

BANK-INSURANCE VIABILITY INDEX

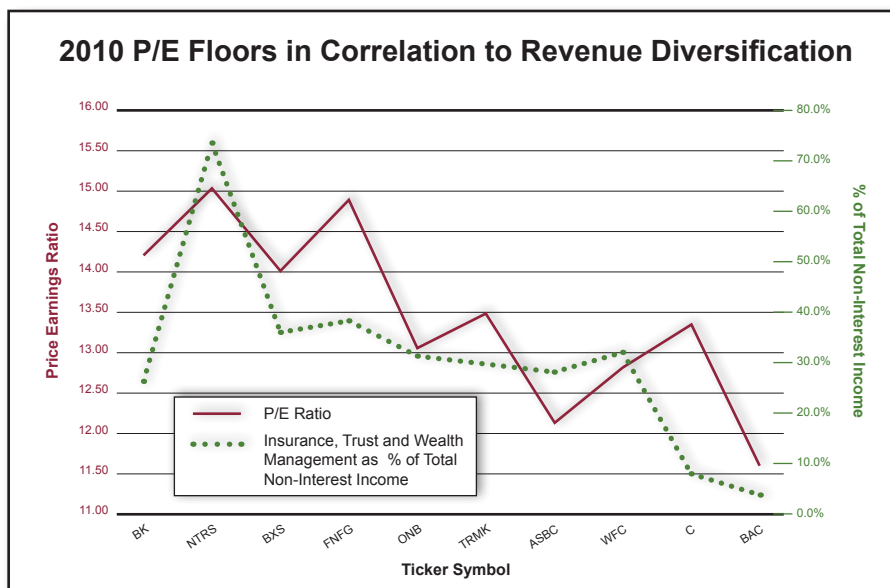
Insurance Agency Investments Shine Under the Light of Risk-Adjusted Returns on Capital

Risk- Adjusted Return on Capital computations quantify a bank's return when adjusted for the risks associated with the capital deployed toward various investments. To calculate RAROC, a line of business' earnings are adjusted for the potential losses in that line. The following chart illustrates the potential losses or risks facing banking versus insurance:

Risk Categories	Banking	Insurance Brokerage
1. Market Risk	Net Interest Margin	Premium Fluctuations
2. Credit Risk	Loan Underwriting Business Loan Loss Risk Loan Loss Reserve Loan Growth Requires Deposit Debt Capital Requirement Capital Leverage Business	No Underwriting - Distribution Business Cancellation Negates Receivables Risk No Reserve Requirement Earnings Funded Growth - No Debt No Capital Requirement Cash Flow Business
3. Operational Risk	Renewal Relationships	Renewal Revenue

The Price Earnings Ratio calculates the stock market's assessment of risk to a particular financial institution's stock. We believe the most recent 5 year historical low point of a bank's P/E ratio is an indicator of the stock market's assessment of the floor to the risk associated with a particular financial institution's earnings. The higher the P/E ratio, the more confident the market is in the earnings and therefore, this floor created by the low point provides an indication of confidence, or conversely, risk to the institution's earnings.

As illustrated below, banks with greater levels of diversified fee income appear to have higher P/E ratios. Theoretically, the market price reflects all information available. We believe absent other unique issues, a diversified revenue stream increases the market's confidence and therefore rewards the institution with a higher floor to its P/E ratio.



While the soft market, weak economy and lower contingent income have eroded the revenue and earnings of insurance agencies and brokerages, the relationships developed with clients, the consistency of insurance expirations and the cross-selling opportunities created enhance the insurance agency's profile in many of the nation's leading bank-owned agencies.

Banks that have analyzed the intricacies of *Risk-Adjusted Return on Capital* are confident as they continue to deploy their capital on well-placed bets in the insurance space.

