

How 2007's Top Performers Are Performing in 2008

- Each year, Capital Performance Group ranks public banks and thrifts with total assets of \$3 billion or more based on year-end return on average equity (ROAE) and publishes the results for the top performers in the *ABA Banking Journal*. The recent release of second quarter earnings data prompted us to take a second look at the 140 banks in this asset tier to see how these institutions fared during the first half of 2008.
- Many of last year's top performers had a strong showing during the last six months. Six of the institutions that appeared in 2007's top 10 remained in that group as of June 30, 2008.
- Republic Bancorp, Inc. of Louisville, KY experienced the greatest improvement in its position after experiencing "the best quarter in the company's history" during 1Q08 and building on that performance during 2Q08. In the first six months of the year, the company reported net income of \$28.5 million, a 100% increase over earnings in the first six months of 2007.
- The worst performers in 2007 continued to struggle through June 2008.

YTD Rank	2007 Rank	Based on ROAE as of June 30, 2007	ROAE (%) 2007	ROAE (%) June 2008 YTD	Change
Top 10					
1	2	Bank of Hawaii Corporation, Honolulu, HI	25.15	27.18	2.03
2	7	Northern Trust Corporation, Chicago, IL	17.46	25.31	7.85
3	68	Republic Bancorp, Inc., Louisville, KY	10.25	21.92	11.67
4	3	Westamerica Bancorporation, San Rafael, CA	22.11	19.33	(2.78)
5	44	Oriental Financial Group, Inc., San Juan, PR	12.22	18.70	6.48
6	16	Pacific Capital Bancorp, Santa Barbara, CA	15.34	18.65	3.31
7	4	U.S. Bancorp, Inc., Minneapolis, MN	20.59	18.63	(1.96)
8	29	State Street Corporation, Boston, MA	13.38	18.54	5.16
9	10	S&T Bancorp, Inc., Indiana, PA	16.97	15.89	(1.08)
10	9	Wells Fargo & Company, San Francisco, CA	17.12	15.62	(1.50)
Bottom 10					
131	140	Washington Mutual, Inc., Seattle, WA	(0.28)	(36.60)	(34.32)
132	31	FirstFed Financial Corp., Santa Monica, CA	13.37	(35.41)	(48.78)
133	70	BankUnited Financial Corp., Coral Gables, FL	10.17	(36.39)	(46.56)
134	139	Central Pacific Financial Corp., Honolulu, HI	0.77	(42.27)	(43.04)
135	144	TierOne Corporation, Lincoln, NE	(3.39)	(46.53)	(43.14)
136	155	Hanmi Financial Corp., Los Angeles, CA	(12.41)	(54.30)	(41.89)
137	154	Irwin Financial Corporation, Columbus, In	(10.81)	(61.43)	(50.62)
138	94	First State Bancorporation, Albuquerque, NM	8.02	(71.98)	(80.00)
139	146	Downey Financial Corp., Newport Beach, CA	(3.92)	(80.67)	(76.75)
140	99	First Community Bancorp, San Diego, CA	7.66	(149.93)	(157.59)

Ten Financial Institutions with the Largest Percentage Decline Year-to-Date in Stock Price to Tangible Book Value

Rank	Institution	Total Assets (\$M) June 30, 2008	Stk. Price/Tangible Book (x) August 13, 2008*	Stk. Price/Tangible Book (x) December 31, 2007**	Price/Book Change YTD
1	Downey Financial Corp., Newport Beach, CA	\$12.6	5.5	65.1	-91.5%
2	BankUnited Financial Corporation, Coral Gables, FL	\$14.2	8.9	33.3	-73.4%
3	UCBH Holdings, Inc., San Francisco, Ca	\$12.8	77.6	291.4	-73.4%
4	PFF Bancorp, Inc., Rancho Cucamonga, CA	\$4.1	23.9	83.8	-71.5%
5	Citizens Republic Bancorp, Inc., Flint, MI	\$13.1	41.0	142.3	-71.2%
6	FirstFed Financial Corp., Los Angeles, CA	\$7.1	22.0	74.7	-70.6%
7	Boston Private Financial Holdings, Inc., Boston, MA	\$7.1	151.7	496.9	-69.5%
8	TierOne Corporation, Lincoln, NE	\$3.2	43.5	134.8	-67.7%
9	BankAtlantic Bancorp, Inc., Fort Lauderdale, FL	\$6.5	20.9	59.9	-65.1%
10	Regions Financial Corporation, Birmingham, AL	\$144.4	77.4	216.6	-64.3%
75th Percentile - Industry		\$17.1	243.1	246.3	-1.3%
Median - Industry		\$8.0	175.6	199.2	-11.9%
25th Percentile - Industry		\$4.3	112.7	149.1	-24.4%

Burgeoning problems in the loan and securities portfolios of many financial institutions have led investors to desert the industry en masse. Consequently, this year most institutions have seen their stock price decline in relation to tangible book value. Concerns about asset quality at certain institutions are so pronounced that their stock price now trades at a significant discount to tangible book value, which may be a sign that investors expect more losses in the near future.

* Stock price is the closing price on 08/13/08; tangible book value per share is as of 6/30/08.

** Stock price is the closing price on 12/31/07; tangible book value per share is as of 12/31/07.

Source: Capital Performance Group analysis of data from SNL 2008.

Note: Industry was defined as publicly-traded institutions with \$3.0B or more in total assets as of January 30, 2008.

A Trail of Tears for National City Investors

January 2008 - The company reports a \$333 million fourth-quarter net loss and slashed its common stock payout from 41 cents per share to 21 cents per share.

February 2008 - National City disclosed that it changed its performance criteria for determining the compensation of its senior officers. Executives will now be paid based on the company's EPS and revenue results, rather than return on assets and return on equity.

March 2008 - The Wall Street Journal reports that National City is looking for a buyer.

April 2008 - The company cut its dividend a second time, from 21 cents per share to 1 cent per share. The board

approved a \$7 billion equity capital raise from Cosair Capital Inc. and other investors.

May 2008 - The company entered into an MOU with the OCC on May 5 and the Federal Reserve on April 29.

June 2008 - The SEC informs National City Corp. that it is the target of an informal investigation.

July 2008 - National City executives acknowledged that they expect charge-offs in the second half of the year to be "roughly in line" with charge-off levels in the first six months of 2008. The company revised its charge-off guidance for the year to a range of \$2.5 billion to \$2.9 billion. The Wall Street Journal reports that National City is looking to sell its money management units to raise capital.



Vital Statistics of National City

	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net Income (\$millions)	346.6	(19.0)	(332.8)	(170.7)	(1,756.5)
Stock Price (\$)	33.93	25.25	16.53	11.65	4.79
NPAs & Loans 90+ Delinquent/Total Assets (%)	1.39	1.73	2.29	2.52	2.79
NPAs & Loans 90+ Delinquent/Equity & Reserves (%)	14.73	17.55	22.65	25.72	20.00

The Bright Side

Even in these difficult times, some banks are finding ways to grow.

Wells Fargo - earns \$1.8B on record revenue. "In broad terms, the credit crisis has created incremental earnings opportunities for Wells Fargo." President and CEO John Stumpf, July 16.

SunTrust - grew average loans by 5.9 percent between second quarter 2007 and the second quarter 2008 primarily from commercial loan growth and an increased focus on small business clients.

Announcements

Recent Publications

Strategic Drivers of Retail Sales Productivity, *BAI Banking Strategies*, July/Aug 2008, by Gary Stein.

Reevaluate the Branch Channel, *ABA Banking Journal* (online version), July 10, 2008, by Gary Stein and Vanessa Mambrino.

Gary Stein and Vanessa Mambrino will be conducting a CallTopic Webinar on August 26 on **Branch Resource Allocation Decisions**. For more information or to register, visit www.calltopic.com.

CPG Welcomes New Consulting Associates

Pat Carmichael - Pat has a broad range of experiences in sales, service, diversity and coaching, and has consulted in the Financial Services Industry on a variety of transformational projects.

Gary Maples - Gary has more than 30 years of experience in the Financial Services Industry with a focus on commercial lending, loan review and administration, compliance and lending education.

Steve Josephthal - Steve is a Director in the Financial Services Group and leads Navigant Consulting's Credit Risk Management Practice.

Feedback? We want to hear from you! Contact us at wire@capitalperform.com.

Headlines: From Bad to Worse

Treasury and Fed Pledge Aid For Ailing Mortgage Giants (*Wall Street Journal*, July 14)

Merrill Aims to Raise Billions More (*Wall Street Journal*, July 29)

Analysts: Banks might need extra \$30 billion in coming years (*AP*, July 1)

Analyst: Up to 40% of regional banks may need capital (*MarketWatch.com*, July 9)

U.S. Bank earnings fraught with pain, uncertainty (*Reuters*, July 10)

Here Comes the Next Mortgage Crisis: Subprime was just the beginning. (Wait until California's prime borrowers start handing their keys to the bank.) (*slate.com*, April 15)

California, Illinois Sue Countrywide For Mortgage Deception (*consumeraffairs.com*, June 25)

Las Vegas Called "Mortgage Fraud Ground Zero" (*USAToday*, June 2)

L.A., Miami Home Foreclosure Rates More Than Double (*bloomberg.com*, July 2)

The Death of IndyMac (*Motley Fool*, July 14)

KB, Countrywide Sued Again (*Wall Street Journal*, July 17)

Subprime Legal: Feds and States Probe Wachovia, IndyMac (*Wall Street Journal*, July 17)

More Banks Tighten Lending Standards (*Wall Street Journal*, August 12)

Economic Unease Halts Stock Rally (*Wall Street Journal*, July 31)

Nation's Foreclosure Plague Widens (*money.cnn.com*, Aug. 14)

World Economy Shows New Strain (*Wall Street Journal*, Aug. 15)

Credit crunch may take out large US bank warns former IMF chief (*TimesOnline*, Aug. 19)

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Capital Performance Group, LLC

1025 Thomas Jefferson St., NW, Suite 310 East, Washington, DC 20007 phone: 202/337-7870 www.capitalperform.com

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