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EQUITY RESEARCH

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2006 Top Picks

Every year for the past six years, during the month of January, we have selected three community bank stocks that we thought possessed the most attractive upside potential in our coverage universe. Our picks have covered a wide range of operating philosophies, but shared similar attributes, including shareholder-oriented management teams, good operating markets, and solid fundamentals. 2005 marked a year in which we failed to substantially beat the NASDAQ Bank Index due largely to the performance of one of our picks, **Oak Hill Financial, Inc. (OAKF)**, down 14.7% driven by NIM and credit quality concerns. While OAKF underperformed our expectations, we think our other picks **Independent Bank Corporation (IBCP)**, down 4.5%, and **Lakeland Financial Corporation (LKFN)**, up 2.1%, failed to get the market recognition they deserved as both companies turned in solid fundamental performances underscored by strong ROAEs (16.2% YTD for LKFN and 19.4% YTD for IBCP), steady EPS growth, and solid credit quality.

Despite last year's performance, **our Top Picks have posted an annual average appreciation of 32.6%, compared to 12.0% for the NASDAQ Bank Index, since we began this exercise in 2000.** While past performance is not indicative of future results, had you invested \$10,000 in our inaugural Top Picks recommendations in 2000, and annually reinvested your resulting proceeds in each year's Top Picks, your initial investment would have grown to approximately \$50,000 (excluding dividends and commissions) compared to approximately \$19,000 for a similar investment in the NASDAQ Bank Index.

Historical Performance of HBI Top Picks Relative to the NASDAQ Bank Index		
	Average Appreciation of HBI Top Picks	NASDAQ Bank Index
2005	(5.7%)	0.7%
2004	52.3%	7.5%
2003	21.6%	28.2%
2002	37.5%	6.2%
2001	55.2%	9.7%
2000	34.5%	19.7%
Average	32.6%	12.0%

HBI Top Pick results have been achieved solely on price appreciation.
Holding periods are not reflective of a calendar year.

This year, amid our expectations for a challenging operating environment, our focus is on companies located in attractive markets with better than average growth potential, a track record of strong or improving fundamentals, and discount valuation levels. We think the following companies offer investors good near-term and long-term price appreciation potential and we view them as core holdings.

Our Top Picks for 2006 are Virginia-based **Alliance Bankshares Corporation (ABVA)**, North Carolina-based **Cooperative Bankshares, Inc. (COOP)**, and Illinois-based **MB Financial, Inc. (MBFI)**.

Alliance Bankshares Corporation (ABVA)

Chantilly, Virginia

INVESTMENT RATING: **OUTPERFORM**

<i>Pricing Data (01/09/06)</i>		<i>Book Value Per Share (09/30/05)</i>		<i>Price-to-Book</i>
Price	\$16.12	Book Value	\$10.21	158%
52-Week Range	\$17.38 - \$14.20	Tangible Book Value	\$10.21	158%
<i>Dividend</i>		<i>Diluted Earnings Per Share (FYE: Dec)</i>		<i>P/E Ratios</i>
Annualized Dividend	\$0.00	2004 Actual	\$0.57	28.4X
Dividend Yield	0.00%	2005 Estimated	\$0.77	20.9X
		2006 Estimated	\$1.03	15.7X
Analyst: Daniel Cardenas				

- ABVA is a small, fast growing, community banking organization with a strategic focus of building a commercial customer base and enhancing shareholder value. Concentrating on capturing small business lending opportunities in the greater Washington, D.C. metropolitan area, we think ABVA should be successful in this endeavor aided by market consolidation over the past several years and a growing staff of lenders. In all, we believe the company is positioning itself as a market leader in its primary operating market and has set in motion a plan that is transforming the company into a rapidly growing, efficient organization able to create relatively consistent EPS growth trends and improving fundamental performance for the next several years.
- Based on current price levels, shares of ABVA are trading at 15.7X our 2006E EPS and 158% of tangible book value. This represents a substantial discount to its high growth peer group, which is currently trading at 21.0X expected 2006 results and 221% of tangible book value. Given the company's strong EPS growth potential (we are projecting 35% in 2005 and 34% in 2006), improving operating fundamentals, and growing franchise, we think shares should trade in line with its peer group. Applying peer group multiples, we arrive at our 12-month target price of \$20.00 per share, which implies a 24.1% total return potential.
- Through its Alliance Bank subsidiary, ABVA provides a wide variety of bank and wealth management services to businesses and consumers located in the Washington, D.C. metropolitan area through its five full-service banking centers. According to FDIC data, ABVA accounts for 0.43% of the deposit market share for the Washington D.C. MSA as of June 30, 2005, compared to 0.32% a year ago. Filling a void for a locally based, relationship-driven financial institution, ABVA has experienced strong growth with total assets, loans, and deposits growing at a three year CAGR of 49.1%, 58.1%, and 49.0%, respectively. Growth has remained strong throughout the first nine months of 2005 as the company has posted unannualized growth rates of 38.1%, 34.9%, and 46.1% in total assets, loans, and deposits, respectively.
- Future growth prospects appear sound, underscored by a healthy local economy, which is supported by an exceptional real estate market, a highly educated population base, an active federal government presence, and a diversified business foundation. Given these factors, ABVA has grown total assets to \$663 million in less than six years, and we think the company can grow to \$1 billion in total assets within the next three to five years.
- As many financial institutions have discovered, maintaining strong credit quality while growing rapidly is not an easy task. However, we believe that doing so is critical to increasing shareholder value over the long-term. Realizing this, ABVA has maintained a disciplined approach to credit quality as it has built its franchise. Since inception, NPAs to total assets have never exceeded 25 b.p., while NCOs to average loans has never gone above ten b.p. Both ratios currently stand at zero. We believe these results are a direct reflection of the company's high credit standards, a conservative reserve methodology, and proactive oversight of the lending function.

Company Profile: ABVA is a one-bank holding company headquartered in Chantilly, Virginia and is the parent company to Alliance Bank, a state-chartered commercial bank which opened its doors in November of 1998. ABVA provides a wide variety of bank and wealth management services to businesses and consumers located in the Washington, D.C. metropolitan area.

Cooperative Bankshares, Inc. (COOP)

Wilmington, North Carolina

INVESTMENT RATING: **OUTPERFORM**

<i>Pricing Data (01/09/06)</i>		<i>Book Value Per Share (09/30/05)</i>		<i>Price-to-Book</i>
Price	\$19.70	Book Value	\$11.60	170%
52-Week Range	\$21.75 - \$16.58	Tangible Book Value	\$11.26	175%
<i>Dividend</i>		<i>Diluted Earnings Per Share (FYE: Dec)</i>		<i>P/E Ratios</i>
Annualized Dividend	\$0.20	2004 Actual	\$1.07	18.4X
Dividend Yield	1.02%	2005 Estimated	\$1.28	15.4X
		2006 Estimated	\$1.50	13.1X
Analyst: Daniel Cardenas				

- COOP is a growing, well-run North Carolina-based company in the process of transforming itself from a traditional thrift into a community banking organization. Focused on capturing growth opportunities in its operating markets, we think COOP is doing a fine job of executing on its relationship-based culture, while enhancing its earnings performance and shareholder value. We are encouraged by efforts being made to improve on the composition of the company's loan portfolio and COOP's ability to grow its franchise through acquisitions and organic means while maintaining strong credit quality. Going forward, we think COOP will continue its transformation while pursuing growth in a disciplined, profitable manner.
- Over the past five years, COOP has experienced steady growth with total assets, loans, and deposits growing at a CAGR of 6.1%, 6.2%, and 6.4%, respectively. An improving local economy, expansion efforts, and the company's decision to more aggressively pursue business and nonresidential real estate lending has sparked loan growth with total loans growing 12.1% in 2004 and 35.7%, un-annualized, during the first nine months of 2005. While we are projecting loan growth to remain robust over the foreseeable future as pipelines appear healthy, we think current levels may not be sustainable going forward and we are projecting loan growth in the mid-teens for the remainder of 2005 and 2006. Supporting loan growth has been strong growth in COOP's deposit base. Deposit grew 13.0% in 2004 and 30.7%, un-annualized, during the first nine months of 2005 aided by strong improvements in transactional accounts.
- COOP has maintained a disciplined approach to credit quality as it has built its franchise. Over the past five years, NPAs to total assets have averaged 28 b.p., while NCOs to average loans has never exceeded eight b.p. Both ratios remained strong as of 3Q05 with NPAs representing five b.p. of total assets and NCOs equaling one b.p. We believe these results are a direct reflection of the company's high credit standards, a conservative reserve methodology and proactive oversight of the lending function.
- We think COOP will continue its transformation from a traditional thrift into a community banking organization while pursuing growth in a disciplined, profitable manner. Overall, we believe that COOP has set in motion a plan that is transforming the company into a growing, efficient organization able to create steady EPS growth. Based on current price levels, shares of COOP trade at 13.1X our 2006E EPS. Given the company's strong EPS growth potential (20% in 2005 and 17% in 2006), improving operating fundamentals, and growing franchise (we project total assets will exceed \$1 billion during the next three years), we think shares should trade closer to its EPS growth rate. Our 12-month target price of \$22.00 per share implies a 12.7% total return potential.

Company Profile: COOP is a one-bank holding company headquartered in Wilmington, North Carolina and is the parent company to Cooperative Bank; a state-chartered commercial bank which traces its roots back to 1898. Originally chartered as a mutual thrift, COOP converted to a stock savings bank in 1992 and into a commercial bank charter in 2002 to better serve the needs of its operating markets. Currently, COOP provides a wide variety of banking services to businesses and consumers located throughout the coastal and inland communities of eastern North Carolina through 20 full-service banking centers and five loan production office and accounts for 0.28% of the state's deposit market share. Through its experienced management team, which boast deep ties to the communities they serve and a strong knowledge of its operating markets, COOP has grown into the largest bank in the Wilmington MSA.

MB Financial, Inc. (MBFI)

Chicago, Illinois

INVESTMENT RATING: **OUTPERFORM**

<i>Pricing Data (01/09/06)</i>		<i>Book Value Per Share (09/30/05)</i>		<i>Price-to-Book</i>
Price	\$36.00	Book Value	\$17.38	207%
52-Week Range	\$42.74 - \$34.02	Tangible Book Value	\$12.76	282%
<i>Dividend</i>		<i>Diluted Earnings Per Share (FYE: Dec)</i>		<i>P/E Ratios</i>
Annualized Dividend	\$0.60	2005 Estimated	\$2.31	15.6X
Dividend Yield	1.67%	2006 Estimated	\$2.60	13.8X
		2007 Estimated	\$2.88	12.5X
Analyst: Daniel Cardenas				

- Through a series of acquisitions and strong internal growth, MBFI has built a valuable and desirable franchise and has emerged as a significant presence in the Chicago banking scene. Insider ownership is significant and the company is delivering results that are consistent and accentuated by good credit quality.
- MBFI maintains a well developed business banking model that focuses on serving middle-market companies in the Chicago metropolitan area, lease banking, wealth management, and retail banking. Mergers and acquisitions remain a secondary source of growth that have been value added, provided strength in key business areas, and have been accretive to EPS.
- MBFI has adopted an aggressive, new retail banking strategy designed to improve the company's deposit mix, fuel deposit growth, and reduce funding cost. Strategic execution centers on expanded retail services and business hours, simplification of the transaction processes, and increased marketing efforts. Personnel and marketing expenses to support this strategic decision have begun and initial rollout of the campaign was completed during 3Q05. It remains too early to determine the impact on account addition or retention rates, however, MBFI has indicated that customer response has been favorable.
- Solid loan growth potential, revenue diversification efforts, and strong cost controls combine to form a positive earnings outlook. We are comfortable with our 2006E EPS of \$2.60 and we are looking for double-digit EPS growth over the foreseeable future.
- On an operating basis, we think the company is doing a fine job of executing on its relationship-based sales culture and is intensely focused on capturing the business banking opportunities in its operating markets. Loans and deposits continue to grow, the composition of the company's loan portfolio is well diversified, and operating fundamentals are showing solid improvements. Overall, we like MBFI's long-term prospects and believe the company will continue to position itself for future growth, deliver strong performance results, and enhance its appeal as an acquisition candidate. We remain positive on the overall prospects of the company.
- Based on current price levels, shares of MBFI are currently trading at 13.8X our 2006E EPS compared to 16.0X for its Chicago area peer group. While MBFI's recent fundamental trends have been constrained somewhat by franchise building initiatives, we think this discount is excessive and a peer-like multiple is warranted. Our 12-month target price of \$41.00 per share is based on relative valuation and implies a 15.6% total return potential.

Company Profile: MB Financial, Inc., a \$5.7 billion Chicago-based financial holding company, is the parent of MB Financial Bank, N.A. (Illinois) and Union Bank, N.A. (Oklahoma). MBFI concentrates on serving the needs of entrepreneurial middle-market businesses as well as individuals in its markets through 39 branch locations throughout the Chicago area.

RATING SYSTEM

Category	Description
OUTPERFORM	Those equities that we think will likely outperform the NASDAQ Bank Index over the next 12-months. A subset of this category is our Top Picks, which represents our best ideas in the Outperform category.
MARKET PERFORM	Those equities that we think will likely approximate the NASDAQ Bank Index over the next 12-months.
UNDERPERFORM	Those equities that we believe are likely to trail the performance of the NASDAQ Bank Index over the next 12-months.

RATING DISTRIBUTION (as of December 31, 2005)

Coverage Universe	Count	Percent	Investment Banking Relationship*	Count	Percent
OUTPERFORM	15	19.5%	OUTPERFORM	3	18.8%
MARKET PERFORM	58	75.3%	MARKET PERFORM	12	75.0%
UNDERPERFORM	4	5.2%	UNDERPERFORM	1	6.2%

* Companies which Howe Barnes Investments, Inc. has received within the past 12 months or will receive within the next 3 months compensation for services rendered in connection with activities relating to: underwriting an offering for the issuer; acting as a financial advisor in a merger or acquisition; providing valuation services; or serving as placement agent for the issuer.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

Howe Barnes Investments, Inc. makes a market in Alliance Bankshares Corporation, Cooperative Bankshares, Inc., Independent Bank Corporation, Lakeland Financial Corporation, MB Financial, Inc., and Oak Hill Financial, Inc.

Howe Barnes Investments, Inc. has received compensation for investment banking services from Oak Hill Financial, Inc. within the past 12 months.

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