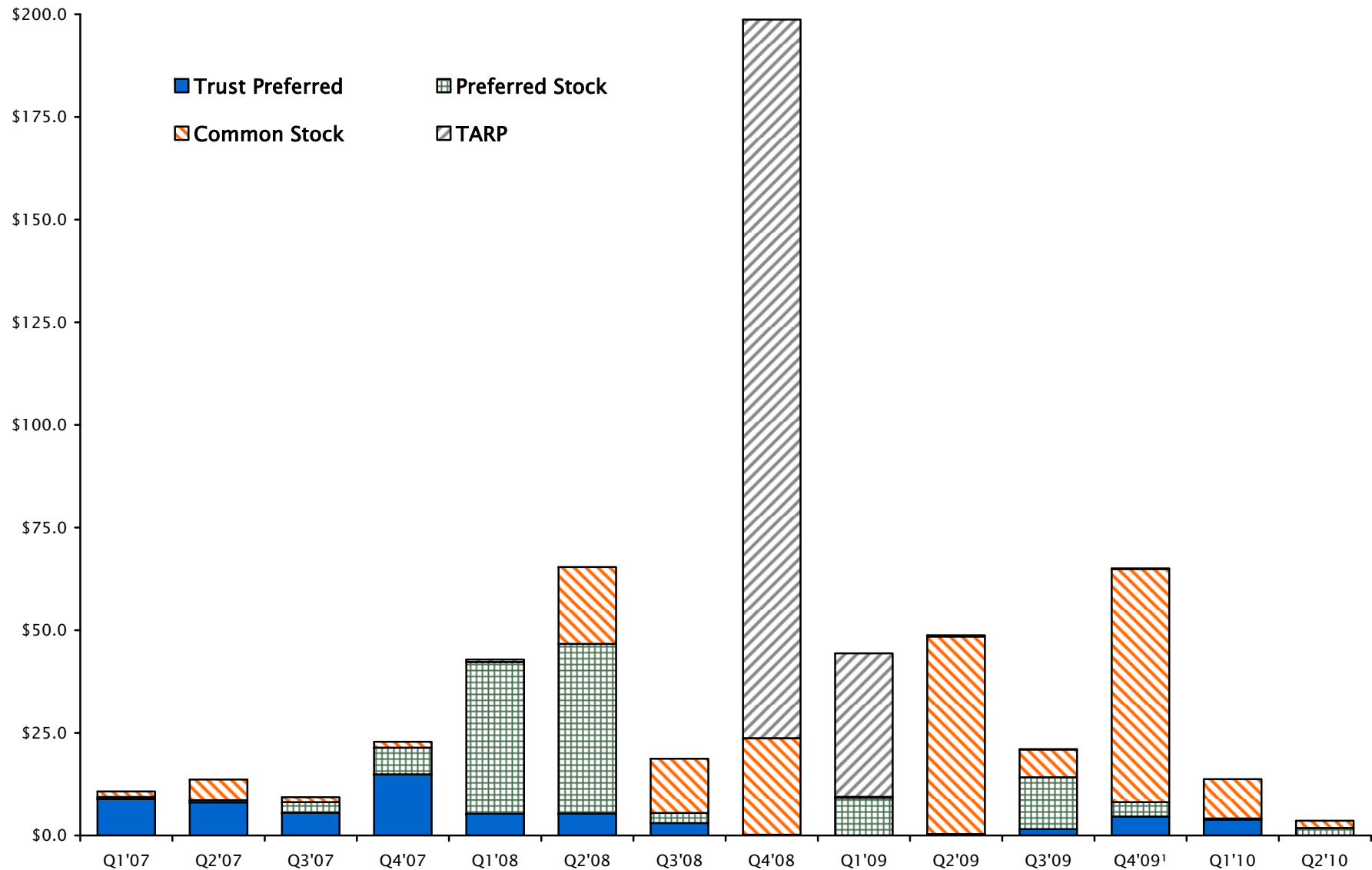
- ❑ Greater access for larger financial institutions
 - Pick up in activity in trust preferred market over the last few months
 - Subordinated debt and senior debt markets showing some signs of life
 - With interest rates at historical lows, investors are turning to financials as source for investment yield
 - Recent issuances have been significantly oversubscribed and secondary spreads have tightened

- ❑ Market receptivity for community banks remains significantly limited
 - Pooled capital markets remain frozen
 - A handful of stand-alone issuances/private placements have occurred
 - Success has been dictated by meaningful operating and credit out-performance, strong existing common equity base and significant insider sponsorship
 - Equity upside in the form of warrants has been required in some instances

Capital Markets Update

U.S. Bank & Thrift Capital Raises Completed by Quarter – Including TARP

(Dollars in billions)



Note: Data as of May 7, 2010; excludes exchange offers

¹ Included in the common stock total is a \$19.3 billion issuance of common equivalent junior preferred stock by Bank of America Corporation

Source: SNL Financial

Capital Markets Update

Recent Trends in the Community Bank Subordinated Debt and Trust Preferred Market

There have been 12 issuances of trust preferred and subordinated debt since January 1, 2009

Company Name	Offering Completion Date	Issuer's Total Assets (\$000)	Gross Amount Offered (\$000)	Funding Type	Description	Private Placement? Yes/No
ServisFirst Bancshares, Inc.	03/15/10	1,573,497	15,000	Trust Preferred	6.000% Mandatory convertible trust preferred securities	Yes
Susquehanna Bancshares, Inc.	03/09/10	13,689,262	50,000	Trust Preferred	11.000% Series II cumulative trust preferred securities	No
Tower Bancorp, Inc.	02/05/10	1,477,465	12,000	Subordinated Debt	9.000% Unsecured subordinated notes	Yes
Park National Corporation	12/23/09	6,970,678	35,250	Subordinated Debt	10.000% Unsecured subordinated notes	Yes
City National Corporation	12/03/09	18,400,604	250,000	Trust Preferred	9.625% Cumulative trust preferred securities	No
First National Community Bancorp	11/23/09	1,385,898	10,600	Subordinated Debt	9.000% Subordinated notes	Yes
TowneBank	10/20/09	3,492,374	13,800	Subordinated Debt	8.000% Series III convertible unsecured subordinated notes	No
First National Community Bancorp	09/01/09	1,328,216	11,000	Subordinated Debt	9.000% Subordinated notes	Yes
Smithtown Bancorp	07/27/09	2,172,840	14,000	Subordinated Debt	11.000% Subordinated notes	Yes
Monroe Bancorp	07/14/09	823,702	13,000	Subordinated Debt	10.000% Subordinated notes	No
German American Bancorp	04/23/09	1,190,828	19,250	Subordinated Debt	8.000% Unsecured redeemable subordinated notes	No
Tompkins Financial Corporation	04/10/09	2,867,722	15,000	Trust Preferred	7.000% Convertible cumulative trust preferred securities	Yes
Susquehanna Bancshares	12/31/08	13,636,287	25,000	Subordinated Debt	Floating rate subordinated notes	Yes
S.Y. Bancorp, Inc.	12/18/08	1,653,456	30,000	Trust Preferred	10.000% Cumulative trust preferred securities	No
Enterprise Financial Services Corp	12/12/08	2,416,228	25,000	Trust Preferred	9.000% Convertible trust preferred securities	Yes
Santander BanCorp	12/10/08	8,135,179	60,000	Subordinated Debt	7.500% Unsecured subordinated capital notes	Yes
United Community Banks, Inc.	10/31/08	8,113,961	11,767	Trust Preferred	9.000% Trust preferred securities	Yes
First Merchants Corporation	09/30/08	3,822,460	25,000	Subordinated Debt	Floating rate subordinate debenture	No
Virginia Commerce Bancorp	09/24/08	2,655,417	25,000	Trust Preferred	10.200% Trust preferred securities	Yes
United Community Banks, Inc.	08/29/08	8,264,051	30,000	Subordinated Debt	Floating rate subordinated notes	Yes
Eagle Bancorp, Inc.	08/28/08	915,800	12,150	Subordinated Debt	10.000% Subordinated notes	Yes
CoBiz Financial Inc.	08/18/08	2,548,171	20,984	Subordinated Debt	9.000% Subordinated unsecured notes	Yes
TCF Financial Corporation	08/13/08	16,460,123	115,000	Trust Preferred	10.750% Series I trust preferred securities	No
Guaranty Financial Group Inc.	07/21/08	16,423,000	275,000	Subordinated Debt	12.000% Subordinated debt	Yes

Note: Includes issuances greater than \$10 million in gross proceeds and by companies with assets less than \$20 billion

Source: SNL Financial

Appendix: Recent Bank Equity Offerings

Common Equity Offerings in 2010 YTD

Ann. Date	Pricing Date	Issuer	Ticker	State	Total Assets (\$mm)	Pre-Offering Market Cap (\$mm)	Amount Raised (\$mm)	Amt Raised/Pre-Offer Market Cap (%)	Offer Price (\$)	Offer Price/Prior Qtr TBV	Offer Price Premium/(Discount) Day Before Pricing	Stock Price from Offering \$		NASDAQ Since Pricing (%)
												One Day After Pricing (%)	Five Days After Pricing (%)	
05/03/10	Pending	Evans Bancorp Inc.	EVBN	NY	619		15	-	-	-	-	NM	NM	-
04/29/10	04/30/10	Fulton Financial Corporation	FULT	PA	16,636	1,950	230	11.8	10.55	183.5%	(3.7%)	(0.5%)	(6.4%)	(9.8%)
04/28/10	04/29/10	Columbia Banking System, Inc.	COLB	WA	3,201	622	209	33.6	21.75	173.0%	(6.6%)	3.4%	0.2%	(9.8%)
04/26/10	04/28/10	Synovus Financial Corp.	SNV	GA	32,831	1,685	806	47.9	2.75	71.6%	(13.2%)	15.6%	6.9%	(8.3%)
04/26/10	04/27/10	Southwest Bancorp, Inc.	OKSB	OK	3,108	202	58	28.5	12.50	78.2%	(18.7%)	9.4%	16.1%	(10.2%)
03/29/10	03/30/10	BofI Holding Inc.	BOFI	CA	1,345	115	16	13.9	13.00	114.7%	(6.4%)	6.9%	16.2%	(5.8%)
03/24/10	04/14/10	Ameris Bancorp	ABCB	GA	2,424	131	90	68.5	9.50	93.0%	(6.0%)	9.7%	12.9%	(9.6%)
03/17/10	03/18/10	Sandy Spring Bancorp Inc.	SASR	MD	3,630	248	101	40.8	13.50	107.0%	(10.1%)	3.9%	6.1%	(5.2%)
03/17/10	03/18/10	First California Financial Group Inc.	FCAL	CA	1,460	36	41	116.0	2.50	47.8%	(19.1%)	10.4%	14.0%	(5.2%)
03/15/10	03/23/10	Orrstown Financial Services Inc.	ORRF	PA	1,196	231	40	17.3	27.00	193.4%	(15.2%)	13.0%	(3.0%)	(5.4%)
03/15/10	03/16/10	Glacier Bancorp Inc.	GBCI	MT	6,192	927	152	16.4	14.75	172.9%	(3.5%)	5.8%	7.5%	(4.7%)
03/15/10	03/16/10	Oriental Financial Group Inc.	OFG	PR	6,551	281	100	35.5	11.40	106.1%	(4.3%)	7.5%	13.2%	(4.1%)
03/15/10	03/16/10	Sterling Bancorp	STL	NY	2,166	148	69	46.6	8.00	146.3%	(10.1%)	3.9%	11.3%	(4.1%)
03/15/10	03/26/10	Flagstar Bancorp Inc.	FBC	MI	14,013	705	288	40.8	0.50	71.4%	(41.2%)	14.0%	17.0%	(5.5%)
03/12/10	03/24/10	Bank of Commerce Holdings	BOCH	CA	813	46	35	76.9	4.25	80.3%	(16.7%)	10.1%	11.3%	(6.2%)
03/08/10	03/09/10	Susquehanna Bancshares Inc.	SUSQ	PA	13,689	785	345	43.9	8.00	110.3%	(11.8%)	5.3%	10.6%	(2.9%)
03/08/10	03/09/10	Comerica Inc.	CMA	TX	59,249	5,486	880	16.0	35.00	113.5%	(4.7%)	2.0%	7.9%	(2.9%)
03/03/10	03/04/10	Wintrust Financial Corp.	WFC	IL	12,216	826	222	26.9	33.25	143.2%	(2.9%)	(1.1%)	5.1%	(0.7%)
03/02/10	03/02/10	IBERIABANK Corp.	IBKC	LA	9,700	1,205	345	28.6	57.75	172.2%	(0.3%)	0.3%	1.4%	(0.7%)
02/22/10	02/24/10	Sterling Bancshares Inc.	SBIB	TX	4,937	431	92	21.4	4.60	106.0%	(6.6%)	3.7%	3.0%	1.3%
02/22/10	02/24/10	Wilmington Trust Corp.	WL	DE	11,097	917	288	31.4	13.25	157.6%	0.3%	8.7%	6.3%	2.4%
02/22/10	02/23/10	TCF Financial Corporation	TCB	MN	17,885	1,863	173	9.3	14.00	177.0%	(1.0%)	4.4%	2.3%	1.1%
02/17/10	Pending	California Oaks State Bank	COSB	CA	125	14	100	709.1	12.50	138.0%	-	NM	NM	-
02/02/10	02/03/10	Umpqua Holdings Corporation	UMPO	OR	9,381	1,015	95	9.4	11.00	132.1%	(7.3%)	8.5%	7.6%	3.5%
02/02/10	02/03/10	PNC Financial Services Group, Inc.	PNC	PA	269,863	25,222	3,450	13.7	54.00	275.1%	(3.3%)	(0.5%)	(5.0%)	3.5%
02/01/10	02/02/10	Cathay General Bancorp	CATY	CA	11,588	593	132	22.3	8.80	77.5%	(8.1%)	8.6%	2.3%	4.3%
01/26/10	01/28/10	First Financial Bancorp.	FFBC	OH	6,681	762	96	12.7	15.14	145.2%	2.2%	7.0%	3.8%	2.0%
01/12/10	01/13/10	First Midwest Bancorp, Inc.	FMBI	IL	7,711	601	207	34.4	11.00	128.4%	(4.2%)	12.4%	14.4%	(1.8%)
01/11/10	01/12/10	Associated Banc-Corp	ASBC	WI	22,874	1,578	500	31.7	11.15	112.3%	(9.6%)	3.0%	9.5%	(2.0%)
2010 Median					6,681	663	132	30.0	11.95	121.5%	(6.6%)	6.9%	7.5%	(4.1%)
2010 Mean					19,075	1,737	316	57.3	15.76	129.6%	(8.6%)	6.5%	7.1%	(3.2%)

Note: Market data as of May 7, 2010; Sandler O'Neill offerings are shaded in gray; excludes mutual-to-stock conversions

Source: Company documents, SNL Financial

Appendix: Recent Bank Equity Offerings

Common Equity Offerings Since May 1, 2009

Annnc. Date	Pricing Date	Issuer	Ticker	State	Total Assets (\$mm)	Pre-Offering Market Cap (\$mm)	Amount Raised (\$mm)	Amt Raised/Pre-Offer Market Cap (%)	Offer Price (\$)	Offer Price/ Prior Qtr TBV	Offer Price Premium/ (Discount) Day Before Pricing	Stock Price from Offering \$		NASDAQ Since Pricing (%)
												One Day After Pricing (%)	Five Days After Pricing (%)	
12/14/09	12/16/09	Citigroup Inc.	C	NY	1,888,599	90,313	17,583	19.5	3.15	70.5%	(11.5%)	9.5%	4.4%	2.7%
12/14/09	12/15/09	Wells Fargo & Company	WFC	CA	1,228,625	119,422	12,248	10.3	25.00	217.6%	(1.6%)	2.6%	8.6%	2.4%
12/10/09	12/16/09	Bar Harbor Bankshares	BHB	ME	1,061	94	24	25.8	27.50	109.0%	(6.0%)	1.9%	(0.4%)	2.9%
12/09/09	12/17/09	MidSouth Bancorp, Inc.	MSL	LA	948	93	40	42.6	12.75	122.7%	(7.5%)	9.6%	9.5%	3.9%
12/07/09	12/07/09	New York Community Bancorp, Inc.	NYB	NY	32,884	4,417	897	20.3	13.00	251.9%	5.4%	3.1%	3.7%	3.5%
12/01/09	04/05/10	Community Bank of the Bay	CBYAA	CA	71	4,417	5	0.1	3.50	162.8%	0.0%	0.0%	0.0%	(6.7%)
11/30/09	12/01/09	Trustmark Corporation	TRMK	MS	9,368	1,101	115	10.4	18.50	151.1%	(2.6%)	7.1%	8.1%	4.1%
11/30/09	12/08/09	American River Bankshares	AMRB	CA	566	35	25	71.5	6.25	77.4%	(0.8%)	7.0%	9.6%	4.3%
11/27/09	12/09/09	Provident Financial Holdings, Inc.	PROV	CA	1,480	25	13	51.5	2.50	14.3%	(12.3%)	17.6%	0.8%	3.8%
11/23/09	11/24/09	Washington Banking Company	WBCO	WA	960	89	52	58.3	9.00	101.5%	0.6%	8.8%	11.6%	4.1%
11/16/09	11/18/09	SVB Financial Group	SIVB	CA	12,539	1,422	307	21.6	38.50	151.5%	(3.1%)	(0.4%)	(0.6%)	3.3%
11/12/09	11/25/09	Citizens & Northern Corporation	CZNC	PA	1,283	107	23	21.5	8.00	83.0%	(14.0%)	15.5%	12.5%	4.4%
11/03/09	11/11/09	Simmons First National Corporation	SFNC	AR	2,915	402	75	18.6	24.50	146.3%	(7.5%)	4.5%	2.9%	5.3%
11/02/09	11/20/09	HF Financial Corp.	HFFC	SD	1,168	44	23	52.2	8.00	49.4%	(20.0%)	21.9%	12.4%	5.0%
10/30/09	12/30/09	Bank of Virginia	BOVA	VA	226	9	5	49.3	3.00	62.9%	0.0%	3.0%	13.3%	(1.1%)
10/27/09	11/05/09	Pacific Premier Bancorp, Inc.	PPBI	CA	848	19	16	87.8	3.25	33.0%	0.0%	1.2%	2.5%	7.6%
10/26/09	11/13/09	Lakeland Financial Corporation	LKFN	IN	2,470	265	62	23.3	17.00	131.8%	(6.7%)	(1.5%)	0.8%	4.5%
10/26/09	10/29/09	OceanFirst Financial Corp.	OCFC	NJ	1,873	150	58	38.4	9.00	86.9%	(12.1%)	7.2%	7.0%	10.0%
10/26/09	10/28/09	PrivateBancorp, Inc.	PVTB	IL	12,083	903	189	20.9	8.50	56.3%	(29.0%)	13.5%	4.7%	7.1%
10/20/09	10/21/09	Marshall & Ilsley Corporation	MI	WI	58,545	2,643	899	34.0	5.75	53.2%	(12.2%)	4.5%	(10.8%)	5.3%
10/19/09	10/21/09	Whitney Holding Corporation	WTNY	LA	11,656	638	230	36.0	8.00	75.3%	(3.6%)	7.3%	3.1%	5.3%
10/19/09	10/21/09	Nara Bancorp, Inc.	NARA	CA	3,213	236	86	36.5	7.50	69.2%	(6.3%)	2.7%	(2.4%)	5.3%
10/19/09	10/20/09	Hancock Holding Company	HBHC	MS	6,805	1,163	176	15.1	35.50	192.7%	(3.3%)	0.4%	4.1%	4.7%
10/14/09	10/30/09	Southern National Bancorp of Virginia, Inc.	SONA	VA	462	50	29	57.3	6.00	74.4%	(11.1%)	3.3%	3.3%	8.0%
10/12/09	10/14/09	Pacific Continental Corporation	PCBK	OR	1,151	116	48	41.6	8.75	115.4%	2.5%	7.7%	15.0%	4.3%
10/12/09	10/13/09	Cathay General Bancorp	CATY	CA	11,750	481	70	14.6	9.25	71.4%	(3.0%)	-	-	5.9%
09/23/09	09/24/09	First Niagara Financial Group, Inc.	FNFG	NY	11,577	1,961	460	23.5	12.00	154.4%	(5.0%)	1.5%	4.8%	7.5%
09/23/09	09/25/09	United Community Banks, Inc.	UCBI	GA	8,477	354	223	62.9	5.00	56.5%	(23.8%)	20.6%	(2.0%)	7.5%
09/21/09	09/25/09	First Busey Corporation	BUSE	IL	4,277	231	83	35.9	4.00	82.1%	(22.9%)	13.0%	14.8%	7.5%
09/21/09	09/24/09	Metro Bancorp, Inc.	METR	PA	2,081	102	83	80.8	12.00	66.8%	(14.5%)	8.3%	0.2%	7.5%
09/21/09	09/22/09	Old National Bancorp	ONB	IN	8,012	749	207	27.6	10.00	154.3%	(6.1%)	10.3%	10.5%	5.6%
09/21/09	09/23/09	First Financial Holdings, Inc.	FFCH	SC	3,607	206	75	36.3	15.50	94.3%	(4.9%)	0.8%	3.0%	6.3%
09/17/09	09/18/09	Huntington Bancshares Incorporated	HBAN	OH	51,397	2,728	460	16.9	4.20	82.8%	(7.5%)	3.6%	(1.7%)	6.5%
09/15/09	09/17/09	Flushing Financial Corporation	FFIC	NY	4,064	268	107	40.0	11.50	111.3%	(8.1%)	7.4%	(0.5%)	6.2%
09/14/09	09/16/09	Synovus Financial Corp.	SNV	GA	34,350	1,255	600	47.8	4.00	64.9%	(9.7%)	(2.5%)	(3.5%)	6.2%
09/14/09	09/17/09	Heritage Financial Corporation	HFWA	WA	967	85	50	58.6	11.50	103.5%	(7.6%)	8.8%	8.8%	6.2%
09/14/09	09/16/09	Washington Federal, Inc.	WFSL	WA	12,043	1,294	350	27.1	14.50	112.3%	(0.4%)	4.9%	15.4%	7.8%
09/14/09	09/14/09	MB Financial, Inc.	MBFI	IL	8,402	641	201	31.4	16.00	133.4%	(6.0%)	6.4%	27.3%	8.3%
09/11/09	09/16/09	Home BancShares, Inc.	HOMB	AR	2,580	416	113	27.2	19.85	167.8%	(1.7%)	1.8%	7.9%	7.8%
09/09/09	10/27/09	Hudson Valley Holding Corp.	HUVL	NY	2,562	444	100	22.5	25.00	170.9%	(6.8%)	(1.8%)	(5.6%)	5.8%
09/09/09	09/16/09	Eagle Bancorp, Inc.	EGBN	MD	1,590	113	55	48.8	8.20	100.2%	(7.9%)	2.7%	9.5%	7.8%
09/08/09	09/16/09	United Western Bancorp, Inc.	UWBK	CO	2,422	38	88	231.3	4.00	22.7%	(7.0%)	(6.0%)	3.8%	6.2%
09/04/09	09/10/09	National Penn Bancshares, Inc.	NPBC	PA	9,758	500	161	32.2	5.25	104.0%	(1.5%)	9.5%	22.9%	10.0%
09/04/09	09/10/09	Union Bankshares Corporation	UBSH	VA	2,615	224	63	28.0	13.25	117.9%	(8.6%)	0.3%	(1.0%)	8.7%
08/26/09	09/17/09	1st United Bancorp, Inc.	FUBC	FL	633	47	81	172.9	5.00	97.7%	(9.1%)	14.0%	18.2%	6.5%
08/20/09	08/28/09	Tower Bancorp, Inc.	TOBC	PA	1,273	165	57	34.6	26.75	140.9%	(3.2%)	3.3%	0.1%	11.7%

Note: Market data as of May 7, 2010; Sandler O'Neill offerings are shaded in gray; excludes mutual-to-stock conversions

Source: Company documents, SNL Financial

Appendix: Recent Bank Equity Offerings

Common Equity Offerings Since May 1, 2009 – Continued

Ann. Date	Pricing Date	Issuer	Ticker	State	Total Assets (\$mm)	Pre-Offering Market Cap (\$mm)	Amount Raised (\$mm)	Amt Raised/Pre-Offer Market Cap (%)	Offer Price (\$)	Offer Price/Prior Qtr TBV	Offer Price Premium/(Discount) Day Before Pricing	Stock Price from Offering \$		NASDAQ Since Pricing (%)
												One Day After Pricing (%)	Five Days After Pricing (%)	
08/17/09	08/17/09	BB&T Corporation	BBT	NC	152,398	18,297	1,000	5.5	26.00	176.4%	(1.6%)	5.9%	5.5%	17.3%
08/11/09	08/13/09	Umpqua Holdings Corporation	UMPQ	OR	8,657	625	245	39.3	9.25	109.2%	(13.5%)	12.9%	9.0%	12.8%
08/10/09	08/13/09	Bancorp, Inc.	TBBK	DE	1,732	115	66	57.3	5.75	63.4%	(5.0%)	5.2%	3.7%	12.8%
08/03/09	08/05/09	Columbia Banking System, Inc.	COLB	WA	3,022	223	120	53.8	12.25	94.4%	(5.7%)	13.2%	24.9%	13.7%
08/03/09	08/06/09	Univest Corporation of Pennsylvania	UVSP	PA	2,087	337	59	17.6	17.50	148.8%	(8.6%)	9.4%	15.4%	14.8%
07/27/09	07/30/09	CenterState Banks, Inc.	CSFL	FL	1,723	112	86	76.8	6.50	70.0%	(17.2%)	12.5%	13.1%	15.1%
07/27/09	07/28/09	Middleburg Financial Corporation	MBRG	VA	1,045	57	21	36.1	10.75	74.3%	(10.4%)	(0.7%)	5.1%	15.1%
07/20/09	07/22/09	CVB Financial Corp.	CVBF	CA	6,415	512	133	25.9	5.85	111.6%	(4.7%)	7.7%	24.6%	18.2%
07/20/09	07/21/09	East West Bancorp, Inc.	EWBC	CA	12,720	552	80	14.5	6.35	63.1%	(9.2%)	5.8%	23.6%	18.7%
07/13/09	07/14/09	CoBiz Financial Inc.	COBZ	CO	2,541	138	59	43.2	4.50	92.8%	(7.0%)	(4.4%)	(5.8%)	25.9%
07/10/09	07/14/09	CapitalSource Inc.	CSE	MD	15,106	1,364	83	6.0	4.10	51.4%	(4.7%)	13.4%	4.1%	25.9%
07/06/09	07/08/09	Discover Financial Services	DFS	IL	41,518	5,072	556	11.0	9.25	76.7%	(11.9%)	(1.4%)	17.3%	29.7%
06/30/09	06/30/09	IBERIABANK Corporation	IBKC	LA	5,548	652	173	26.5	39.00	157.1%	(1.0%)	1.1%	2.6%	23.5%
06/22/09	08/14/09	Seacoast Banking Corporation of Florida	SBCF	FL	2,137	50	76	152.7	2.25	43.4%	(14.1%)	19.6%	26.2%	12.8%
06/18/09	06/19/09	South Financial Group, Inc.	TSFG	SC	13,285	136	85	62.4	1.00	10.7%	(37.5%)	36.0%	27.0%	25.3%
06/17/09	06/19/09	E*TRADE Financial Corporation	ETFC	NY	49,447	944	550	58.3	1.10	500.0%	(24.7%)	30.0%	16.4%	25.3%
06/11/09	06/11/09	Marshall & Ilsley Corporation	MI	WI	61,790	1,706	575	33.7	5.75	39.4%	(6.4%)	6.8%	(11.1%)	21.7%
06/10/09	06/11/09	Pinnacle Financial Partners, Inc.	PNFP	TN	4,952	346	115	33.3	13.00	110.6%	(11.5%)	9.7%	9.6%	22.3%
06/08/09	06/10/09	F.N.B. Corporation	FNB	PA	8,455	628	133	21.2	5.50	137.8%	(10.6%)	5.5%	9.3%	22.3%
06/03/09	06/03/09	Huntington Bancshares Incorporated	HBAN	OH	51,702	1,802	373	20.7	3.60	59.2%	(9.1%)	10.0%	11.9%	24.1%
06/02/09	06/02/09	Morgan Stanley	MS	NY	626,023	32,336	2,357	7.3	27.44	113.1%	(9.5%)	8.9%	12.9%	23.9%
06/02/09	06/02/09	JPMorgan Chase & Co.	JPM	NY	2,079,188	135,743	5,756	4.2	35.25	153.7%	(4.5%)	2.4%	0.0%	23.9%
06/01/09	06/01/09	SunTrust Banks, Inc.	STI	GA	179,116	4,700	1,615	34.4	13.00	47.4%	(5.8%)	6.2%	30.5%	23.9%
06/01/09	06/02/09	Signature Bank	SBNY	NY	7,425	951	135	14.1	26.00	158.2%	(0.6%)	0.7%	3.7%	23.3%
06/01/09	06/05/09	First Community Bancshares, Inc.	FCBC	VA	2,199	202	66	32.7	12.50	166.9%	(14.5%)	15.1%	0.4%	22.5%
05/20/09	05/21/09	Cardinal Financial Corporation	CFNL	VA	1,793	204	34	16.7	7.75	127.7%	(7.0%)	8.1%	1.9%	31.1%
05/20/09	05/20/09	Regions Financial Corporation	RF	AL	141,980	3,642	1,840	50.5	4.00	37.8%	(18.2%)	2.5%	(1.0%)	31.1%
05/19/09	06/02/09	First Financial Bancorp.	FFBC	OH	3,809	384	104	26.9	7.50	113.8%	(14.2%)	16.5%	4.9%	23.3%
05/18/09	05/18/09	State Street Corporation	STT	MA	142,144	16,743	2,300	13.7	39.00	298.9%	(6.7%)	10.8%	13.7%	30.8%
05/13/09	05/14/09	Smithtown Bancorp, Inc.	SMTB	NY	2,173	145	30	20.7	10.00	100.6%	(11.0%)	10.8%	11.4%	34.1%
05/11/09	05/12/09	SCBT Financial Corporation	SCBT	SC	2,840	293	31	10.7	23.00	141.7%	(0.9%)	(3.4%)	(2.0%)	32.0%
05/12/09	05/14/09	Western Alliance Bancorporation	WAL	NV	5,267	314	201	63.8	6.00	92.0%	(4.2%)	0.3%	6.5%	34.1%
05/11/09	05/13/09	PrivateBancorp, Inc.	PVTB	IL	10,376	848	228	27.0	19.25	137.9%	(3.5%)	1.1%	(1.8%)	36.1%
05/11/09	05/12/09	Bank of New York Mellon Corporation	BK	NY	203,478	34,084	1,389	4.1	28.75	524.6%	(10.6%)	(1.1%)	(3.6%)	30.9%
05/11/09	05/12/09	Berkshire Hills Bancorp, Inc.	BHLB	MA	2,724	297	35	11.7	21.50	134.1%	(10.8%)	0.5%	0.0%	30.9%
05/11/09	05/12/09	BB&T Corporation	BBT	NC	143,425	14,760	1,725	11.7	20.00	143.6%	(11.1%)	7.5%	12.5%	32.0%
05/11/09	05/11/09	Capital One Financial Corporation	COF	VA	177,387	12,307	1,554	12.6	27.75	116.0%	(11.5%)	(2.3%)	(6.1%)	30.3%
05/11/09	05/12/09	U.S. Bancorp	USB	MN	263,624	36,118	2,755	7.6	18.00	339.0%	(12.4%)	(0.6%)	4.8%	30.9%
05/07/09	05/08/09	Wells Fargo & Company	WFC	CA	1,285,891	108,051	8,627	8.0	22.00	303.4%	(18.0%)	28.1%	13.0%	32.0%
05/07/09	05/08/09	Morgan Stanley	MS	NY	626,023	29,371	4,566	15.5	24.00	98.9%	(15.8%)	17.5%	8.9%	32.0%
05/05/09	05/06/09	Sterling Bancshares, Inc.	SBIB	TX	5,075	506	58	11.4	7.00	149.9%	(1.0%)	1.9%	(2.4%)	28.8%
05/04/09	05/05/09	Texas Capital Bancshares, Inc.	TCBI	TX	5,011	465	63	13.6	13.75	108.4%	(1.6%)	3.2%	6.5%	28.5%
05/04/09	05/05/09	City National Corporation	CYN	CA	16,934	1,934	126	6.5	39.00	166.7%	9.8%	6.1%	3.8%	28.5%
2009 Median					5,267	465	107	27.1	10.00	109.0%	(7.0%)			10.0%
2009 Mean					110,634	7,961	866	35.8	13.38	121.7%	(8.2%)			14.9%
Total Median					6,483	512	114	28.0	11.15	111.6%	(7.0%)			6.5%
Total Mean					86,878	6,383	723	41.0	13.95	123.6%	(8.2%)			10.5%

Note: Market data as of May 7, 2010; Sandler O'Neill offerings are shaded in gray; excludes mutual-to-stock conversions

Source: Company documents, SNL Financial

Key Legal Issues In Bank Consolidation and Capital Raising



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Consolidation

- ◆ There are really no negotiated mergers and acquisitions with financial institutions as buyers. This could change soon
- ◆ There have been a few branch transactions (see Anchor Bank – Wisconsin) and one-off deals (see Horizon Bancorp’s acquisition of ATSB) done as P&A’s, etc.
- ◆ There have been transactions with non-banks, e.g., BMO’s acquisition of Diners-Club North America
- ◆ There have been a number of “forced recaps” by Private Equity firms with the most recent being Pacific Coast Capital by Gerald Ford

Consolidation

- ◆ In forced recaps, Treasury/TARP, the TRUP holders, the “bank stock” correspondent lender and the public stockholders get crammed down to ¢ on the \$. A rights offering for the public stockholders at the investor buy-in price is common
- ◆ Regulatory approval issues for Private Equity firms; avoiding Federal Reserve “bhc” control status and FDIC Private Equity Policy Statement. Renew focus on “change of control” and BCOCA
- ◆ Blind Pools; Club Deals – more common; some without regulatory approval
- ◆ The BIGGEST ISSUE OF ALL – how bad are the loans? How big is the hole?

Legal/Regulatory Issues

- ◆ Dealing with shareholder voting rights of seller
- ◆ Dealing with TRUPS disclosure and consent issues – who votes and how; indentures are vague and present tactical issues
- ◆ Disclosure issues: impending doom; asset quality; ALLL, CRE
- ◆ See above for Private Equity
- ◆ Accounting issues:
 - “going concern”
 - “good will” impairment
 - “deferred tax asset”

Bankruptcy

- ◆ Banks are not subject to the Bankruptcy Act. Bank holding companies are
- ◆ A few banking companies have tried to use bankruptcy for dealing with pending regulatory seizures and/or dealing with lien creditors (Amtrust in Cleveland)
- ◆ CIB took its TRUPS holders through a Chapter 11 successfully. But no buyer has emerged

Capital Raising

- ◆ 2010 proposed banking legislation does not include new TARP or CPP
- ◆ Capital for healthy banks is abundant
- ◆ TARP recipients – pay off or not?
- ◆ Capital for sick banks is rare, unless they are both fixable and of a size where further “roll-ups” are likely – see Gerald Ford
- ◆ Open Bank Assistance: still legally feasible, but so rare as to be approaching myth status
- ◆ P.E. FDIC Policy on P.E. firms buying failed banks in flux; enforced on a deal by deal basis. See attachments

Capital Raising

- ◆ Private Equity firms now buying very sick banks due to FDIC policy statement and FDIC preference for failed banks to be bought by “industry partners”
- ◆ TRUPS: new issues virtually non-existent
- ◆ De Novo’s: FDIC won’t insure
- ◆ “Good bank” – “bad bank” – Treasury said: “not yet.” FDIC said: “no”
- ◆ Correspondent bank sources: few and tough to deal with

Loss-Share

- ◆ The six most important features of the transaction documents are:
 - Loss Rate: Pursuant to the most recent loss-share agreements, the FDIC will absorb 80% of the losses and 80% of the recoveries on loss-share assets. The FDIC will no longer absorb 95% of the losses after a certain threshold
 - Administration: Acquiring bank must track charge-offs, recoveries, reimbursable expenses, etc. over 5 or 10 years depending on whether the loan is a commercial or single-family loan
 - Loan Changes: Acquiring banks have limitations on implementing amendments and restructuring of loans, e.g., acquiring banks cannot increase the principal of loss-share assets, except for certain permitted advances, or extend the term of loss-share assets beyond the term of the loss-share agreement without risking losing loss-share coverage

Loss-Share

- ◆ The six most important features of the transaction documents are:
 - Estimated Loss: The FDIC now will estimate the total loss on loss-share agreements and will maintain the ability to “claw back” certain amounts if the ultimate losses on the loss-share agreement are lower than this estimated amount
 - First Loss Tranche: Bidding institutions must bid an amount for the first loss tranche, which cannot be less than zero. If the first loss tranche is a positive number, then loss-sharing will not commence until the losses on the loss-share assets exceed the first loss tranche
 - FDIC Audit: The acquiring bank is subject to an audit of loss-share loan administration by the FDIC’s third-party auditor
 - Who can bid?
 - Accounting issues – too much negative good will
 - FDIC constantly tweaking the formula

Keynote Speaker



William M. Isaac

Chairman

LECG Global Financial

Former Chairman

Federal Deposit Insurance Corporation

Regulatory, Enforcement and Executive Compensation Update



James M. Kane

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Executive Compensation Update: Focus on Risk



Thomas P. Desmond

Co-Chair, Executive Compensation Group

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Focus on Risk

❖ October 2009 FRB supervisory guidelines

- Safety and soundness considerations
- Promote prompt improvement in incentive pay practices

❖ Supervisory guidelines applicability

- Types of banks – all except non-FRB regulated; TARP and non-TARP
- Types of employee groups – senior executives, individuals, groups
- Types of compensation arrangements – incentive (performance-based)

❖ Three Principles

- Principle #1: Balanced risk-taking incentives
- Principle #2: Compatibility with effective controls and risk management
- Principle #3: Strong corporate governance

Focus on Risk

◆ Overall Goal – Safety and Soundness

- To be consistent with safety and soundness requirements, incentive compensation arrangements at a banking organization should:
 - ▶ Provide employees incentives that do not encourage excessive risk-taking beyond the organization's ability to effectively identify and manage risk;
 - ▶ Be compatible with effective controls and risk management; and
 - ▶ Be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

Focus on Risk

◆ Overview – Principle #1: Balanced Risk-Taking

- Banks should consider the full range of risks associated with an employee's activities, as well as the time horizon over which those risks may be realized, in assessing whether incentive compensation arrangements are balanced
- An unbalanced arrangement can be moved toward balance by adding or modifying features that cause the amounts ultimately received by employees to appropriately reflect risk and risk outcomes
- FRB guidance cites four methods that are used to make compensation arrangements more sensitive to risk (these methods are not exclusive):
 - ▶ Risk adjustment of awards
 - ▶ Deferral of payment
 - ▶ Longer performance periods
 - ▶ Reduced sensitivity to short-term performance

Focus on Risk

◆ Principle #1 – Conducting the Risk Review

- Banks must identify risks associated with employee activities, including the cost and amount of capital and liquidity needed to support the risks, in developing balanced arrangements
- Banks should use scenario analysis to understand the payouts associated with certain risks and risk outcomes
- Where judgment plays a role in the upfront design, strong internal controls and monitoring of payments in relation to actual outcomes are important
- Risk management personnel should be involved in the design and not just the review

Focus on Risk

◆ Principle #1 – Mitigating Risk

- Four methods for modifying arrangements to better balance risks are discussed in the guidance
 - ▶ Risk adjustment of awards: the amount of incentive compensation paid is adjusted based on measures that take into account the risk associated with the employee's activities
 - ▶ Deferral of payment: Payment is delayed significantly beyond the end of the performance period and the eventual payout is adjusted (subject to clawback) to reflect actual losses. Adjustments may be formulaic or judgmental, although judgmental adjustments are not predictable and may not influence behavior
 - ▶ Longer performance periods: Lengthening performance periods makes it easier to factor in risk and risk outcome
 - ▶ Reduced sensitivity to short-term performance: The rate at which the amount of pay increases is reduced as the higher levels of relevant performance are achieved. This approach reduces the magnitude of the incentives and the related risk-taking

Focus on Risk

◆ Principle #1 – Other Factors

- Golden parachutes and vesting provisions for deferred payments must be examined for their effect on risk-taking behavior
- Payouts upon departure without regard to risk or risk outcomes can provide incentive for undue risk-taking
 - ▶ Golden parachute arrangements that result in full payment upon a transaction or involuntary termination may negate the performance measures or risk adjustment features of the incentive
- Similarly, provisions that require forfeiture of deferred incentive payments upon departure may weaken the effectiveness of the deferral by removing the employee's financial exposure to the risk outcomes of the employee's activities
 - ▶ This is so because a senior executive or skilled employee may be able to negotiate a "golden handshake" at a new employer that pays the non-risk adjusted value of the forfeited deferred incentive compensation

Focus on Risk

◆ Overview Principle #2 – Effective Controls

- Banks should have appropriate controls to ensure that their processes for achieving balanced compensation arrangements are followed and to maintain the integrity of their risk management and other functions
- To avoid a “fox guarding the hen house” problem that arises where those who benefit from an incentive compensation plan also design and administer the plan, the FRB guidance calls for strong processes and controls which, for example,
 - ▶ Identify and describe roles(s) of personnel, business units, and control units authorized to be involved in the design, implementation and monitoring of incentive arrangements
 - ▶ Identify the source of significant risk-related inputs into the processes and establish controls over the development and approval of these inputs to ensure integrity
 - ▶ Identify the individual(s) and control(s) whose approval is necessary for establishment of new incentive compensation arrangements or modifications of existing arrangements
- Effective controls should also produce documentation sufficient to permit an audit of the process and the level of compliance with the policies and procedures

Focus on Risk

✦ Overview Principle #3 – Strong Corporate Governance

- The board or committee should approve the overall goals and purposes of incentive compensation plans
- The board or committee should clearly direct management to ensure that the policies and procedures that achieve balance and safety and soundness are carried out
- Given the role of senior executives, the board or committee should approve senior executive incentive compensation
- The board of directors (or a board committee) should actively oversee incentive compensation arrangements
- The board or committee should actively monitor the performance and regularly review the design of the incentive compensation arrangements
- The board or committee should receive and review, on an annual or more frequent basis, an assessment by management, with appropriate input from risk personnel, of the effectiveness of the design and operation of the incentive compensation system relative to risk taking and safety and soundness

Executive Compensation – Pay Trends

- ◆ Base salary increases are reappearing in 2010, as well as annual bonuses and long-term incentives (LTI), but are tempered by TARP and risk management considerations
- ◆ Changing mix of LTI Vehicles
 - Concern over volatility and risk management has caused pronounced decrease in portion of LTI delivered as options
 - Value replaced with performance plans (e.g., shares or units) and/or full-value shares (e.g., restricted stock). Trend toward less leverage than options but a better pay-for-performance story than time-vested RS/RSUs
 - Estimated that S&P 500 options/performance plans/restricted stock mix in 2010 will be close to 40%/40%/20% as compared to 80%/10%/10% in 2002 and 45%/30%/20% in 2006
- ◆ Perks, severance and golden parachutes are being limited or eliminated

Regulatory and Enforcement Update

- ◆ Pre-examination Preparation
- ◆ Exam/Post-Exam Issues
- ◆ Enforcement Trends
- ◆ FDIC Receivership/Director and Officer Liability Spotlight

10 Ways to Prepare for Your Next Bank Examination

1. Review your loan risk ratings
2. Review and update your real estate appraisal policy
3. Review your ALLL process
4. Review your Board of Directors monthly package
5. Review your reliance on guarantees
6. Adopt or update as necessary a contingency funding plan
7. Review your policies and practices with respect to real estate lending
8. Review your capital plan
9. Stay close to your regulator
10. Remember that emotion will not win an argument with the examiners

Positioning Your Bank for the Recovery



Thank you for joining us