



Industrial Loan Company Options for Mortgage REITs

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Overview of Industrial Loan Companies

- An Industrial Loan Company (“ILC”) is basically a state-chartered Bank whose parent is exempt from certain provisions of the Bank Holding Company Act (“BHCA”).
- ILC charter is available in seven states, with most in Utah and California: California (13 ILCs), Colorado (3), Hawaii (1), Indiana (1), Minnesota (2), Nevada (6), and Utah (29).
- There are currently 55 ILCs in existence. 14 of these are owned by commercial companies.
- ILCs are able to offer a broad array of lending products.
- In general, ILCs are prohibited from offering demand deposits if they exceed \$100 million in assets. ILCs are allowed to “export” interest rates.
- Deposits of all existing ILCs are FDIC-insured.
- ILC branching authority is determined on a state-by-state basis. Some states, such as Virginia, prohibit any ILC chartered under the laws of another state from branching into the state.



Permissible Activities

Activity	State Non-Member Commercial Bank	Industrial Loan Company
Full range of loans: Consumer, Residential & Commercial Real Estate, Small Business, Subprime	Yes	Yes
Ability to export interest rates	Yes	Yes
Full range of deposits	Yes	In general, ILCs over \$100 million in assets prohibited from offering demand deposits. ^{1,2}
Charter available in all states	Yes	The ILC charter is available in states of CA, CO, HI, IN, MN, NV & UT.
Branching	Yes, subject to state law constraints	Yes, subject to state law constraints.

¹ Varies by state. California ILCs prohibited from offering demand deposits.

² ILCs not acquired after 8/10/87 exempt from this prohibition (except in CA).



ILCs: A Regulatory Timeline

- 1910 First ILC formed: Fidelity Savings and Trust Co., Norfolk, VA
- State-regulated
 - Prohibited from accepting “deposits”
 - Raised funds with “certificates of investment”
- 1934 29 ILCs receive deposit insurance coverage
- 1975 Utah and CA form their own state ILC insurance funds for non-FDIC-insured ILCs
- 1978- 1980 Utah and CA ILC insurance funds depleted by ILC failures
- 1982 Garn-St. Germain act authorizes federal deposit insurance for ILC “thrift certificates” (deposits)
- 1980-1986 40 ILCs owned by commercial companies are organized
- 1987 CEBA implements the ILC exception, allowing the continued formation of ILCs
- 2004 FDIC OIG issues report expressing concern that ILCs may present additional risks to insurance fund because no parent company supervision
- July 2005 Wal-Mart files application to form ILC
- Sep. 2005 GAO issues report urging Congress to reconsider the regulatory requirements and fairness of the ILC exemption





ILCs: A Regulatory Timeline

- Dec. 2005 Representatives Barney Frank and Paul Gillmor ask FDIC to delay the Wal-Mart application decision
- May 2006 Home Depot files application to purchase existing ILC
- July 2006 FDIC imposes a moratorium on all new ILC applications
- Jan. 2007 FDIC moratorium extended for one year for commercial companies, lifted for financial companies
- Jan. 2007 HR 698 Industrial Bank Holding Company Act of 2007 introduced by Reps. Frank and Gillmor
This bill would:
- Maintain the historic separation between banking and commerce by prohibiting new commercially-owned ILCs effective 1/29/07. Wal-Mart, Home Depot & other commercial firms would be prohibited from chartering or acquiring an industrial bank;
 - Address concerns of the GAO expressed in September 2005 testimony to Congress;
 - Restrict expanded business plans and branching across state lines for some commercially-owned ILCs.
- Mar. 2007 Wal-Mart withdraws application for ILC
- May 2007 U.S. House of Representatives passes HR698



ILCs: A Regulatory Timeline

Nov. 2007

Senator Chris Dodd introduces legislation (S1356) that would prohibit commercial companies from owning ILCs, with an exception made for automobile manufacturers. Sen. Dodd's bill would:

- Subject ILC parent companies with no umbrella regulator to consolidated supervision by the FDIC (SEC-regulated companies likely excepted);
- Permit grandfathered ILCs owned by commercial companies to engage in new activities only with FDIC approval;
- Allow automakers to use an ILC for purposes already undertaken by an ILC by a competitor
- Ban existing commercially-owned ILCs from opening offices or ATMs in states where they do not already have branches.

Jan. 2008

Moratorium for ILC applications from commercial companies expires

Feb. 2008

Senate Banking Committee delays vote on Dodd bill. According to the American Banker, "the full Senate is unlikely to approve the legislation without significant changes"



ILC Industry Financial Trends

	As of 12/31/87	As of 12/31/99	As of 12/31/07
Total ILCs	105	55	55
Total Industry Assets (\$Mil)	\$4,200	\$43,600 ⁽¹⁾	\$263,763 ⁽¹⁾
Total Industry Deposits (\$Mil)	\$2,900	\$22,500	\$176,388
Asset Range (\$Mil)	\$1 - \$412	\$2 - \$15,600	\$3 - \$78,051
Average Assets (\$Mil)	\$40	\$793	\$4,796
Average Deposits (\$Mil)	\$27	\$409	\$3,207

¹ As of 12/31/07, the five largest ILCs accounted for 80% of total assets.

Sources: FDIC; SNL Securities.



Financial Characteristics Comparison

Median Financial Measures ¹	ILCs	Commercial Banks	Thriffs
Assets (\$Mil)	\$362	\$125	\$192
Deposits (\$Mil)	\$178	\$102	\$147
Equity/Assets	12.23%	10.18%	10.82%
Return on Average Assets	1.56%	1.00%	0.46%
Return on Average Equity	9.86%	9.47%	3.74%
Non-Performing Assets/Assets	0.45%	0.42%	0.40%
Reserves/NPAs	194.8%	132.5%	87.6%

¹ Balance sheet and earnings data as of or for trailing 12 months ended 12/31/07.

Source: SNL Securities



Loan Portfolio Comparison

Type of Loan	ILCs	Commercial Banks	Thriffs
Loans/Assets	56.9%	65.8%	69.1%
As a Percent of Total Loans:			
Total RE Loans	40.4%	66.6%	89.1%
1-4 Family Residential	10.4%	23.7%	62.0%
Construction & Development	5.2%	11.9%	8.9%
Multi-Family Residential	4.3%	1.9%	3.8%
Commercial RE ¹	20.4%	29.2%	14.4%
Consumer ²	31.0%	8.7%	4.2%
Commercial Business ²	25.4%	23.1%	5.8%

¹ Includes agricultural RE loans and leases.

² Includes agricultural business loans and other non-RE loans.

Source: SNL Securities, data as of 12/31/07.

ILC General Financial Characteristics

Asset Rank	Company Name	State	Parent Company	Total Assets (\$000)	Total Deposits (\$000)	Equity/ Assets (%)	ROAA (%) (LTM)	ROAE (%) (LTM)
1	Merrill Lynch Bank USA	UT	Merrill Lynch & Co. Inc.	\$78,051,848	\$56,346,762	6.97	1.51	17.37
2	Morgan Stanley Bank	UT	Morgan Stanley	35,066,000	27,151,000	8.97	-0.10	-0.95
3	GMAC Bank	UT	Cerberus Capital Management LP	28,472,546	12,986,340	11.68	1.21	10.83
4	American Express Centurion Bank	UT	American Express Co.	26,039,858	7,015,313	10.37	5.66	49.26
5	UBS Bank USA	UT	UBS AG	25,057,919	21,953,158	8.72	1.12	12.51
6	Goldman Sachs Bank USA	UT	Goldman Sachs Group Inc.	19,126,099	17,495,214	7.50	-0.81	-7.97
7	Fremont Investment & Loan	CA	Fremont General Corp.	7,656,223	7,058,712	5.86	-7.98	-103.24
8	Capmark Bank	UT	Capmark Financial Group Inc.	7,261,600	5,551,823	12.88	0.35	3.43
9	USAA Savings Bank	NV	United Services Automobile Assn.	6,470,241	346,413	38.47	1.78	4.19
10	Lehman Brothers Commercial Bank	UT	Lehman Brothers Holdings Inc.	5,833,898	4,654,639	15.93	1.54	10.64
11	CIT Bank	UT	None	3,290,665	2,468,654	14.90	0.13	0.88
12	BMW Bank of North America	UT	BMW of North America LLC	2,484,082	1,796,199	8.53	0.99	11.91
13	GE Capital Financial Inc.	UT	General Electric Co.	2,244,871	116,610	41.54	3.69	7.32
14	Advanta Bank Corp.	UT	Advanta Corp.	2,217,247	1,668,159	18.21	4.81	24.54
15	Beal Bank Nevada	NV	Beal Financial Corp.	1,639,122	70,563	91.70	9.05	9.77
16	Fireside Bank	CA	Unitrin Inc.	1,493,082	1,274,356	12.77	-2.68	-20.70
17	Merrick Bank	UT	CardWorks LP	1,215,496	969,406	17.74	3.09	16.61
18	Wright Express Fin'l Services Corp.	UT	Wright Express Corp.	1,076,892	881,560	13.33	7.52	62.00
19	Sallie Mae Bank	UT	SLM Corp.	942,538	685,360	21.04	9.09	43.64
20	Centennial Bank	CA	LandAmerica Financial Group Inc.	738,457	565,063	11.14	1.60	14.18



ILC General Financial Characteristics

Asset Rank	Company Name	State	Parent Company	Total Assets (\$000)	Total Deposits (\$000)	Equity/ Assets (%)	ROAA (%) (LTM)	ROAE (%) (LTM)
21	Finance Factors Ltd.	HI	Finance Enterprises Ltd.	\$707,431	\$516,713	9.54	0.60	6.49
22	Pitney Bowes Bank Inc.	UT	Pitney Bowes Inc.	696,902	592,217	7.88	15.00	199.39
23	Exante Bank Inc.	UT	UnitedHealth Group Inc.	611,700	455,165	10.30	3.05	33.43
24	Tamalpais Bank	CA	Epic Bancorp	555,659	361,354	8.15	1.09	12.63
25	Transportation Alliance Bank Inc.	UT	Flying J Inc.	530,928	442,591	10.64	1.61	14.85
26	Republic Bank	UT	None	513,221	452,893	9.08	1.57	16.72
27	Toyota Financial Savings Bank	NV	Toyota Motor Corp.	406,475	143,385	11.18	0.46	3.03
28	Medallion Bank	UT	Medallion Financial Corp.	362,444	299,083	15.15	2.08	13.56
29	Community Commerce Bank	CA	Telacu Industries	333,127	200,925	9.54	0.98	10.57
30	Silvergate Bank	CA	Silvergate Capital Corp.	283,053	177,510	11.11	0.26	2.64
31	Security Savings Bank	NV	Stampede Capital LLC	276,829	179,545	11.09	-0.08	-0.84
32	Circle Bank	CA	None	227,229	153,626	7.62	0.71	9.00
33	Balboa Thrift & Loan Association	CA	None	190,517	172,026	9.23	0.49	5.25
34	World Financial Capital Bank	UT	Alliance Data Systems Corp.	187,187	113,287	37.03	5.16	14.51
35	EnerBank USA	UT	CMS Energy Corp.	174,616	154,051	10.18	0.61	5.66
36	5 Star Bank	CO	Armed Forces Benefit Association	155,963	119,515	21.22	-0.38	-1.87
37	First Security Thrift Co.	CA	First American Corp.	154,988	92,005	18.26	1.65	8.64
38	Home Bank of California	CA	La Jolla Savers and Mortgage Fund	152,140	96,620	7.76	2.85	29.72
39	Golden Security Bank	CA	None	150,674	117,664	9.45	3.02	31.27
40	Celtic Bank	UT	Celtic Investment Inc.	138,652	123,137	9.73	2.24	21.84



ILC General Financial Characteristics

Asset Rank	Company Name	State	Parent Company	Total Assets (\$000)	Total Deposits (\$000)	Equity/ Assets (%)	ROAA (%) (LTM)	ROAE (%) (LTM)
41	Finance & Thrift Co.	CA	F&T Financial Services	\$118,511	\$94,142	19.41	1.49	7.96
42	Rancho Santa Fe Thrift & Loan Assn.	CA	Semperverde Holding Co.	98,475	66,093	31.98	2.47	7.98
43	Morris Plan Co. of Terre Haute Inc	IN	First Financial Corp.	52,230	37,777	13.40	0.54	4.19
44	Home Loan Industrial Bank	CO	Home Loan Investment Company	45,456	36,882	10.62	0.16	1.65
45	Allegiance Direct Bank Inc	UT	Leavitt Group	44,541	36,009	17.74	1.71	9.68
46	Fifth Street Bank	NV	Security National Master Holding Co.	37,742	20,023	NA	NA	NA
47	Escrow Bank USA	UT	General Motors Corp.	35,130	510	76.24	253.02	452.05
48	LCA Bank Corporation	UT	Lease Corp. of America	29,733	22,246	17.82	2.07	9.95
49	Minnesota First Credit & Savings	MN	Minnesota Thrift Company	26,245	19,275	10.89	0.76	7.05
50	WebBank	UT	WebFinancial Corp.	23,276	13,974	36.38	4.92	13.44
51	Eaglemark Savings Bank	NV	Harley-Davidson Inc.	21,829	1,331	28.74	18.84	81.85
52	Target Bank	UT	Target Corp.	16,832	8,130	41.96	-7.56	-16.70
53	First Electronic Bank	UT	Fry's Electronics	16,355	9,505	32.76	9.28	26.54
54	American Savings Inc.	MN	Waseca Bancshares Inc.	5,035	2,926	40.68	0.00	0.00
55	Trust Industrial Bank	CO	Fiserv Inc.	3,003	707	74.53	3.07	4.09
			Averages⁽¹⁾	\$4,795,687	\$ 3,207,057	19.92	2.26	14.08
			Medians	\$362,444	\$ 177,510	12.23	1.56	9.86

(1) Escrow Bank USA ROAA and ROAE figures have been excluded from averages.

Source: SNL Securities, data as of 12/31/07.



ILC Funding Characteristics

Company Name	Total Assets (\$'000)	Deposits/ Liabilities (%)	Borrowings/ Liabilities (%)	Cost of Interest Bearing Deposits (LTM)	Total Cost of Funds (LTM)
Merrill Lynch Bank USA	\$78,051,848	77.62%	20.96%	3.31%	3.62%
Morgan Stanley Bank	35,066,000	85.05%	12.43%	4.13%	4.22%
GMAC Bank	28,472,546	51.64%	45.14%	4.98%	4.59%
American Express Centurion Bank	26,039,858	30.06%	59.39%	5.23%	5.09%
UBS Bank USA	25,057,919	95.98%	3.70%	3.61%	3.60%
Goldman Sachs Bank USA	19,126,099	98.89%	0.00%	5.12%	5.12%
Fremont Investment & Loan	7,656,223	97.93%	0.00%	5.06%	3.69%
Capmark Bank	7,261,600	87.75%	11.38%	5.51%	5.47%
USAA Savings Bank	6,470,241	8.70%	84.43%	5.18%	4.91%
Lehman Brothers Commercial Bank	5,833,898	94.90%	1.84%	5.29%	5.24%
CIT Bank	3,290,665	88.15%	9.91%	5.40%	5.48%
BMW Bank of North America	2,484,082	79.06%	16.72%	4.94%	4.90%
GE Capital Financial Inc.	2,244,871	8.89%	83.13%	3.23%	5.04%
Advanta Bank Corp.	2,217,247	91.98%	1.32%	5.04%	4.85%
Beal Bank Nevada	1,639,122	51.88%	44.12%	4.90%	5.17%
Fireside Bank	1,493,082	97.85%	0.13%	4.80%	4.77%
Merrick Bank	1,215,496	96.95%	0.00%	5.08%	4.00%
Wright Express Fin'l Services Corp.	1,076,892	94.46%	0.88%	5.21%	3.41%
Sallie Mae Bank	942,538	92.09%	0.00%	4.61%	3.69%
Centennial Bank	738,457	86.11%	13.26%	4.24%	3.23%



ILC Funding Characteristics

Company Name	Total Assets (\$000)	Deposits/ Liabilities (%)	Borrowings/ Liabilities (%)	Cost of Interest Bearing Deposits (LTM)	Total Cost of Funds (LTM)
Finance Factors Ltd.	\$707,431	80.74%	18.50%	3.99%	4.13%
Pitney Bowes Bank Inc.	696,902	92.25%	1.34%	0.75%	0.69%
Exante Bank Inc.	611,700	82.95%	0.00%	2.89%	2.80%
Tamalpais Bank	555,659	70.80%	28.71%	4.65%	4.29%
Transportation Alliance Bank Inc.	530,928	93.29%	0.04%	4.62%	4.55%
Republic Bank	513,221	97.05%	2.61%	4.85%	4.79%
Toyota Financial Savings Bank	406,475	39.71%	58.16%	5.32%	5.17%
Medallion Bank	362,444	97.25%	0.03%	5.13%	5.12%
Community Commerce Bank	333,127	66.68%	31.53%	5.07%	4.82%
Silvergate Bank	283,053	70.55%	28.80%	5.01%	4.64%
Security Savings Bank	276,829	72.95%	26.41%	5.08%	4.84%
Circle Bank	227,229	73.19%	26.49%	4.46%	4.31%
Balboa Thrift & Loan Association	190,517	99.47%	0.24%	5.20%	5.19%
World Financial Capital Bank	187,187	96.11%	0.00%	5.38%	5.34%
EnerBank USA	174,616	98.22%	0.00%	5.18%	5.18%
5 Star Bank	155,963	97.28%	0.00%	3.36%	3.33%
First Security Thrift Co.	154,988	72.62%	26.84%	4.86%	3.69%
Home Bank of California	152,140	68.85%	27.74%	4.84%	4.94%
Golden Security Bank	150,674	86.25%	13.49%	5.13%	5.05%
Celtic Bank	138,652	98.38%	0.00%	4.80%	4.75%



ILC Funding Characteristics

Company Name	Total Assets (\$000)	Deposits/ Liabilities (%)	Borrowings/ Liabilities (%)	Cost of Interest Bearing Deposits (LTM)	Total Cost of Funds (LTM)
Finance & Thrift Co.	\$118,511	98.57%	0.00%	4.69%	4.49%
Rancho Santa Fe Thrift & Loan Assn.	98,475	98.67%	0.00%	5.24%	5.24%
Morris Plan Co. of Terre Haute Inc	52,230	83.52%	16.03%	4.49%	4.53%
Home Loan Industrial Bank	45,456	90.78%	7.40%	4.86%	4.94%
Allegiance Direct Bank Inc	44,541	98.28%	0.00%	4.49%	4.30%
Fifth Street Bank	37,742	83.10%	16.60%	0.00%	0.00%
Escrow Bank USA	35,130	6.11%	0.00%	4.88%	4.77%
LCA Bank Corporation	29,733	91.04%	3.79%	5.07%	5.00%
Minnesota First Credit & Savings	26,245	82.42%	16.50%	4.87%	4.83%
WebBank	23,276	94.36%	0.00%	5.22%	5.22%
Eaglemark Savings Bank	21,829	8.56%	0.00%	5.20%	0.43%
Target Bank	16,832	83.22%	14.90%	5.11%	4.92%
First Electronic Bank	16,355	86.43%	0.00%	5.00%	0.29%
American Savings Inc.	5,035	97.99%	0.00%	4.64%	4.67%
Trust Industrial Bank	3,003	92.42%	0.00%	4.01%	4.01%
Averages	\$4,795,687	79.38%	14.09%	4.60%	4.28%
Medians	\$362,444	87.75%	3.70%	4.90%	4.77%

Source: SNL Securities, data as of 12/31/07.



ILC Deposit Composition

Company Name	Total Assets (\$000)	Percent of Total Deposits				
		MMDAs (%)	Retail CDs (%)	Jumbo CDs (%)	Transaction and Non-Int Bearing Depos. (%)	Memo: Brokered Deposits (%)
Merrill Lynch Bank USA	\$78,051,848	91.08%	3.53%	0.58%	4.81%	15.37%
Morgan Stanley Bank	35,066,000	86.95%	11.52%	0.00%	1.53%	100.00%
GMAC Bank	28,472,546	41.30%	52.97%	5.53%	0.20%	56.34%
American Express Centurion Bank	26,039,858	0.00%	0.00%	89.36%	10.64%	77.44%
UBS Bank USA	25,057,919	94.59%	0.00%	0.00%	5.41%	99.52%
Goldman Sachs Bank USA	19,126,099	91.39%	4.13%	0.00%	4.48%	4.13%
Fremont Investment & Loan	7,656,223	5.07%	54.71%	34.57%	5.65%	3.96%
Capmark Bank	7,261,600	0.04%	99.89%	0.00%	0.07%	99.89%
USAA Savings Bank	6,470,241	1.30%	7.69%	87.91%	3.10%	95.62%
Lehman Brothers Commercial Bank	5,833,898	0.11%	99.89%	0.00%	0.00%	99.89%
CIT Bank	3,290,665	5.77%	94.21%	0.01%	0.01%	94.21%
BMW Bank of North America	2,484,082	2.61%	97.26%	0.01%	0.12%	97.25%
GE Capital Financial Inc.	2,244,871	0.00%	23.66%	38.78%	37.56%	17.86%
Advanta Bank Corp.	2,217,247	5.19%	61.77%	31.63%	1.41%	34.23%
Beal Bank Nevada	1,639,122	70.29%	11.25%	8.23%	10.23%	0.00%
Fireside Bank	1,493,082	0.00%	71.62%	28.38%	0.00%	45.52%
Merrick Bank	1,215,496	0.00%	78.75%	1.82%	19.43%	68.58%
Wright Express Fin'l Services Corp.	1,076,892	0.17%	0.00%	67.36%	32.47%	67.36%
Sallie Mae Bank	942,538	62.74%	37.07%	0.00%	0.19%	37.07%
Centennial Bank	738,457	0.00%	21.88%	44.02%	34.10%	9.86%

ILC Deposit Composition

Company Name	Total Assets (\$000)	Percent of Total Deposits				
		MMDAs (%)	Retail CDs (%)	Jumbo CDs (%)	Transaction and Non-Int Bearing Depts. (%)	Memo: Brokered Deposits (%)
Finance Factors Ltd.	\$707,431	2.05%	63.27%	21.27%	13.41%	7.38%
Pitney Bowes Bank Inc.	696,902	0.00%	0.00%	0.00%	100.00%	0.00%
Exante Bank Inc.	611,700	0.47%	0.00%	0.00%	99.53%	0.00%
Tamalpais Bank	555,659	38.27%	22.74%	30.60%	8.39%	8.88%
Transportation Alliance Bank Inc.	530,928	6.99%	63.49%	22.31%	7.21%	35.27%
Republic Bank	513,221	7.48%	6.80%	85.72%	0.00%	89.33%
Toyota Financial Savings Bank	406,475	46.66%	21.47%	28.09%	3.78%	20.92%
Medallion Bank	362,444	0.00%	100.00%	0.00%	0.00%	100.00%
Community Commerce Bank	333,127	0.00%	50.90%	38.47%	10.63%	7.78%
Silvergate Bank	283,053	14.41%	59.27%	24.64%	1.68%	5.40%
Security Savings Bank	276,829	9.84%	36.78%	18.66%	34.72%	17.26%
Circle Bank	227,229	21.10%	33.48%	29.63%	15.79%	9.74%
Balboa Thrift & Loan Association	190,517	0.00%	52.02%	43.01%	4.97%	0.97%
World Financial Capital Bank	187,187	0.00%	0.00%	99.13%	0.87%	99.13%
EnerBank USA	174,616	0.00%	99.59%	0.32%	0.09%	99.59%
5 Star Bank	155,963	60.80%	19.91%	8.47%	10.82%	0.00%
First Security Thrift Co.	154,988	0.00%	23.39%	24.27%	52.34%	0.00%
Home Bank of California	152,140	0.00%	59.09%	31.57%	9.34%	0.00%
Golden Security Bank	150,674	10.05%	80.82%	4.39%	4.74%	0.00%
Celtic Bank	138,652	4.08%	94.27%	1.60%	0.05%	90.23%

ILC Deposit Composition

Company Name	Total Assets (\$000)	Percent of Total Deposits				
		MMDAs (%)	Retail CDs (%)	Jumbo CDs (%)	Transaction and Non-Int Bearing Depos. (%)	Memo: Brokered Deposits (%)
Finance & Thrift Co.	\$118,511	6.67%	45.45%	43.11%	4.77%	0.00%
Rancho Santa Fe Thrift & Loan Assn.	98,475	0.00%	65.07%	33.79%	1.14%	39.30%
Morris Plan Co. of Terre Haute Inc	52,230	0.00%	48.70%	32.54%	18.76%	5.29%
Home Loan Industrial Bank	45,456	0.00%	43.80%	47.10%	9.10%	23.52%
Allegiance Direct Bank Inc	44,541	43.69%	27.81%	23.49%	5.01%	15.81%
Fifth Street Bank	37,742	3.84%	28.93%	61.87%	5.36%	14.98%
Escrow Bank USA	35,130	100.00%	0.00%	0.00%	0.00%	0.00%
LCA Bank Corporation	29,733	0.00%	99.53%	0.00%	0.47%	99.30%
Minnesota First Credit & Savings	26,245	0.00%	96.80%	1.56%	1.64%	7.20%
WebBank	23,276	14.15%	0.00%	85.13%	0.72%	85.13%
Eaglemark Savings Bank	21,829	0.00%	0.00%	18.78%	81.22%	0.00%
Target Bank	16,832	0.00%	0.00%	3.69%	96.31%	3.69%
First Electronic Bank	16,355	0.00%	0.00%	5.26%	94.74%	0.00%
American Savings Inc.	5,035	5.37%	74.03%	15.14%	5.46%	0.00%
Trust Industrial Bank	3,003	0	0.00%	0.8359	16.41%	0
Averages	\$4,795,687	17.35%	40.89%	25.55%	16.20%	36.55%
Medians	\$362,444	2.05%	36.78%	21.27%	5.01%	15.81%

Source: SNL Securities, data as of 12/31/07.





Regulatory Business Plan Guidelines

While the FDIC has no specific written guidelines for business plans filed in conjunction with de novo applications, they accept business plans that follow the guidelines set forth by other regulatory agencies, most notably the OTS. The OTS business plan guidelines are outlined below:

- I. Table of Contents
- II. Executive Summary
- III. Description of the Business
- IV. Marketing Plan
 - A. Product Strategies
 - B. Market Analysis
 - C. Economic Component
 - D. Competitive Analysis
- V. Management Plan
- VI. Records, Systems and Controls
- VII. Financial Management Plan
 - A. Capital and Earnings
 - B. Liquidity and Funds Management
 - C. Sensitivity to Market Risk
 - D. Credit Risk
- VIII. Monitoring and Revising the Plan
- IX. Alternative Business Strategies (if applicable)
- X. Financial Projections



RP Approach to Business Planning

The business plan filed in conjunction with an ILC charter application would follow the structure developed by RP Financial during our 20 years of filing business plans with the regulatory agencies. Our business plans include all of the components required by regulatory standards, and would include details in the following areas:

- (1) Overall business purpose for ILC formation, strategic objectives, viability of strategies, corporate organization, initial capitalization and ownership of the ILC;
- (2) Source and amount of the initial capitalization, including both cash and non-cash equity and a description of any capital-raising process. (Note: in the current regulatory environment, little to no weight may be given by the regulatory agencies to non-cash equity contributions, and that capitalization supported by borrowed funds will generally not be accepted).
- (3) Financial targets of the proposed business strategies over the business plan time frame (at least three years on a quarterly basis);
- (4) Funding, lending and investment strategies;
- (5) Operations, facilities, risk management, and regulatory compliance activities of the ILC (and the filer, if required);



RP Approach to Business Planning

- (6) Management description, including composition, background and experience of the proposed Board of Directors and Executive Management, and their related compensation structure, both initially and over the course of the business plan;
- (7) Market area description, including economic, demographic and competitive factors in the market(s) to be served by the ILC;
- (8) Quarterly financial projections that reflect the financial impact of the proposed business strategies, presented in a format generally consistent with the regulatory financial reporting guidelines. The projections include key performance and compliance ratios typical for insured financial institutions. The projections also detail the cash flows between the ILC and the parent company and/or other affiliate companies, if applicable.

The information outlined above will be included in a written business plan document. Please note that the ILC's post-opening activities, products and services, growth and financial performance should be reasonably consistent with the business plan and financial projections approved by the FDIC. Material deviations from the approved business plan and financial projections may result in certain regulatory restrictions and/or the preparation of a new or amended business plan and financial projections requiring prior regulatory approval before implementation.



RP Financial Business Planning Process

Our business planning process is always tailored to a clients' specific situation but generally evolves through the following steps upon engagement:

1)Initial Data Request A list of information required to complete the business plan is forwarded to the client. The information includes financial, operational, regulatory and other information that will be used to complete financial projections and compose the narrative portion of the plan.

2)Due Diligence RP Financial will schedule time with key management of the client (CEO, CFO, CLO, COO, Compliance, Marketing, others as needed) to clarify the client's plans for the de novo institution. The discussion will include detailed questions around financial projections.

3)Financial Projections RP Financial drafts the financial projections based on the information provided by the client and its own knowledge of the market and regulatory environments. Revisions are made based on client comments.

4)Business Plan RP Financial drafts the narrative portion of the business plan based on information provided by the client. Revisions are made based on client comments.



RP Financial Business Planning Process

- 5) Submission to Regulatory Agencies The business plan, including financial projections, is submitted simultaneously with the formal De Novo Charter Application.
- 6) Regulatory Comments Comments are received by the regulatory agency. The comments are generally questions of clarification or requests for more information about specific strategies. The comments are directed at the legal application and the business plan.
- 7) Response Submission Written responses are compiled and submitted to the regulator.
- 8) Regulatory Decision The regulator notifies the client of its approval or denial of the application.



Overview of RP[®] Financial, LC.

RP[®] Financial, LC. ("RP Financial") provides financial and management consulting, merger advisory and valuation services to the financial services industry nationwide. We offer a broad array of services, high quality and prompt service, hands-on involvement by principals and senior staff, careful structuring of strategic initiatives and sophisticated valuation and other analyses consistent with industry practices and regulatory requirements. Our staff maintains extensive background in financial and management consulting, valuation and investment banking. Our clients include commercial banks, thrifts, credit unions, mortgage companies and other financial services companies.

STRATEGIC PLANNING SERVICES

RP Financial's strategic planning services are designed to provide effective feasible plans with quantifiable results. We analyze strategic options to enhance shareholder value, achieve regulatory approval or realize other objectives. Such services involve conducting situation analyses; establishing mission/vision statements, strategic goals and objectives; and identifying strategies to enhance franchise and/or market value, capital management, earnings enhancement, operational matters and organizational issues. Strategic recommendations typically focus on: capital formation and management, asset/liability targets, profitability, return on equity and stock pricing. Our proprietary financial simulation models provide the basis for evaluating the impact of various strategies and assessing their feasibility and compatibility with regulations.

MERGER ADVISORY SERVICES

RP Financial's merger advisory services include targeting potential buyers and sellers, assessing acquisition merit, conducting due diligence, negotiating and structuring merger transactions, preparing merger business plans and financial simulations, rendering fairness opinions, preparing mark-to-market analyses and supporting the implementation of post-acquisition strategies. Through financial simulations, comprehensive data bases, valuation proficiency and regulatory familiarity, RP Financial's merger advisory services center on enhancing shareholder returns.

VALUATION SERVICES

RP Financial's extensive valuation practice includes bank and thrift mergers, thrift mutual-to-stock conversions, insurance company demutualizations, ESOPs, subsidiary companies, purchase accounting and other purposes. We are highly experienced in performing appraisals which conform to regulatory guidelines and appraisal standards. RP Financial is the nation's leading valuation firm for thrift mutual-to-stock conversions, with offering values ranging up to \$4 billion.

OTHER CONSULTING SERVICES

RP Financial offers other consulting services including branching and diversification strategies, feasibility studies and special research. We assist banks/thrifts in preparing CRA plans and evaluating wealth management activities on a de novo or merger basis. Our other consulting services are aided by proprietary valuation and financial simulation models.

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