

M&A Review

Second Quarter 2007

Transactions by Region

There were 58 bank and 9 thrift deals announced in the second quarter of 2007. The 67 total deals for the second quarter of 2007 is a decrease of 19 deals when compared to 86 reported bank and thrift deals in the first quarter of 2007. The most active states in second quarter of 2007 were Illinois and Texas with six announced deals per state and California, Florida and Minnesota with four announced deals per state. The Midwest region had 23 deals, followed by the Southeast with 13 deals and the Southwest with 10 deals. For a breakdown of bank and thrift deals by state and region, see Exhibit 1.

Transactions Pricing

Bank M&A deal price-to-earnings multiples declined for the second quarter of 2007 when compared to the first quarter of 2007, with a median price-to-earnings multiple of 25.6 in the first quarter and 23.1 in the second quarter. Average price-to-tangible book multiples decreased from 274 percent in the first quarter to 232 percent in the second quarter. See Exhibit 2.

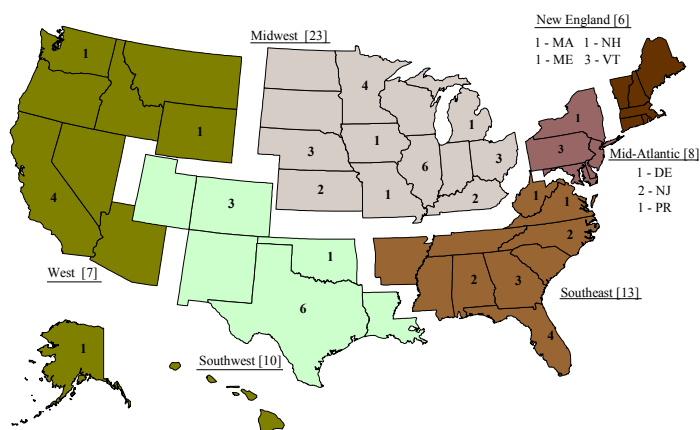
Exhibit 2: Transaction Pricing

Bank Deals	2006			2007	
	Q2	Q3	Q4	Q1	Q2
# of Deals	78	60	70	75	58
Price/Tg Book	241%	260%	265%	274%	232%
Price/Earnings	24.6	22.5	25.1	25.6	23.1

Thrift Deals	2006			2007	
	Q2	Q3	Q4	Q1	Q2
# of Deals	13	11	14	11	9
Price/Tg Book	225%	303%	203%	170%	201%
Price/Earnings	25.9	31.6	38.9	28.8	30.9

There were 45 bank deals (out of 58) in which the selling company had less than \$300 million in assets.

Exhibit 1: Bank Deals by State and Region



In addition, there were 7 bank deals in which the seller had between \$300 million and \$1 billion in assets (four between \$300 - \$500 million in assets). Overall, 49 out of 58 selling banks (or 84 percent) had less than \$500 million in assets.

Buyer and Seller Asset Size

The median size of the selling bank during the second quarter of 2007 measured \$152 million, while the median size of the buyer in the 58 bank deals measured \$1.2 billion. However, 10 of the buying companies had less than \$500 million in assets, with an additional fourteen buyers falling in the \$500 million - \$1 billion-asset range. When comparing the size of the buyer with the size of the seller, 13 of the 58 bank deals in the second quarter involved a buying company no more than three times the size of the selling company (i.e. selling company = \$100 million in assets, buyer < \$300 million in assets).

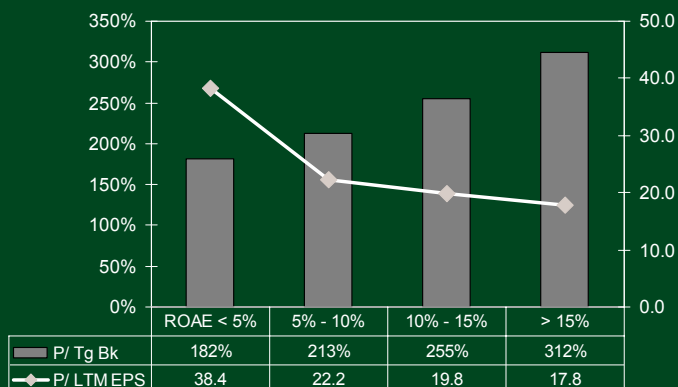
M&A Review (Continued)

Second Quarter 2007

Pricing Correlation

In terms of bank deal pricing in relation to the return on average equity (ROAE) of the seller, data show that the 17 selling banks with an ROAE between 5 - 10 percent received, on average, 213 percent of tangible book, while the 18 selling banks with an ROAE between 10 - 15 percent received, on average, 255 percent of tangible book. The 16 banks with an ROAE of less than five percent received an average of 182 percent of tangible book. See Exhibit 3.

Exhibit 3: Bank Deal Pricing to ROAE



As ROAE increases, Price-to-Earnings declines while Price-to-Tangible Book increases.

Is there a limit to this relationship?

There were six bank deals in the second quarter in which the selling bank had more than \$1 billion in assets. The largest deal was Bank of America Corp (NC) purchasing LaSalle Bank Corporation (IL) for \$21 billion. See Exhibit 4 for national bank M&A statistics.

On average, price-to-tangible book multiples for thrift deals equaled 201 percent and median price-to-earnings multiples approximated 30.9 for the second quarter of 2007. These multiples increased when compared to price-to-tangible book multiples and price-to-earnings multiples reported during the first quarter of 2007. During the first quarter of 2007, average price-to-tangible book multiples for thrift deals equaled 170 percent and median price-to-earnings multiples equaled 28.8.

The largest thrift transaction in the second quarter of 2007 was National City Corp. (OH) acquiring MAF Bancorp, Inc. (IL) for \$1.9 billion.

About Us

For nearly three decades Austin Associates has been focused on providing a wide range of consulting services and specialized investment banking expertise to financial institutions. Based in Toledo, Ohio, Austin Associates serves clients primarily in the Midwest, Northeast and Southeast. Austin Associates' team of professionals has over 200 combined years of experience in banking, finance, securities and accounting practices.

Look for more in-depth articles on the relationship between deal pricing and the financial performance of buyers and sellers in upcoming newsletters.

For additional information, visit our website at www.austinassociates.com.

Exhibit 4

National Bank M&A Summary Statistics

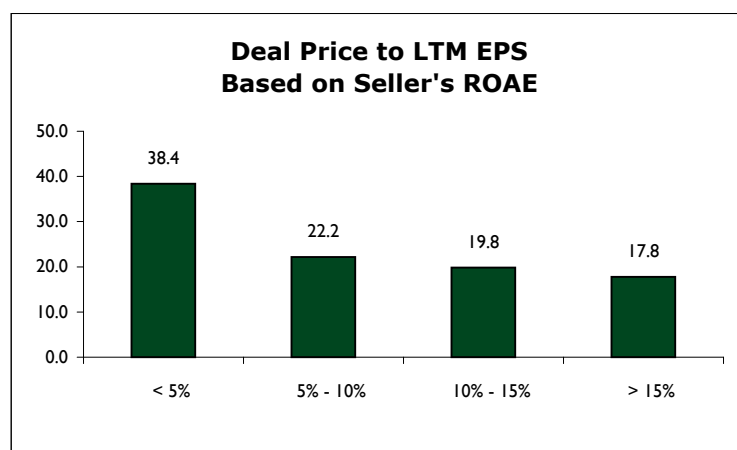
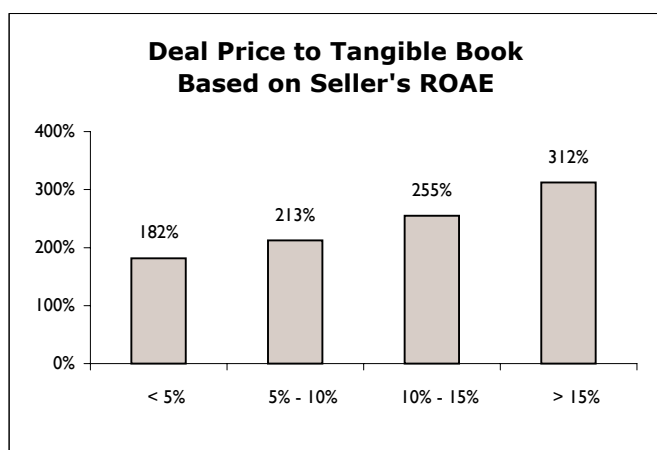
Sale of Control Pricing as of 04/01/07 - 06/30/07*

	#	Buyer's Assets (\$000)	Seller's Assets (\$000)	Tangible Equity/ Assets	YTD ROAA	YTD ROAE	Average Price/ Book	Average Price/ Tg Book	Price/ LTM EPS
by Seller's Assets									
> \$5.0 Billion	4	\$485,901,000	\$9,619,376	7.66%	0.97%	8.95%	205%	306%	19.9
\$1.0 - \$5.0 Billion	2	\$65,361,091	\$3,153,169	7.08%	0.94%	9.39%	183%	205%	19.9
\$500 Million - \$1.0 Billion	3	\$9,828,652	\$905,673	8.94%	1.15%	12.99%	223%	251%	19.5
\$300 - \$500 Million	4	\$2,749,770	\$422,944	7.81%	1.08%	14.62%	286%	292%	18.7
\$100 - \$300 Million	27	\$936,588	\$157,337	8.51%	0.65%	7.37%	233%	235%	23.1
< \$100 Million	18	\$581,045	\$73,758	10.08%	0.88%	8.11%	172%	176%	19.9

** Roughly 84% of all second quarter deals comprised of sellers with assets less than \$500 million

by Seller's ROAE									
> 15%	6	\$2,494,071	\$167,222	9.37%	1.65%	17.15%	307%	312%	17.8
10% - 15%	18	\$3,324,967	\$270,755	8.91%	1.16%	12.18%	238%	255%	19.8
5% - 10%	17	\$1,015,455	\$133,586	9.50%	0.83%	7.93%	195%	213%	22.2
< 5%	16	\$625,483	\$126,124	8.31%	0.20%	1.91%	179%	182%	38.4

by Region									
Mid Atlantic	7	\$4,422,510	\$450,759	9.24%	0.78%	7.93%	231%	245%	25.4
Midwest	19	\$744,381	\$146,917	8.52%	0.81%	8.41%	233%	241%	25.1
New England	5	\$2,174,573	\$339,378	\$0	\$0	\$0	\$2	\$3	\$18
Southeast	10	\$618,875	\$154,642	10.40%	0.75%	8.02%	179%	180%	21.2
Southwest	10	\$4,073,462	\$137,839	9.37%	1.00%	12.12%	263%	263%	17.8
West	7	\$3,569,775	\$157,337	8.74%	1.15%	12.31%	195%	231%	20.5



*Based on median statistics unless noted and excludes terminated deals and S-Corporation selling companies have been adjusted to C-Corporation status (including pricing multiples) using 35% tax rate.