

# Current M&A Environment

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(Data as of February 20, 2008)

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## Investment Banking

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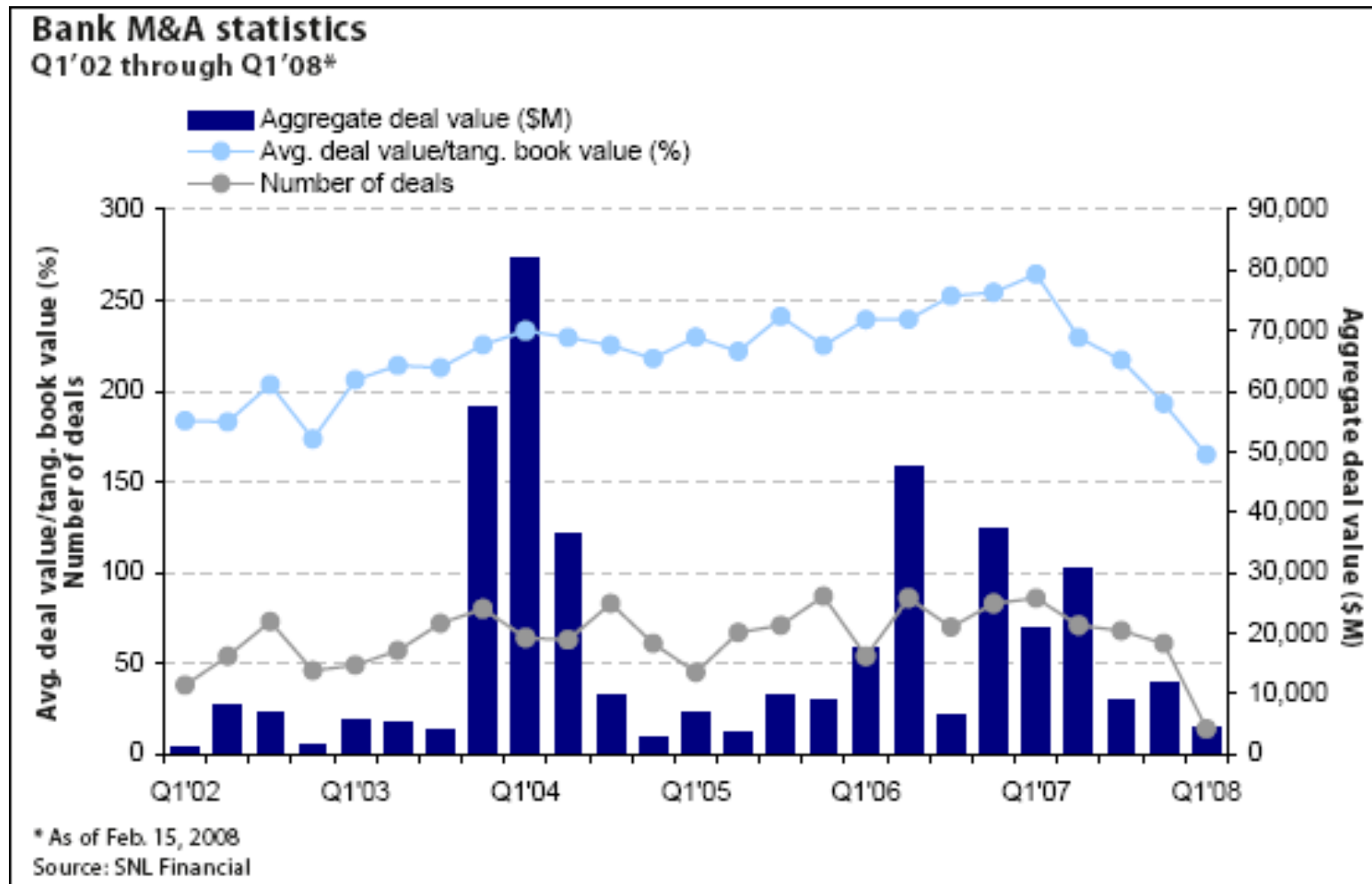
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## Current M&A Environment

- **Certain factors that encourage higher take-over activity remain intact:**
  - The operating environment in 2007 was more difficult than recent years with increasing credit costs and negative sentiment, limited yield curve relief, continued competition in loan and deposit pricing, and a challenging regulatory environment.
  - Buyers have capital to deploy
  - Relatively low cost of cash
  - Opportunities for cost savings
- **Tempered by:**
  - High Seller expectations exceeding buyers “ability-to-pay”
  - Tightening financing environment – limited access to trust preferred capital
  - Market volatility
  - The uncertainty surrounding the health of loan portfolios for both buyers and sellers

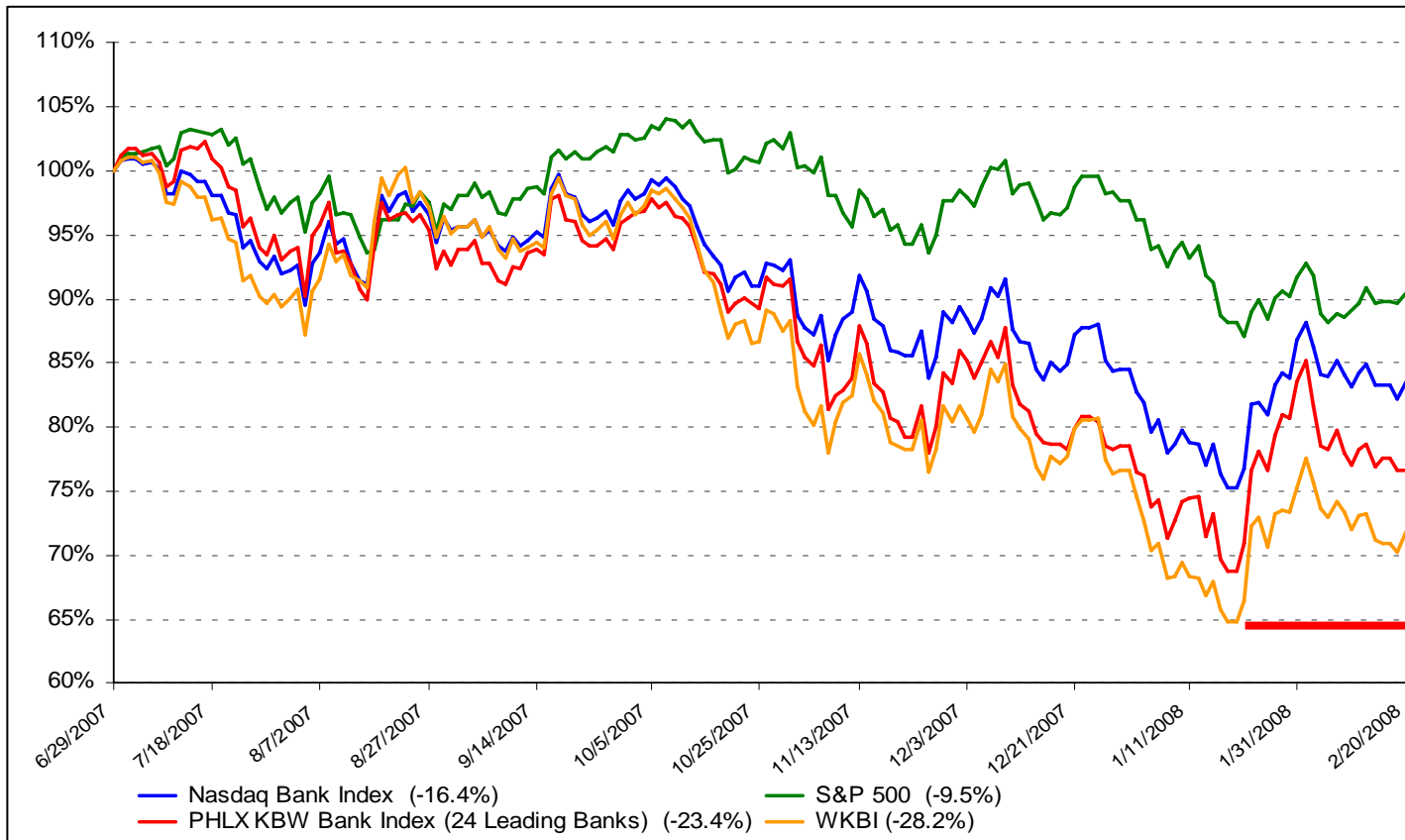
## Nationwide Bank M&A Activity



## A Review of Western Bank M&A Activity

<u>Announce Date</u>	<u>Buyer</u>	<u>Seller</u>	<u>Deal Value (\$mlns)</u>	<u>Price to Tang Book</u>	<u>Price to LTM Earnings</u>	
01/15/2008	Wells Fargo	United Bancorp of WY	NA	NA	NA	<b>1 Deal</b>
10/19/2007	PremierWest Bancorp	Stockmans Fin'l Group	88.5	2.46 x	15.3 x	<b>1 Deal for \$89 mln in value</b>
09/26/2007	Frontier Fin'l Corp	Washington Banking Co	186.6	2.95 x	22.2 x	<b>5 Deals for \$482 mln in value Average 2.73x Tangible Book Average 20.3x LTM Earnings</b>
09/10/2007	Investor Group	Flatrons Bank Hldg Co	NA	NA	NA	
07/25/2007	Frontier Fin'l Corp	Bank of Salem	68.9	2.49 x	13.9 x	
07/13/2007	Belvedere SoCal	Spectrum Bank	37.0	2.98 x	28.1 x	
07/02/2007	Washington Fed'l	First Mutual Bancshares	189.8	2.50 x	17.0 x	
06/27/2007	Banner Corp	NCW Community Bank	18.3	2.06 x	19.8 x	<b>10 Deals for \$1.7 bln in value Average 2.34x Tangible Book Avg 2.84x Tang Book for &gt;\$25M Average 20.6x LTM Earnings</b>
06/27/2007	Northrim BanCorp	Alaska First B&T	6.3	1.22 x	24.3 x	
06/25/2007	First NB Holding Co	New Mexico First Fin'l	NA	NA	NA	
06/03/2007	First WY Bancorp	Western Bk of Cheyenne	NA	NA	NA	
05/29/2007	Heritage Oaks Bancorp	Business First Nat'l	20.8	1.72 x	NM	
05/23/2007	BOK Fin'l Corp	United Banks of CO	43.0	2.30 x	NM	
05/09/2007	Omaha Fin'l Hldgs	Peak National Bank	NA	NA	NA	
05/04/2007	Wells Fargo	Greater Bay Bancorp	1,476.9	3.16 x	19.9 x	
04/24/2007	East West Bancorp	Desert Community Bank	148.2	2.55 x	21.1 x	
04/02/2007	Commerce Bancshares	Commerce Bank	29.5	3.35 x	17.8 x	
03/28/2007	Columbia Banking Sys	Mountain Banking Hldg Co	60.0	2.59 x	27.5 x	<b>16 Deals for \$3.0 bln in value Average 2.74x Tangible Book Avg 3.16x Tang Book for &gt;\$25M Average 22.3x LTM Earnings</b>
03/28/2007	Columbia Banking Sys	Town Center Bancorp	45.3	3.27 x	21.2 x	
03/16/2007	State Bank of Wiley	Cheyenne Mountain Bank	11.5	NA	NA	
03/08/2007	North Cascades Bkshs	Mid State Bancorp	6.8	1.87 x	16.9 x	
03/03/2007	Boston Private Fin'l	Charter Fin'l Corp	72.9	3.53 x	24.3 x	
03/01/2007	PCBA Acquisition LLC	Premier Comm'l Bk AZ	11.0	1.26 x	NM	
02/22/2007	Great Western Bancorp	Sunstate Bank	NA	NA	NA	
02/22/2007	1st Pacific Bancorp	Landmark Nat'l Bank	24.6	1.91 x	25.9 x	
02/08/2007	Heritage Commerce Corp	Diablo Valley Bank	69.5	4.09 x	24.0 x	
02/08/2007	CVB Fin'l Corp	First Coastal Bancshares	35.7	4.15 x	NM	
02/01/2007	Belvedere SoCal	Professional Business Bk	45.8	2.43 x	NM	
01/29/2007	Merrill Lynch	First Republic Bank	1,784.3	3.39 x	24.4 x	
01/26/2007	First Bancorp of Durango	Grants State Bank	13.7	1.70 x	16.2 x	
01/22/2007	Glacier Bancorp	North Side St Bk	28.3	1.47 x	NM	
01/17/2007	Umpqua Holdings	North Bay Bancorp	156.2	2.65 x	21.3 x	
01/09/2007	Wells Fargo	Placer Sierra Bancshares	644.7	4.02 x	21.5 x	

## Indexed Price Performance: 6/30/07 – 2/20/08



At the nadir, Western Bank stocks were down 35% from June 30, 2007. Such a rapid decline in value made it difficult for buyers to meet high seller expectations.

## Recent All Stock Transactions

Buyer/Seller	Ann. Date	Deal Value @ Ann. (\$mm)	Close Date	Deal Value @ Close (\$mm)	Value Change Ann. - Close (%)	Deal Value Current (\$mm)	Value Change Ann. - Current (%)
Wells Fargo & Co./ Greater Bay Bancorp	5/4/2007	1,477	10/1/2007	1,477	0.0	1,175	(20.4)
National City Corp./ MAF Bancorp Inc.	4/30/2007	1,918	9/1/2007	1,851	(3.5)	1,062	(44.6)
Umpqua Holdings Corp./ North Bay Bancorp	1/17/2007	156	4/26/2007	139	(10.9)	74	(52.9)
Wells Fargo & Co./ Placer Sierra Bancshares	1/9/2007	645	6/1/2007	645	0.0	520	(19.3)
BB&T Corp./ Coastal Financial Corp.	12/20/2006	395	5/1/2007	370	(6.4)	301	(23.9)
Marshall & Ilsley Corp./ United Heritage Bankshares	12/1/2006	216	4/1/2007	219	1.2	108	(50.0)

## Select Western Bank Deals

Adjusted 2006-2007YTD Western* Bank M&A Transactions with Deal Value \$100MIn-\$500MIn						Adjusted Transaction Multiples				
Announce Date	Buyer/ Target	Buyer Ticker	Adjusted Current Deal Value (\$M)	Announcement Deal Value (\$M)	Change in Deal Value (%)	Price/ Book (x)	Price/ Tg Book (x)	Price/ LTM Earnings (x)	Franchise Premium/ Core Deposits (%)	
09/26/07	Frontier Financial Corp./ Washington Banking Co.	FTBK	143.5	186.6	-23.1%	2.27x	2.27x	17.1x	21.5%	
04/24/07	East West Bancorp Inc./ Desert Community Bank	EWBC	111.9	148.2	-24.5%	1.92x	1.92x	15.9x	24.2%	
04/10/07	Sterling Financial Corp./ North Valley Bancorp	STSA	120.1	196.2	-38.8%	1.49x	1.92x	11.3x	16.0%	
01/17/07	Umpqua Holdings Corp./ North Bay Bancorp	UMPQ	80.0	156.2	-48.8%	1.34x	1.36x	10.9x	16.9%	
12/19/06	Western Alliance Bancorp/ First Indep Cap-NV	WAL	59.9	118.0	-49.3%	2.00x	2.01x	11.5x	16.5%	
10/31/06	City National Corp./ Business Bank Corporation	CYN	141.6	161.5	-12.3%	2.91x	2.91x	19.3x	33.1%	
10/18/06	AmericanWest Bancorp./ Far West Bancorp	AWBC	83.9	150.0	-44.1%	1.76x	1.88x	8.4x	24.1%	
09/17/06	Sterling Financial Corp./ Northern Empire	STSA	186.3	335.1	-44.4%	1.53x	1.53x	10.2x	20.5%	
09/08/06	Zions Bancorp./ Stockmen's Bancorp Inc.	ZION	133.8	198.6	-32.7%	2.20x	2.30x	11.6x	12.3%	
06/28/06	Community Bancorp/ Valley Bancorp	CBON	77.4	137.4	-43.7%	1.68x	1.68x	12.5x	22.4%	
05/15/06	First Community Bancorp/ Community Bancorp	FCBP	168.6	266.7	-36.8%	1.58x	2.88x	11.5x	23.5%	
02/07/06	Umpqua Holdings Corp./ Western Sierra Bancorp	UMPQ	197.1	356.3	-44.7%	1.46x	1.95x	10.92x	18.8%	
					<b>High</b>	<b>-12.3%</b>	<b>2.91x</b>	<b>2.91x</b>	<b>19.3x</b>	<b>33.1%</b>
					<b>75th Percentile</b>	<b>-30.6%</b>	<b>2.05x</b>	<b>2.27x</b>	<b>13.3x</b>	<b>23.6%</b>
					<b>Average</b>	<b>-36.9%</b>	<b>1.85x</b>	<b>2.05x</b>	<b>12.6x</b>	<b>20.8%</b>
					<b>Median</b>	<b>-41.2%</b>	<b>1.72x</b>	<b>1.94x</b>	<b>11.5x</b>	<b>21.0%</b>
					<b>25th Percentile</b>	<b>-44.5%</b>	<b>1.52x</b>	<b>1.83x</b>	<b>10.9x</b>	<b>16.8%</b>
					<b>Low</b>	<b>-49.3%</b>	<b>1.34x</b>	<b>1.36x</b>	<b>8.4x</b>	<b>12.3%</b>

## What Sellers Should Be Focused On

- **Consideration Mix – Stock vs. Cash**
  - If stock, focus on quality of currency
    - Pro forma ownership versus contribution
    - Ongoing corporate governance
    - Relative value, upside potential
    - Quality of management team
    - Cross due diligence
  - If cash, focus on financing
    - Strong capital ratios reduce the need to raise external capital
    - Trust Preferred market is very limited
- **Deal Structure**
  - Fixed exchange ratio or fixed price
  - Collars
  - Walk-away provisions
  - Lock-up agreements and fiduciary outs