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Introduction

The subprime mortgage crisis has the potential to rival just about any event in recent financial history, from the savings-and-loan crisis of the late 1980s to the post-Enron turndown at the beginning of this decade. Against this backdrop, Affluent Dynamics, an independent online research company, surveyed the financial community with the purpose of uncovering the degree to which the current economic climate has affected views of the banking sector, with particular focus on:

- Uncovering the most valued traits in a banking institution when considering investing in the sector; and
- Ascertaining the measurements used when assessing corporate reputation.

From October 7, 2007 through October 10, 2007, Affluent Dynamics conducted a national survey of 150 professional financial advisors (FAs) and 150 high-net-worth investors (HNWIs) with investable assets of \$1 million or more who specifically invest in the banking industry.

Please note that due to rounding, percentages may not add up to 100%.

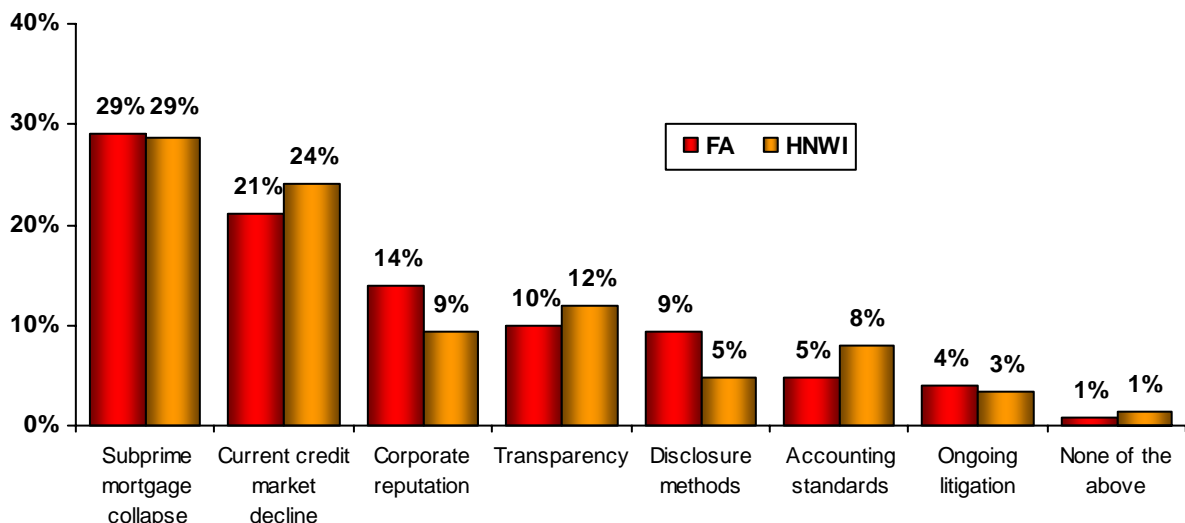
Key Finding

Markets thrive on information and transparency, and these unknown factors are worrying investors in the banking sector.

Unsurprisingly, the subprime mortgage collapse and current credit market crunch topped the list of significant issues facing the banking industry. However, corporate reputation, transparency and disclosure methods are also cited as serious concerns for investors in the financial services sector, exemplified by the graph below.

Confidence in financial institutions took a hit beginning in 2002 with the corporate scandals of Enron and WorldCom. The resulting Sarbanes-Oxley Act has done much to improve transparency and improve shareholders' power in the U.S., but the survey data indicates that serious concerns remain for both FAs and HNWI regarding the level of transparency in the banking sector. In addition, while it did not top the list of issues, 92 percent of FA and 90 percent of HNWI cited that it is critical for banks to have high accounting standards.

One could argue that off-balance sheet financial vehicles fueled by asset-backed securities (e.g., mortgages) have inspired deeper concerns about a lack of transparency and disclosure in the banking industry. And, for many investors, the subprime fall-out is all too reminiscent of pre-Sarbanes Oxley financial chicanery.

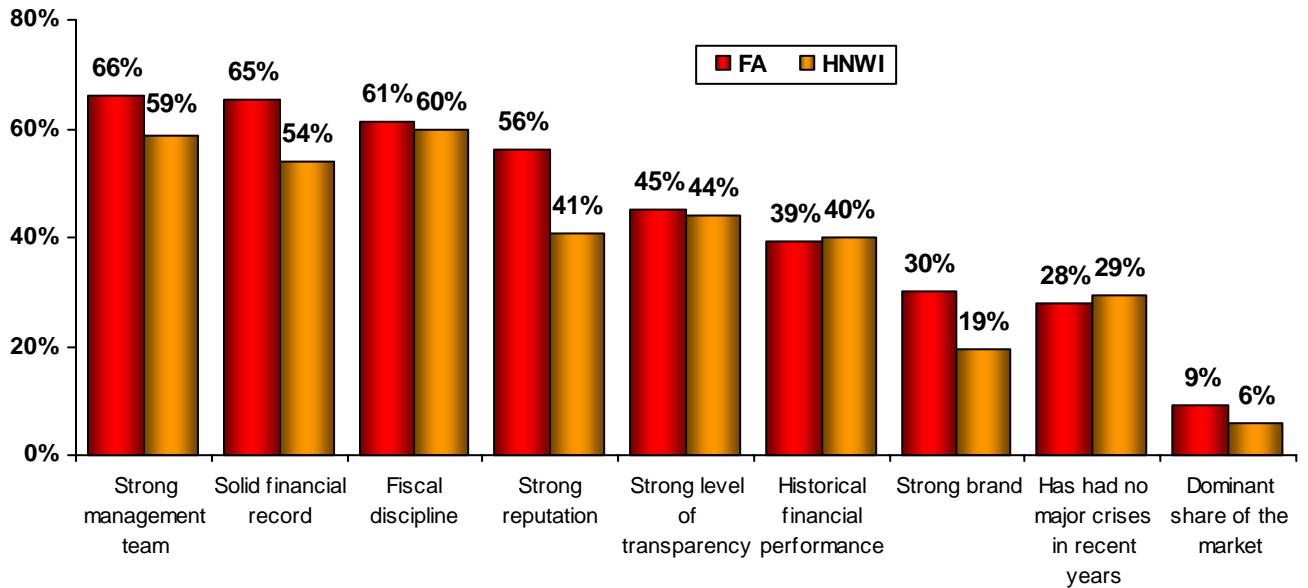


Key Finding

Nothing is more important in the banking sector these days than the strength of the senior management team.

Investors consider CEOs' ability to build strong teams, expand businesses and anticipate and manage for constant change before making an investment decision. It's at times of crisis that companies find themselves carried on the backs of senior management teams who are seen as perseverant, experienced, visionary and appropriately cautious.

A solid majority of FAs (66 percent) and HNWI's (59 percent) cited a strong management team as the main criteria considered before making an investment decision.



Key Finding

Strong management team, disclosure and transparency are the major factors influencing banks' corporate reputations.

As the following graph illustrates, management track record, followed closely by levels of disclosure and transparency are viewed as having the greatest influence on impressions of a bank's corporate reputation. Management track record gives a fair idea about how the executives have managed to steer the company in the past, through good times and bad.

It must be noted that evaluating a company's management is never an easy task. Regular replacements at the top can cast doubt over the continuance of the plans of the previous management, thus adding to the uncertainty. Typically, investors judge management by continually monitoring the management's progress with regards to its vision statement.

