



**MICHAEL WHITE ASSOCIATES**  
BANK INSURANCE CONSULTANTS

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**N E W S R E L E A S E**

***Michael White Report:***  
**Community Bank Investment Programs Off To A Better Start in 2010**

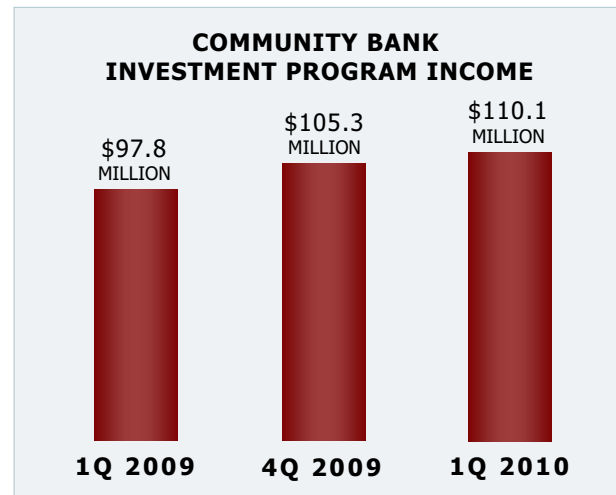
**FOR IMMEDIATE RELEASE** – Radnor, PA, August 24, 2010 – Community bank investment programs are off to a better start in 2010 thanks to an increase in annuity commissions, according to the *Michael White Community Bank Investment Programs Report*™.

Issued quarterly by Michael White Associates, LLC (MWA), the report measures and benchmarks investment programs at community banks, i.e., those with assets under \$4 billion. The current report is based on data reported by 7,007 commercial and FDIC-regulated savings banks operating on March 31, 2010.

“This report finds that first quarter revenue of community bank investment programs surpassed where they started and ended in 2009,” said Michael White, president of Michael White Associates and author of the report. “The report’s metrics also show improvements in Program Productivity and Density, key measures by which to gauge investment program strength.”

**Program Production**

In first quarter 2010, 1,412 or 20.2% of community banks participated in investment program activities, producing \$110.1 million in program income. Community bank investment program income increased 4.6% from \$105.3 million in the prior quarter (i.e., fourth quarter 2009) and rose 12.6% from \$97.8 million in first quarter 2009.



SOURCE:  
*Michael White Community Bank Investment Programs Report*™

The number of banks participating in investment program activities was down by 6.0% or 90 banks from 1,502 banks in first quarter 2009. These community banks achieved average investment program fee income of \$77,969 in first quarter 2010, up 19.7% from \$65,115 last year.

**Program Penetration**

The Penetration of an investment program is measured as the amount of program revenue generated per million dollars of core or retail deposits. These deposits substitute as a measure of retail customers and the breadth of the customer relationship, since the data for retail customers or retail households are hard to obtain on a reliable, national, and standardized basis.

“In first quarter 2010, community banks earned mean investment program income of \$245 per million dollars of retail bank deposits,” said White. “In contrast, big banks with assets over \$4 billion attained a higher mean Investment Program Penetration of \$341 per million dollars of retail deposits; so, there is opportunity for community banks to enhance their programs.”

**Program Concentration**

Program Concentration calculates the portion of total noninterest income attributable to a specific kind of noninterest fee income. This ratio enables us to know how concentrated or meaningful bank investment programs are among their banks’ non-lending activities.

Community banks had virtually the same mean Concentration of investment program income to noninterest income as larger banks in first quarter 2010. As a group, community banks achieved a Concentration ratio of 8.4%. Large banks, those with assets greater than \$4 billion, had a similar mean Concentration ratio of 8.5%.

<b>YTD Investment Program Income Performance Benchmarks for Community Banks First Quarter 2010</b>	
<b>Performance Measures</b>	<b>Mean Ratios</b>
Production - Dollar Volume	\$77,969
Concentration - % of Noninterest Income	8.36%
Penetration – \$ per Million Dollars of Retail Deposits	\$245
Productivity - \$ per Bank Employee	\$587
Density - \$ per Domestic Office	\$11,533 <sup>2</sup>

<sup>2</sup>Adjusted for two outliers

SOURCE: Michael White Community Bank Investment Programs Report™ - 1Q2010

**Program Productivity**

Investment Program Productivity measures the amount of program fee income per bank employee. Program Productivity enables us to assess the relative generation of income among bank employees, which are frequently the important human assets in generating customer referrals and the attendant fee income earned from those customer relationships. In first quarter 2010, mean community bank employee Productivity was \$587 per bank employee, or \$2,348 per employee when annualized for yearend projection purposes.

**Program Density**

Measured as the amount of program fee income per domestic banking office, Program Density evaluates the relative density of program income among banking locations, the critical physical assets in generating investment program income. Mean density per domestic community bank office was an adjusted \$11,533 (unadjusted, it was \$14,460) in first quarter 2010, and at that quarterly rate projected to be \$46,132 per banking office by yearend.

**Revenue Mix – Securities Brokerage**

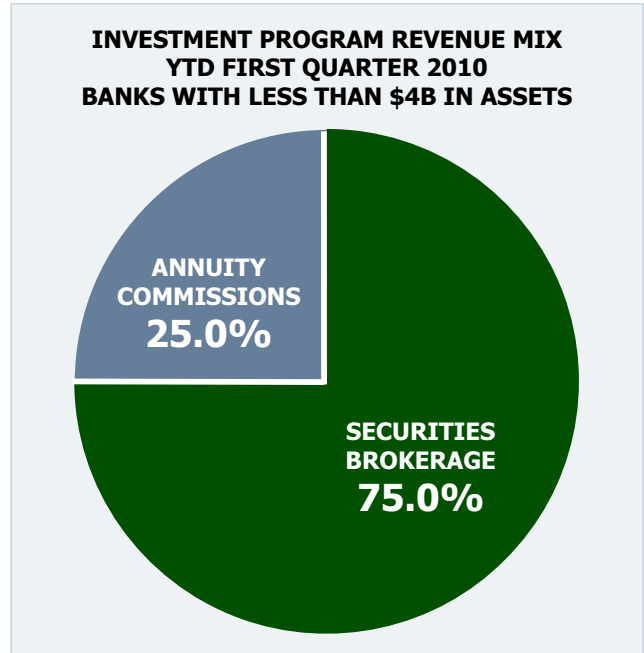
Community banks earned securities brokerage fee income of \$82.56 million, up 25.9% from \$65.59 million in first quarter 2009, and it was up 2.8% from \$80.29 million in fourth quarter 2009. Security brokerage revenues constituted 75.0% of total investment program income of \$110.1 million in first quarter 2010, down from a revenue mix of 76.3% in the prior quarter, but up from a cumulative mix of 71.4% for all of 2009.

Of the 1,412 banks with assets under \$4 billion that reported earning investment program income, 1,255 banks or 88.9% reported earning commissions and fees from securities brokerage, and 646 banks or 45.8% reported earning securities brokerage fee income only.

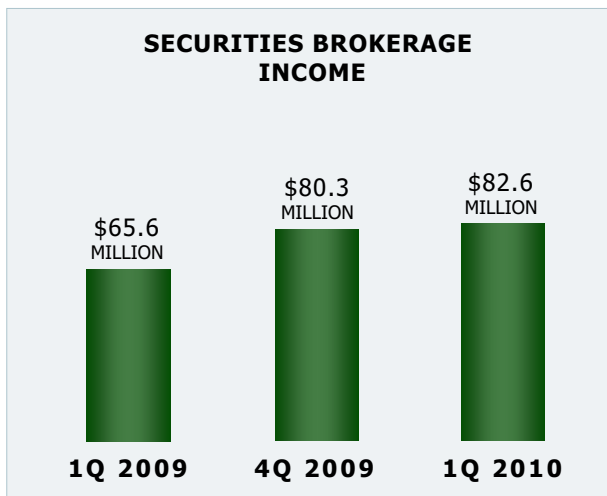
**Revenue Mix – Annuities**

Community banks earned annuity fee income of \$27.54 million, down 14.5% from \$32.21 million in first quarter 2009, but up 10.3% from \$24.97 million in fourth quarter 2009. Annuity commissions constituted 25.0% of community bank investment program income in first quarter 2010, up from a revenue mix of 23.7% in the prior quarter, but down from a cumulative mix of 28.6% for all of 2009. With 11.3% of program income from annuities, the bigger banks with assets in excess of \$4 billion had a considerably lower mix of annuity commissions in their programs.

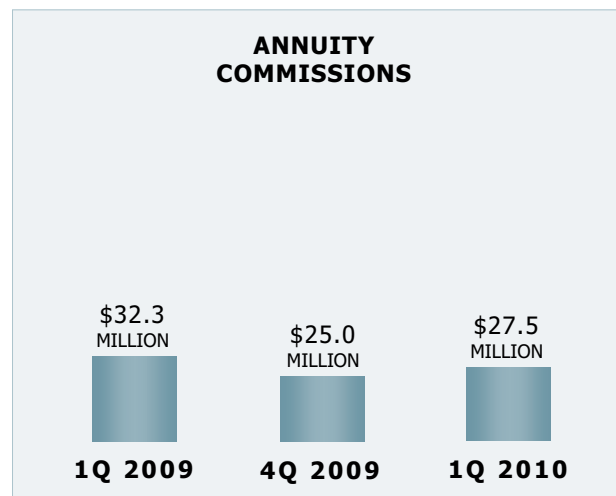
Of the 1,412 community banks that reported earning investment program income, 766 banks or 54.2% reported earning annuity commissions, and 157 banks or 11.1% reported earning annuity income only. This latter finding of 157 banks reporting only annuity income may be indicative of banks that have only platform annuity or licensed bank employee (LBE) programs and not full-product investment programs. The number of community banks reporting only annuity income dropped 6.0% from 167 banks in first quarter 2009.



SOURCE:  
 Michael White Community Bank Investment Programs Report™



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### **Leaders – Investment Program**

First-quarter leaders in investment program fee income among big banks with assets under \$4 billion were CenterState Bank of Florida, N.A. (FL) with \$6.39 million, up 138.7% from \$2.68 million in first quarter 2009; North Shore Community Bank & Trust Company (IL) with \$3.56 million, up 58.1% from \$2.25 million; BAC Florida Bank (FL) with \$2.28 million, up 354.5% from \$501,000; TIB The Independent Bankersbank (TX) with \$2.06 million, down 36.7% from \$3.25 million; and Espirito Santo Bank (FL) with \$1.88 million, up from zero in first quarter 2009.

### **Leaders – Annuities**

First-quarter 2010 leaders in annuity fee income among banks under \$4 billion in assets were Bank of Hampton Roads (VA) with \$1.15 million, up from zero in first quarter 2009; Sumitomo Trust and Banking Co. (U.S.A.) (NJ) with \$821,000, up from zero; First Victoria National Bank (TX) with \$515,000, up 10.3% from \$467,000; Lake City Bank (IN) with \$442,000, up 41.2% from \$313,000; and United Bank (WV) with \$428,000, down 35.6% from \$665,000 in first quarter 2009.

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### **About Michael White Associates**

Michael White Associates, LLC (MWA) is a consulting, publishing and research firm headquartered in Radnor, PA, and online at [www.BankInsurance.com](http://www.BankInsurance.com). Produced by Michael White and Michael White Associates, LLC (MWA), the *Michael White Community Bank Investment Programs Report*<sup>™</sup> measures and benchmarks the quarterly and year-to-date performance of community banks' retail investment programs. The annual *Michael White-ABIA Bank Annuity Fee Income Report*<sup>™</sup> and *Michael White-Prudential Bank Insurance Fee Income Report*<sup>™</sup> provide, respectively, comprehensive analyses of bank annuity commission income and bank insurance brokerage. Additionally, the *MWA Fee Income Ratings Reports*<sup>™</sup> compare, rank and rate a particular financial institution's insurance or other noninterest fee income program nationally, regionally, statewide and in its asset-peer group. Copies of MWA reports can be ordered by calling (610) 254-0440, or by visiting [www.BankInsurance.com](http://www.BankInsurance.com).

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