SEPTEMBER 2012

VOLUME XIII

ISSUE 9

BankInsurance.com News

Michael White Associates is pleased to distribute BankInsurance.com News, a monthly publication that distills the most important news stories in the bank insurance and investment marketplace. Visit BankInsurance.com regularly for timely industry news and analysis, as well as up-to-date information about MWA consulting products and services. No other site offers as much information, knowledge and understanding of the bank insurance and investment market as www.BankInsurance.com.

JUGGLING Fee Income

Community Banks Enjoy Gains in Investment Program Income

Banks' BOLI Assets Grow

3 Big Players Buy Wealth Management Businesses

THRIFTS & RAYMOND JAMES DRIVE RISE IN U.S. BANK ANNUITY FEE INCOME

Annuity fee income earned by U.S. banking companies rose 4.5% in the first quarter of 2011 to $781.7 million, up from $748.2 million in first quarter 2011, bolstered by $61.0 million generated by new bank holding company Raymond James Financial and by $15.6 million earned by thrift holding companies (THCs), both of which reported these data to regulators for the first time, according to the *Michael White - ABIA Bank Annuity Fee Income Report*.

Just short of 40% (38.4%) of U.S. bank holding companies (BHCs) and THCs and 12% of all banks and thrifts reported annuity earnings in the first quarter, with BHCs and THCs reporting $781.7 million and banks and thrifts reporting $180.5 million in that revenue.

Sixty-seven percent (67.1%) of BHCs and THCs with over $10 billion in assets reported annuity fee income in the first quarter. In contrast, 28% of BHCs with $500 million to $1 billion in assets reported annuity earnings, and those earnings climbed 28.1% to $7.84 million, up from $6.12 million in first quarter 2011. San Francisco-based,

$1.3 trillion-asset Wells Fargo & Co. remained the top U.S. BHC annuity fee income earner, reporting a 3.23% rise in that revenue to $192 million. New York City-based, $781 billion-asset Morgan Stanley ranked second, with a 48.2% jump in annuity earnings to $160 million. New York City-based, $2.32 trillion-asset JPMorgan Chase ranked third, despite a 25% drop in annuity fee income to $63 million. Newly formed St. Petersburg, FL-based, $18.98 billion-asset Raymond James Financial ranked a close fourth ($60.96 million), followed by fifth-ranked Charlotte, NC-based, $2.17 trillion-asset Bank of America, where annuity earnings fell 14.0% to $51.92 million. All other BHCs comprising the top ten annuity producers reported declines in annuity fee income except sixth-ranked Atlanta, GA-based, $178.2 billion-asset SunTrust Banks, where annuity earnings rose 9.8% to $22.78 million, the *Michael White - ABIA Bank Annuity Fee Income Report* reveals.

Less than half (43.2%) of the banking companies reporting annuity earnings in the first quarter were on track to earn $250,000 or more in annual annuity fee income, and among that number 40% reported double-digit growth in that revenue. In contrast, 63.4% of those on track to earn $250,000 or more in annuity fee income in first quarter 2011 achieved double-digit growth. "Those findings are troublesome," ABIA Director Kevin McKechnie said, "particularly since they follow the significant slide in fourth quarter 2011 annuity income we previously reported."

To learn more about first quarter 2012 bank annuity performance, click here.

SUNAMERICA TO ACQUIRE WOODBURY FINANCIAL FROM THE HARTFORD

New York City-based American International Group (AIG) subsidiary SunAmerica Financial has agreed to acquire Oakdale, MN-based Woodbury Financial Services from The Hartford Financial Services Group. Woodbury will retain its name, staff, management team and 1,400 independent representatives and operate as a unit within SunAmerica Financial's Advisor Group. That network of independent broker-dealers currently includes SagePoint Financial, Royal Alliance Associates and FSC Securities Corporation and over 4,800 independent financial advisors. Advisor Group President and CEO Larry Roth said, "Adding Woodbury Financial to our Advisor Group network sends a clear message that we are absolutely committed to the independent financial advisor business model."

The Hartford Financial Services Group Chairman, President and CEO Liam McGee described the Woodbury sale as the first of three planned transactions that fit with "The Hartford's strategic decision to focus on its property and casualty, group benefits and mutual funds businesses."

The deal is expected to close by the end of 2012, pending regulatory approval.

METLIFE BUYS IN EASTERN EUROPE & SELLS IN THE CARIBBEAN & CENTRAL AMERICA

New York City-based MetLife has acquired London, UK-based Aviva plc's life insurance business in the Czech Republic, Hungary and Romania and has sold "a significant portion" of its Caribbean and Central American operations to New Orleans, LA-based Pan-American Life, *Best News* reports.

GENERATIONS X & Y READY TO BUY LIFE INSURANCE FROM BANKS

More than half of generation Y (55%) and 50% of generation X would consider buying life insurance from a bank, according to a recent LIMRA study, which also found that a third of Boomers and the Silent generation would do the same.

Among all U.S. consumers interested in purchasing insurance through a bank, 70% want simple products, a fact that actual bank insurance sales bear out. LIMRA Assistant Vice President Patrick Leary said, "Much of banks' success with life insurance has been as a wealth transfer solution, selling single premium whole life and universal life." He added, "Our research suggests if banks expand their energy on selling term and other basic protection products broadly to their customers, they would have [even] more success."

EXPENSE CONTROLS DRIVE MARGINS OF ASSET MANAGEMENT FIRMS

Operating margins at asset management firms worldwide measured a median 32% in 2011, driven by controls on compensation and benefit expenses, according to a U.S. Institute survey of 96 firms managing an aggregate $21 trillion in assets.

The survey also revealed that asset managers expect hedge funds, private equity, real estate, commodities and funds of hedge funds to comprise 40% of their revenue and 17% of assets under management by 2016. In contrast, these investments comprised 9% of asset management revenue and 3% of assets under management in 2000.

For more on the U.S. Institute's Performance Intelligence: 2011 Survey Results, click here.

WEBSTER FINANCIAL REPORTS SLIDE IN WEALTH MANAGEMENT EARNINGS

Waterbury, CT-based, $19.1 billion-asset Webster Financial Corp reported wealth management fee income in the second quarter declined 2.7% to $7.25 million, down from $7.45 million in second quarter 2011, and income from bank-owned life insurance (BOLI) slipped 0.8% to $2.56 million, down from $2.58 million. Wealth management and BOLI income comprised, respectively, 15.3% and 5.4% of noninterest earnings, which rose 2.5% to $47.35 million, up from $46.19 million in second quarter 2011, helped by a tripling of mortgage banking income, and a $1 million increase in net gains on investment securities, which more than made up for a $2.29 million drop in deposit service fees.

Net interest income on a 3.32% net interest margin increased 2.5% to $144.38 million in second quarter 2012, up from $140.91 million in second quarter 2011, driven by an almost $5 million cut in interest expense. Net interest income after a stable loan loss provision of $5 million rose 2.6% to $139.38 million, up from $135.91 million. Net income available to shareholders grew 21.8% to $40.63 million, up from $33.35 million in second quarter 2011, bolstered by an almost $5 million cut in noninterest expense. Webster Financial Chairman and CEO James Smith said, "Webster turned in a solid second quarter by almost any measure."

In 2011, Webster Financial reported $8.1 million in annuity income, which comprised 4.8% of its noninterest income. The company ranked 29th in annuity income among BHCs with assets over $10 billion, according to the *Michael White - ABIA Bank Annuity Fee Income Report*.

RISING INSURANCE & STEADY WEALTH MANAGEMENT INCOME COMPRISE 30% OF TRUSTMARK

Jackson, MS-based, $9.8 billion-asset Trustmark Corp. President and CEO Gerald Host said "solid performance" in the company's wealth management and insurance businesses helped drive revenue over the $130 million mark in the second quarter. Insurance brokerage fee income rose 4.6% to $7.18 million, up from $6.81 million in second quarter 2011, and wealth management fee income remained steady at $5.76 million. Insurance brokerage and wealth management fee income comprised, respectively, 16.4% and 13.2% of noninterest income, which slid 5.8% to $43.76 million, down from $46.43 million, impacted by a decline in service charges on deposit accounts and an FDIC indemnification reduction tied to an FDIC-assisted acquisition.

Net interest income on a 4.15% net interest margin slipped 1.7% to $89.86 million, down from $91.46 million in second quarter 2011, despite a 31.2% cut in interest expense, which was not enough to make up for a 5.1% decline in interest income. Net income, after an 8.1% increase in noninterest expense largely tied to OREO, decreased 7.1% to $29.35 million, down from $31.60 million in second quarter 2011. Looking ahead, Host said, "Trustmark remains well-positioned to continue meeting the needs of our customers and creating value for our shareholders."

In 2011, Trustmark reported $27.0 million in insurance brokerage income, which comprised 18.3% of its noninterest income and 5.4% of its net operating revenue. The company ranked 28th in insurance brokerage earnings among all BHCs, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

Trustmark's $44.9 million in wealth management income comprised 30.5% of its noninterest income and 9.0% of its net operating revenue. The company ranked 49th in wealth management earnings among all U.S. BHCs, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.

WEALTH MANAGEMENT, INSURANCE & BOLI DOMINATE NATIONAL PENN'S NONINTEREST INCOME

Boyertown, PA-based, $8.4 billion-asset National Penn Bancshares reported insurance brokerage fee income in the second quarter slid 8.8% to $3.21 million, down from $3.52 million in second quarter 2011. In contrast, wealth management fee income rose 2.6% to $6.01 million, up from $5.86 million, and income from bank-owned life insurance (BOLI) ticked up 2.4% to $1.26 million from $1.23 million. Insurance brokerage, wealth management and BOLI income comprised, respectively, 15.7%, 29.4% and 6.2% of noninterest income, which fell 8.6% to $20.46 million, down from $22.39 million in second quarter 2011, when service charge fees were higher and losses from fair value exchanges on subordinated debentures were lower.

Net interest income on a 3.48% net interest margin declined 2.8% to $63.20 million, down from $65.00 million in second quarter 2011, reflecting a $7.84 million drop in interest income, which was not made up by a $6.05 million cut in interest expense. Net interest income, after a $1 million drop in loan loss provisions to $2 million, slid 1.3% to $61.20 million, down from $62.00 million. Net income, helped by an almost $2 million cut in noninterest expense, declined 3.3% to $22.45 million, down from $23.21 million in second quarter 2011. National Penn Bancshares President and CEO Scott Fainer described the results as "solid during this period of slow economic recovery."

In 2011, National Penn earned $13.5 million and $32.3 million, respectively, in insurance brokerage and wealth management income, which comprised 15.2% and 36.5% of its noninterest income. The company ranked 42nd in insurance brokerage earnings and 56th in wealth management income among all bank holding companies, according to the *Michael White - Prudential Bank Insurance Fee Income Report* and the *Michael White - IPI Bank Wealth Management Fee Income Report*.

BREMER REPORTS RISING TRUST & SECURITIES BROKERAGE EARNINGS AS INSURANCE REMAINS STEADY

St. Paul, MN-based, $8.1 billion-asset Bremer Financial Corp. reported insurance brokerage fee income in second quarter 2012 dipped 0.9% to $3.00 million, down from $3.03 million in second quarter 2011, while trust and investment management (TIM) fees rose 3.1% to $3.96 million, up from $3.84 million, and securities brokerage earnings increased 5.8% to $2.05 million, up from $1.94 million. Insurance brokerage, TIM, and securities brokerage fee income comprised, respectively, 11.8%, 15.6% and 8.1% of noninterest earnings, which grew 11.3% to $25.46 million, up from $22.88 million in second quarter 2011, driven an 83% jump in gains on mortgage loan sales.

Net interest income on a 3.97% net interest margin in second quarter 2012 rose 4.2% to $71.71 million, up from $68.79 million in second quarter 2011, driven by a $4.66 million cut in interest expense, which more than made up for a $1.75 million decline in interest income. Net interest income after a $745,000 recovery of loan loss provisions compared to $7.64 million set aside for those provisions in second quarter 2011, grew 17.1% to $72.45 million, up from $61.90 million. Net income climbed 34.6% to $24.44 million, up from $18.16 million in second quarter 2011, reflecting increased noninterest income, slashed loan loss provisions, and "the commitment of our team to stay close to our clients in good times as well as more challenging times," Bremer Financial CEO Pat Donavon said.

In 2011, Bremer Financial Corp. reported $14.8 million in insurance brokerage fee income, which comprised 16.7% of the company's noninterest income and 4.0% of its net operating revenue. Bremer ranked 8th in insurance brokerage earnings among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

INSURANCE, TRUST, BOLI & DEPOSIT FEES DOWN AT NORTHWEST BANCSHARES

Warren, PA-based, $8.04 billion-asset Northwest Bancshares reported insurance brokerage fee income in second quarter 2012 decreased 10.6% to $1.60 million, down from $1.79 million in second quarter 2011; trust and investment management (TIM) fee income slid 7.8% to $2.02 million, down from $2.19 million; and income from bank-owned life insurance (BOLI) fell 35.5% to $1.11 million, down from $1.72 million. Insurance brokerage, trust and investment services, and BOLI income comprised, respectively, 10.8%, 13.6% and 7.5% of noninterest earnings, which declined 2.2% to $14.84 million, down from $15.26 million in second quarter 2011, despite a surge in mortgage banking income, which was not enough to make up for a $619,000 drop in service charges and fees on deposit accounts.

Net interest income in second quarter 2012 slid 1.1% to $65.96 million, down from $66.68 million in second quarter 2011, reflecting an over $5 million drop in interest income, which exceeded a $4.37 million cut in interest expense. Net interest income, after a $3.40 million drop in loan loss provisions to $4.96 million, increased 4.6% to $61.00 million, up from $58.31 million. Net income, aided by decreased noninterest expense, increased 9.1% to $16.36 million, up from $15.00 million in second quarter 2011. Northwest Bancshares President and CEO William Wagner said, "Delinquent and non-accrual loans at the end of the quarter were at the lowest levels since the second quarter of 2008." He added, "We were pleased to announce the termination of the FDIC Consent Order on July 6, 2012."

In 2011, Northwest Savings Bank reported $6.2 million in insurance brokerage income, which comprised 10.6% of its noninterest income and 1.8% of its net operating revenue. The company ranked 15th in insurance brokerage earnings among U.S. banks with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

Northwest reported $719,000 in annuity income, which comprised 1.2% of its noninterest income. The company ranked 46th in annuity income among banks with assets between $1 billion and $10 billion according to the *Michael White - ABIA Bank Annuity Fee Income Report*.

BENEFITS/CONSULTING & WEALTH MANAGEMENT POST SOLID GROWTH AT COMMUNITY BANK SYSTEM

Syracuse, NY-based, $7.2 billion-asset Community Bank System reported the December 2011 acquisition of Metro New York City-based CAI Benefits helped drive second quarter employee benefits administration and consulting fees up 10.3% to $8.66 million from $7.85 million in second quarter 2011. Additionally, "solid gains in trust services and asset management drove wealth management fee income up 11.5% to $3.10 million from $2.78 million in second quarter 2011. Benefits/consulting-related fee income and wealth management earnings comprised, respectively, 36.5% and 13.1% of noninterest income, which rose 4.1% to $23.70 million, up from $22.77 million in second quarter 2011, despite a tumble in mortgage banking revenues.

Net interest income on a 3.96% net interest margin grew 6.6% in second quarter 2012 to $57.77 million, up from $54.19 million in second quarter 2011, reflecting increased interest income and an almost $3 million cut in interest expense. Net interest income, after a $1.11 million increase in loan loss provisions, rose 2.6% to $55.62 million, up from $54.19 million. Net income grew 17.1% to $21.07 million, up from $17.99 million in second quarter 2011. Community Bank System President and CEO Mark Tryniski said, "We believe that we're positioned to produce solid core results for the remainder of 2012. We completed the acquisition and conversion of 16 former HSBC branch locations on July 23, [and] we expect to complete the conversion process of the remaining three branches that we are acquiring from First Niagara in early September."

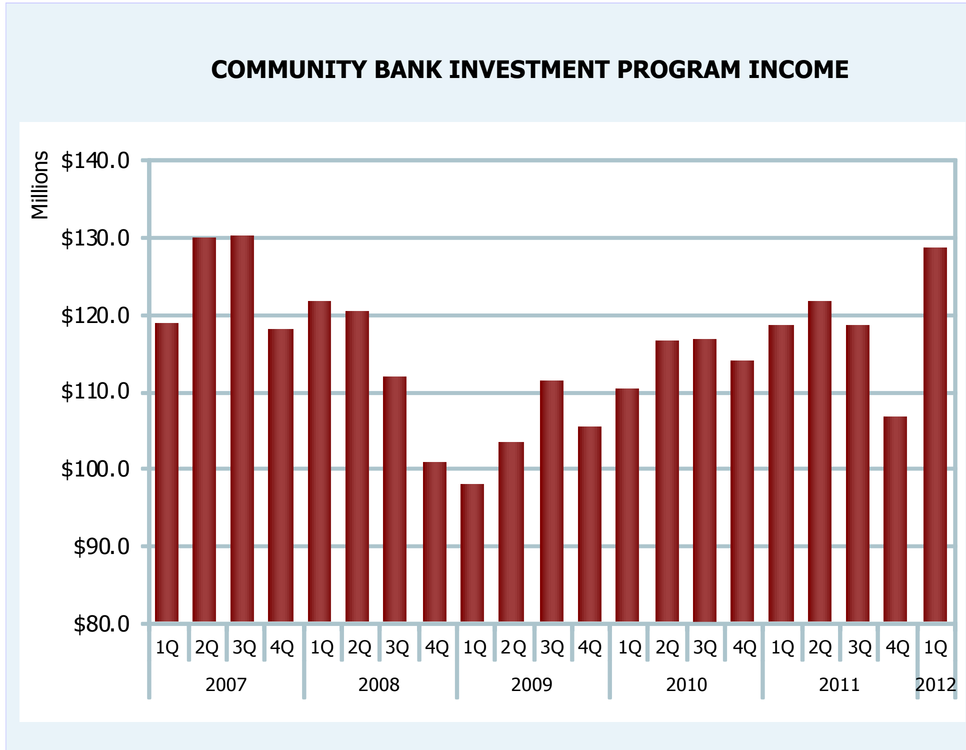
In 2011, Community Bank System earned $2.4 million and $48.0 million, respectively, in insurance brokerage and other noninterest income, which comprised 2.7% and 53.8% of its noninterest income. The company ranked 119th in insurance brokerage earnings and 82nd in other noninterest income among all bank holding companies, according, respectively, to the *Michael White - Prudential Bank Insurance Fee Income Report* and other *Michael White Bank Fee Income Ratings Reports*.

WEALTH MANAGEMENT EARNINGS & ASSETS GROW AS NET INTEREST INCOME DROPS AT ORIENTAL FINANCIAL

San Juan, PR-based, $6.4 billion-asset Oriental Financial Group reported increased insurance, securities brokerage and trust earnings drove wealth management revenue in second quarter 2012 up 29.0% to $5.90 million from $4.58 million in second quarter 2011, as assets under wealth management grew 9.3% to a record $4.5 billion. Wealth management earnings comprised 34.3% of noninterest income, which rose 2.7% to $17.21 million, up from $16.76 million in second quarter 2011.

Net interest income in second quarter 2012 dropped 22.7% to $33.08 million, down from $42.81 million in second quarter 2011, as a $16.68 million cut in interest expense was not enough to compensate for a $21.41 tumble in interest revenue. Net interest income, after a $1.47 million increase in loan loss provisions to $5.27 million, fell 28.7% to $27.81 million, down from $39.01 million. Net income available to shareholders dropped 45.5% to $13.76 million, down from $25.27 million in second quarter 2011. Oriental Financial President and CEO Jose Rafael Fernandez said, "During the quarter we continued to benefit from increased banking activity and cross selling of services to our growing customer base." He added, "We are continuing to move in the right direction for achieving our goals for 2012."

In 2011, Oriental Financial reported $8.8 million in securities brokerage income. The company ranked 8th in securities brokerage earnings among U.S. bank holding companies with assets between $1 billion and $10 billion. Oriental Financial's $9.4 million in fiduciary income placed it 39th in fiduciary earnings in its asset class, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.



SOURCE: *Michael White - Securities America Report: Community Bank Investment Programs*

AUGUST 13 - 19, 2012

U.S. COMMUNITY BANKS REPORT GROWING INVESTMENT PROGRAM INCOME

Community bank investment programs registered growth in first quarter 2012, but most of it was due to the influx of savings association or thrift data, according to the *Michael White - Securities America Report: Community Bank Investment Programs*. Until this first quarter, thrifts have not previously reported line item noninterest fee income.

Sponsored by Securities America and issued by Michael White Associates, LLC, the report measures and benchmarks investment programs at community banks, i.e., banks with less than $4 billion in assets. The current report is based on data reported by all 7,307 commercial banks and FDIC-regulated savings banks and, reporting for the first time, savings associations operating on March 31, 2012. The report specially examines the 6,685 community banks among the 7,307, plus it further segments them into five asset classes whose performance is also analyzed.

BANKINSURANCE.com NEWS
VOLUME XIII, ISSUE 9, SEPTEMBER 2012

"Perhaps the best news among first-quarter findings is that, of 412 community banks on track to earn a minimum of $250,000 in program revenues, 3 in every 5 (59.0%) experienced growth over first quarter 2011," said Gregg H. Johnson, Senior Vice President at Securities America. "In fact, nearly half (48.5%) registered double-digit growth in program revenues. In addition, first quarter 2012 mean program income is 5.7% higher compared to 2011."

Program Production

In first quarter 2012, 1,407 or 19.8% of community banks participated in investment program activities, producing $128.2 million in program income, up 8.5% from $118.2 million in first quarter 2011. Without the influx of the newly reporting thrifts, investment program income rose only 1.2% to $119.6 million. First quarter 2012 program income of $128.2 million increased 20.5% from $106.4 million in fourth quarter 2011.

These community banks achieved average investment program fee income of $91,151 in first quarter 2012, up 5.7% from $86,269 in first quarter 2011. The number of banks participating in investment program activities was up by 2.7% from 1,370 banks in first quarter 2011 to 1,407 banks in first quarter 2012.

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 2012, community banks earned mean investment program income of $204 per million dollars of retail bank deposits," said Michael White, president of Michael White Associates and author of the report. "In contrast, big banks with assets over $4 billion attained a higher mean Investment Program Penetration of $250 per million dollars of retail deposits; so, there is opportunity for community banks to enhance their programs." Community banks with assets under $100 million had the largest mean Penetration ratio at $238 per million dollars of retail deposits. This Penetration measure was somewhat depressed due to the fact that banks are flush with deposits.

PERFORMANCE BENCHMARKS FOR COMMUNITY BANK INVESTMENT PROGRAM INCOME

PERFORMANCE MEASURES	1Q 2012 MEAN RATIO	1Q 2011 MEAN RATIO
PRODUCTION - Dollar Volume	$91,151	$86,269
CONCENTRATION - % of Noninterest Income	7.56%	7.90%
PENETRATION – $ per Million Dollars of Retail Deposits	$204	$210
PRODUCTIVITY - $ per Bank Employee	$634	$634
DENSITY - $ per Domestic Office	$13,496	$14,584

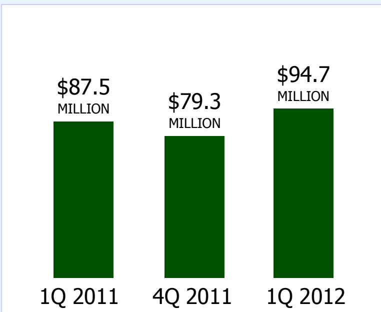
SOURCE: *Michael White - Securities America Report: Community Bank Investment Programs*

Program Concentration

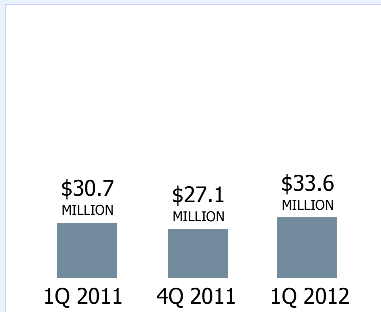
Program Concentration calculates the portion of total noninterest income attributable to a specific kind of noninterest fee income. This ratio enables us to know how concentrated or meaningful bank investment programs are among their banks' non-lending activities.

As a group, community banks achieved a higher mean Concentration of investment program income to noninterest income than larger banks in first quarter 2012. As a group, community banks attained a Concentration ratio of 8.0%, with banks with between $100 million and $300 million in assets reaching the highest mean ratio of program income to noninterest income of 8.9%. Large banks, those with assets greater than $4 billion, had a lower mean Concentration ratio of 6.0% for the same period, reflecting the fact that, in their case, they tend to have more sources of noninterest income in larger volumes than just investment program income.

COMMUNITY BANK SECURITIES BROKERAGE INCOME



COMMUNITY BANK ANNUITY COMMISSIONS



SOURCE: Michael White - Securities America Report: Community Bank Investment Programs

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 2012, mean community bank employee Productivity was $634 per bank employee, the same as it was in first quarter 2011. Community banks with assets between $1 billion and $4 billion generated the highest level of program productivity at $681 in program revenue per bank employee.

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. Unadjusted mean density per domestic community bank office was $13,496 in first quarter 2012, down 7.5% from $14,584 in first quarter 2011.

Revenue Mix – Securities Brokerage

In first quarter 2012, community banks earned securities brokerage fee income of $94.7 million, up 8.2% from $87.5 million in first quarter 2011. First quarter 2012 brokerage revenues of $94.65 million were $15.3 million or 19.3% more than the $79.33 million in fourth quarter 2011. Security brokerage revenues constituted 73.8% of total investment program income of $128.2 million in first quarter 2012, up from a cumulative mix of 73.8% in 2011. First quarter 2012 securities revenue mix fell slightly by seven-tenths of a point from fourth quarter 2011's 74.5%.

Of the 1,407 banks with assets under $4 billion that reported earning investment program income in first quarter 2012, 1,224 banks or 87.0% reported earning commissions and fees from securities brokerage, and 620 banks or 44.1% reported earning securities brokerage fee income only.

Revenue Mix – Annuities

Community banks earned annuity fee income of $33.6 million in first quarter 2012, up 9.5% from $30.7 million in first quarter 2011. First quarter 2012 annuity revenues of $33.6 million were up 24.0% from $27.1 million in fourth quarter 2011.

Annuity commissions constituted 26.2% of community bank investment program income of $128.2 million in first quarter 2012, up from fourth quarter 2011's annuity revenue mix of 25.5%. With 13.9% of first quarter 2012 program income and 13.7% of fourth quarter 2011 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 1,407 community banks that reported earning investment program income in first quarter 2012, 787 banks or 55.9% reported earning annuity commissions, and 183 banks or 13.0% reported earning annuity income only. This latter finding of 183 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 or hybrid investment programs.

Leaders – Investment Program

In first quarter 2012, leaders in investment program fee income among big banks with assets under $4 billion were CenterState Bank of Florida (FL) with $8.59 million, up 79.1% from $4.80 million in first quarter 2011; North Shore Community Bank & Trust Company (IL) with $4.13 million in 2012, down 0.8% from $4.16 million; TIB The Independent Bankersbank (TX) with $3.55 million, up 26.4% from $2.81 million; United Bankers' Bank (MN) with $1.91 million, up 30.3% from $1.46 million; and Espirito Santo Bank (FL) with $1.62 million, down 19.8% from $2.02 million in first quarter 2011. (Not all income in some investment programs is derived from activities conducted for retail customers. Institutions like CenterState Bank of Florida and bankers' banks sell securities, particularly bonds, for other community banks. When bank lending is tight and there are higher deposits and fewer loans, the increased liquidity of banks' balance sheets also increases community banks' demand for bonds.)

Leaders – Annuities

In first quarter 2012, leaders in annuity fee income among banks under $4 billion in assets were AnchorBank, fsb (WI) with $684,000, with last year's total unknown because it is a thrift; CenterState Bank of Florida (FL) with $550,000, up nearly twenty-fold from $27,000; Lake City Bank (IN) with $520,000, down 11.3% from $586,000 in first quarter 2011; First Victoria National Bank (TX) with $469,000, up 19.3% from $393,000; and United Bank (WV) with $462,000 in 2012, up 11.1% from $416,000 in first quarter 2011.

For more on the Michael White - Securities America Report: Community Bank Investment Programs, click here.

U.S. APPLICATIONS FOR INDIVIDUALLY UNDERWRITTEN LIFE INSURANCE SLIP IN JULY

U.S. applications for individually underwritten life insurance slipped 1.4% in July compared to July 2011, according to the *MIB Index*. Applications among individuals aged 45-59 and 0-44 declined, respectively, 2.4% and 2.0%, while applications among individuals aged 60 and older moderated their upward trend, rising a tepid 2.0%, the lowest increase since 2008.

Applications year-to-date, however, remained up across all age groups, with applications among individuals aged 0-44 up 1.3%, those aged 45-59 up 1.4% and applications among individuals aged 60 and older up 6.6%, Braintree, MA-based MIB Group found.

CIBC TO ACQUIRE MFS MCLEAN BUDDEN'S PRIVATE WEALTH MANAGEMENT BUSINESS

Toronto, Canada-based CIBC, through CIBC Wealth Management, has agreed to acquire Toronto-based MFS McLean Budden's private wealth business. CIBC Wealth Management Group Head Victor Dodig said, "Thus opportunity aligns with CIBC Wealth Management's strategic priority to strengthen relationships with high-net-worth clients and enhance distribution capabilities." The deal to acquire the business with $1.4 billion in assets under management is expected to close in the fourth quarter, pending regulatory approval.

WELLS FARGO SUES OVER TRADEMARK INFRINGEMENT

San Francisco-based, $1.33 trillion-asset Wells Fargo & Co. unit Wells Fargo Insurance Services USA has filed suit against San Francisco Bay-based ABD Insurance & Financial Services alleging the newly-launched brokerage misappropriated the ABD trademark, a trademark Wells Fargo acquired in 2007 when it purchased similarly-named ABD Insurance & Financial Inc.

The suit names former Wells Fargo executive Brian Hetherington and former ABD Vice President Kurt de Grosz as defendants, and alleges they filed an "intent to use" application for the ABD trademark in October 2011, then recruited more than 50 Wells Fargo employees to join their newly formed enterprise, operating under the ABD brand.

Wells Fargo said the "extremely valuable goodwill" attached to the ABD brand was a primary reason it acquired ABD Insurance & Financial. Wells Fargo charged in its suit: "The defendants are attempting to misappropriate the goodwill of a recognized brand and compete in a manner calculated to deceive consumers and irreparably harm Wells Fargo."

The suit was filed in the U.S. District Court for the Northern District of California, *businessinsurance.com* reports.

GROWING INSURANCE, RETIREMENT PLAN & TRUST FEES COUNTER SLUMPING DEPOSIT FEES AT NBT

Norwich, NY-based, $5.97 billion-asset NBT Bancorp reported insurance brokerage fee income in second quarter 2012 grew 5.0% to $5.28 million, up from $5.03 million in second quarter 2011; retirement plan administration fees increased 6.2% to $2.41 million, up from $2.27 million; trust fees rose 2.2% to $2.31 million, up from $2.26 million, while income from bank-owned life insurance (BOLI) slid 6.4% to $618,000 from $660,000. Insurance brokerage, retirement plan, trust and BOLI income comprised, respectively, 25.5%, 11.7%, 11.2% and 3.0% of noninterest income, bolstering that revenue which rose 4.1% to $20.68 million, up from $19.86 million in second quarter 2011, despite an $884,000 drop in fees on deposit accounts.

Net interest income on a 3.82% net interest margin slipped 0.8% to $49.75 million, down from $50.16 million in second quarter 2011, driven by a $1.61 million drop in interest income which was not compensated for by a $1.20 million cut in interest expense. Net interest income after a $1.92 million drop in loan loss provisions to $4.10 million rose 3.4% to $45.65 million, up from $44.14 million. Net income, after increased expenses tied to the acquisition of Manchester, NH-based, $272 million-asset Hampshire First Bank, declined 9.5% to $13.26 million, down from $14.66 million in second quarter 2011. NBT Bancorp President and CEO Martin Dietrich said, "The economic and regulatory environment continues to present challenges, but we remain focused on the fundamentals of banking and … meeting the needs of our customers."

In 2011, NBT Bancorp reported $16.1 million in insurance brokerage income, which comprised 19.8% of its noninterest income and 5.7% of its net operating revenue. The company ranked 7th in insurance brokerage earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

BankInsurance.com News

NBT Bancorp's $4.8 million in securities brokerage income comprised 5.9% of its noninterest income and 1.7% of its net operating revenue. The company ranked 16th in wealth management earnings among all U.S. BHCs, according to the *Michael White - Securities America Report: Community Bank Investment Programs*.

INSURANCE/SECURITIES BROKERAGE, TRUST & BOLI COMPRISE 29.2% OF FIRST COMMONWEALTH'S NONINTEREST INCOME

Indiana, PA-based, $5.9 billion-asset First Commonwealth Financial reported insurance and retail securities brokerage fee income in second quarter 2012 rose 5.1% to $1.67 million, up from $1.76 million in second quarter 2011, and income from bank-owned life insurance (BOLI) increased 5.0% to $1.46 million, up from $1.39 million, while trust earnings slid 8.5% to $1.61 million, down from $1.76 million. Combined insurance and securities brokerage earnings, trust income and BOLI income comprised, respectively, 10.3%, 9.0% and 9.9% of noninterest earnings, which declined 5.0% to $16.20 million, down from $17.06 million in second quarter 2011.

Net interest income on a 3.61% net interest margin slipped 0.6% to $48.01 million, down from $48.29 million in second quarter 2011, despite a $3.31 million cut in interest expense. Net interest income after a $4.82 million drop in loan loss provisions to $4.30 million, climbed 14.5% to $43.71 million, up from $38.18 million in second quarter 2011. Net income, bolstered additionally by decreased noninterest expense, jumped 66.0% to $12.32 million, up from $7.42 million in second quarter 2011. First Commonwealth President and CEO T. Michael Price said, "Improved efficiency is the focus of a number of our strategic issues this year."

In 2011, First Commonwealth Financial reported $3.2 million in insurance brokerage income, which comprised 6.8% of its noninterest income and 1.3% of its net operating revenue. The company ranked 51st in insurance brokerage earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

First Commonwealth's $6.5 million in fiduciary income comprised 14.1% of its noninterest income and 2.8% of its net operating revenue. The company ranked 55th in wealth management earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.

STEADY TRUST EARNINGS COMPRISE 26.8% OF WESBANCO'S NONINTEREST EARNINGS

Wheeling, WV-based, $5.5 billion-asset Wesbanco, Inc. reported securities brokerage fee income in second quarter 2012 rose 1.8% to $1.11 million, up from $1.09 million in second quarter 2011, while trust fees remained basically flat at

$4.26 million compared to $4.27 million a year ago, and income from bank-owned life insurance (BOLI) slipped 2.89% to $874,000. Securities brokerage, trust and BOLI income comprised, respectively, 7.0%, 26.8% and 5.5% of noninterest earnings, which slid 5.85% to $15.89 million, down from $15.02 million in second quarter 2011, impacted by a 13.72% drop in deposit service fees.

Net interest income on a 3.53% net interest margin slipped 3.51% to $41.54 million in second quarter 2012, down from $43.05 million in second quarter 2011, driven by a $4.5 million drop in interest income, which was not made up for by a $2.98 million cut in interest expense. Net interest income after an $899,000 decrease in loan loss provisions to $5.90 million slipped 1.69% to $35.64 million, down from $36.25 million. Net income ticked up 0.67% to $12.00 million from $11.92 million in second quarter 2011. Wesbanco President and CEO Paul Limbert attributed what he described as "strong earnings" to "increasing noninterest income, reducing the cost of funds and controlling noninterest expense."

In 2011, Wesbanco reported $2.46 million in insurance brokerage income, which comprised 4.1% of its noninterest income and 1.1% of its net operating revenue. The company ranked 60th in insurance brokerage earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

Wesbanco's $12.1 million in fiduciary income comprised 20.2% of its noninterest income and 5.3% of its net operating revenue. The company ranked 27th in fiduciary-related earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.

INSURANCE EARNINGS COMPRISE 21.7% OF BENEFICIAL MUTUAL'S NONINTEREST INCOME

Philadelphia, PA-based, $4.85 billion-asset Beneficial Mutual Bancorp reported insurance and advisory commission and fee income in second quarter 2012 declined 10.8% to $1.49 million, down from $1.67 million in second quarter 2011, and comprised 21.7% of noninterest earnings, which grew 27.9% to $6.87 million, up from $5.37 million in second quarter 2011, bolstered by a surge in mortgage banking income and increased deposit account fees, the latter tied to the April acquisition of $301 million-asset SF Financial.

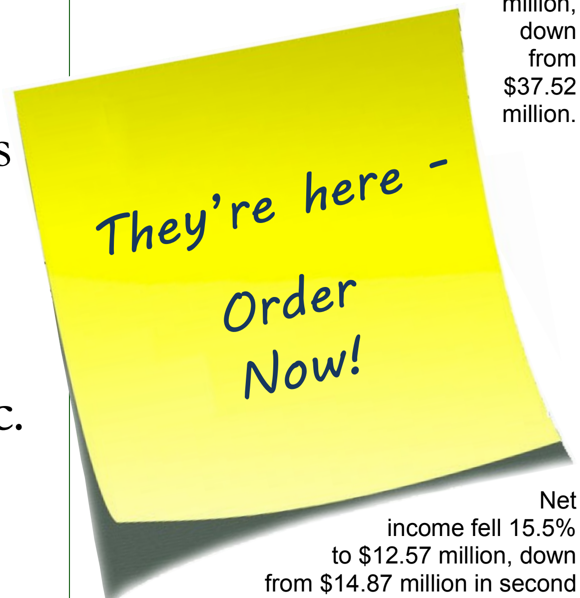
Net interest income on a 3.21% net interest margin in second quarter 2012 rose 1.2% to $36.17 million, up from $35.75 million in second quarter 2011, driven by a $1.68 million cut in interest expense, which more than compensated for a $1.27 million decrease in interest revenue. Net interest income, after a $2.5 million drop in loan loss provisions, grew 11.3% to $28.67 million, up from $25.75 million. Net income, despite a $3.76 million increase in noninterest expense largely tied to the SF Financial acquisition, rose 17.2% to $2.32 million, up from $1.98 million in second quarter 2011. Looking ahead, Beneficial Mutual Bancorp President and CEO Gerard Cuddy said he expected the SF Financial acquisition to be accretive to earnings for the rest of 2012. He added, however, "We remain concerned about the duration of the downturn, the persistently low interest rate environment, the continued lack of loan demand in our markets and our significant excess liquidity position."

In 2011, Beneficial Mutual Savings Bank reported $6.5 million in insurance brokerage fee income, which comprised 28.2% of the company's noninterest income and 3.9% of its net operating revenue. Beneficial ranked 14th in insurance brokerage earnings among banks with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

1ST SOURCE REPORTS GROWING INSURANCE REVENUE & SLIPPING TRUST EARNINGS

South Bend, IN-based, $4.5 billion-asset 1st Source Corp. reported insurance brokerage fee income generated by 1st Source Insurance from its eight offices in northern Indiana and southwestern Michigan grew 14.2% to $1.21 million in second quarter 2012, up from $1.06 million in second quarter 2011. In contrast, trust fees earned by the company's wealth management unit at nine locations slipped 0.7% to $4.38 million, down from $4.41 million. Insurance brokerage and trust fees comprised, respectively, 6.1% and 22.1% of noninterest earnings, which declined 7.6% to $19.79 million, down from $21.42 million in second quarter 2011, when equipment rental income and net investment gains were markedly higher.

Net interest income on a 3.70% net interest margin ticked up 1.1% to $37.98 million from $37.58 million in second quarter 2011, reflecting a $2.53 million cut in interest expense, which more than made up for a $2.14 million slump in interest revenue. Net interest income after a $1.99 million spike in loan loss provisions to $2.06 million, slid 4.3% to $35.92 million, down from $37.52 million.



Net income fell 15.5% to $12.57 million, down from $14.87 million in second quarter 2011. 1st Source Chairman and CEO Christopher Murphy III said, "We continue to be cautious about the economy." He added, "During these unsettled times, we continue to offer sound advice and counsel to our clients, provide excellent customer service, and keep our clients' best interests in mind."

In 2011, 1st Source Corp. ranked 34th in insurance brokerage earnings and 10th in trust income among BHCs with assets between $1 billion and $10 billion, according to the Michael White - Prudential Bank Insurance Fee Income Report and the Michael White - IPI Bank Wealth Management Fee Income Report.

INSURANCE & WEALTH MANAGEMENT EARNINGS COMPRISE 37% OF BERKSHIRE HILLS' NONINTEREST INCOME

Pittsfield, MA-based, $4.5 billion-asset Berkshire Hills Bancorp reported insurance brokerage fee income in the second quarter slipped 0.4% to $2.77 million, down from $2.78 million in second quarter 2011, while wealth management fees grew 26.6% to $1.76 million, up from $1.39 million, driven by the Connecticut Bank & Trust acquisition during the quarter. Insurance brokerage and wealth management fees comprised, respectively, 22.5% and 14.3% of noninterest income, which climbed 50.4% to $12.29 million, up from $8.17 million in second quarter 2011, driven by more than a quadrupling of loan-related fees, bolstered by the Greenpark Mortgage acquisition.

Net interest income on a 3.70% net interest margin surged 44.8% to $35.05 million, up from $24.20 million in second quarter 2011, reflecting an over $10 million jump in net interest income (bolstered by acquisitions) and a $249,000 cut in interest expense. Net interest income, after a $750,000 increase in loan loss provisions to $2.25 million, soared 44.5% to $32.80 million, up from $22.70 million. Net income spiked over fourfold to $7.99 million, up from $1.88 million in second quarter 2011, before the Legacy Bancorp and CBT (Connecticut Bank & Trust) acquisitions. Berkshire Hills Bancorp President and CEO Michael Daly said, "Our earnings momentum remains strong due to our growth initiatives and financial discipline."

WEALTH MANAGEMENT EARNINGS CLIMB AT S&T

Indiana, PA-based, $4.3 billion-asset S&T Bancorp reported insurance brokerage fee income in second quarter 2012 slid 3.2% to $2.11 million, down from $2.18 million in second quarter 2011, while wealth management earnings grew 20.6% to $2.58 million, up from $2.14 million. Insurance brokerage and wealth management earnings comprised, respectively, 13.6% and 16.6% of noninterest income, which climbed 39.0% to $15.53 million, up from $11.17 million in second quarter 2011, driven by increased wealth management and mortgage banking earnings.

Net interest income on a 3.69% net interest margin in second quarter 2012 declined 4.1% to $34.45 million, down from $35.55 million in second quarter 2011, as a $1.69 million cut in interest expense was not enough to make up for a $2.41 million drop in interest income; additionally, the tax equivalent adjustment was $115,000 higher at $1.13 million. Net interest income after a $5.93 million spike in loan loss provisions to $7.02 million, fell 18.9% to $27.93 million, down from $34.46 million. Net income, after almost $4 million in increased noninterest expense, tumbled 42.3% to $8.60 million, down from $14.91 million in second quarter 2011. Compared to first quarter 2012, however, net income more than doubled from $3.5 million, an achievement S&T Bancorp President and CEO Todd Brice said he was "pleased to report."

In 2011, S&T Bancorp earned $6.0 million and $8.2 million, respectively, in insurance brokerage and wealth management income, which comprised, respectively, 13.0% and 17.7% of its noninterest income. The company ranked 16th in insurance brokerage earnings and 50th in wealth management income among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report* and the *Michael White - IPI Bank Wealth Management Fee Income Report*.

AUGUST 20 - 26, 2012

U.S. BOLI ASSETS GROW IN FIRST QUARTER

Bank-owned life insurance (BOLI) assets reached $145.6 billion in first quarter 2012, reflecting an 8.7% increase from $133.9 billion in first quarter 2011 BOLI assets held by large bank and savings and loan (or thrift) holding companies (BHCs and THCs, collectively, holding companies or HCs) and stand-alone banks, according to the *Michael White / Meyer - Chatfield Bank - Owned Life Insurance (BOLI) Holdings Report*.

BOLI is used to recover costs of employee benefits and offset the liabilities of retirement benefits, helping banks to keep up with the rising benefit costs. BOLI may be differentiated by three types of assets: separate account life insurance or SALI assets, general account life insurance (GALI) assets and hybrid account life insurance (HALI) assets. Commercial banks and FDIC-supervised savings banks began reporting these types of assets in 2011, and THCs and savings associations began reporting them during this first quarter of 2012.

Compiled by Michael White Associates (MWA) and sponsored by Meyer-Chatfield, the *Michael White / Meyer-Chatfield BOLI Holdings Report* measures and benchmarks the cash surrender values (CSV) of life insurance and ratios of CSV to capital attained by BHCs, THCs, commercial banks and savings associations (or thrifts). The data in this report were submitted to regulators by 1,074 large top-tier holding companies with assets greater than $500 million and all 7,307 commercial banks, savings banks, and savings associations operating on March 31, 2012. Several THCs that are historically and traditionally insurance underwriting operations have been excluded from the report. Among the study's most significant findings are these:

By Types of Institutions:

- Of 1,074 bank and thrift holding companies, 880 or 81.9% reported holding BOLI assets in first quarter 2012, increasing their BOLI holdings by 8.6%

TABLE 1. TOTAL BOLI ASSETS (IN BILLIONS) HELD BY BANKS AND THRIFTS

BANKS BY ASSET SIZE	1Q 2012	1Q 2011	PERCENT CHANGE
Over $10 billion	$105.04 billion	$102.04 billion	3.30%
$1 billion - $10 billion	$14.67 billion	$13.94 billion	5.30%
$500 million - $1 billion	$5.11 billion	$4.85 billion	5.30%
$300 million - $500 million	$3.34 billion	$3.04 billion	9.60%
$100 million - $300 million	$4.29 billion	$4.09 billion	5.10%
Under $100 million	$876.70 million	$894.00 million	-1.90%
All	**$133.68 billion**	**$128.85 billion**	**3.70%**

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

BankInsurance.com News

VOLUME XIII, ISSUE 9, SEPTEMBER 2012

from $130.84 billion in first quarter 2011 to $142.10 billion in first quarter 2012. Approximately one-third of the increase ($3.78 billion) in BOLI assets was due to the new reporting of thrift holding companies. The Federal Reserve is allowing, through 2013, a two-year phase-in of new reporting requirements by a limited number of thrift holding companies, also known as savings and loan holding companies.

- Of 1,319 stand-alone banks, i.e., those banks without parent-BHCs, 455 or 34.5% recorded $3.51 billion in BOLI holdings in first quarter 2012, up 13.2% from $3.10 billion in first quarter 2011.
- Of 7,307 banks and savings associations (which, henceforth, we will refer to collectively as “banks”), 3,754 or 51.4% reported BOLI assets of $133.68 billion in first quarter 2012, an increase of 3.7% from $128.85 billion in first quarter 2011. (See Tables 1 and 2.)

TABLE 2. NUMBER OF BANKS AND THRIFTS REPORTING BOLI ASSETS

BANKS BY ASSET SIZE	1Q 2012	1Q 2011	PERCENT CHANGE
Over $10 billion	71	72	-1.40%
$1 billion - $10 billion	422	418	1.00%
$500 million - $1 billion	485	482	0.60%
$300 million - $500 million	542	509	6.50%
$100 million - $300 million	1,438	1,435	0.20%
Under $100 million	796	829	-4.00%
All	**3,754**	**3,745**	**0.20%**

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

By Types of BOLI Assets:

- Among banks, the largest amount of BOLI assets was to be found in separate accounts. Separate account CSV assets totaled $68.14 billion among banks, representing 51.0% of all BOLI assets in first quarter 2012. (See Table 3.) At the same time, only 604 or 15.8% of all banks reporting BOLI held separate account assets. (See Table 4.) Thus, among all banks holding BOLI assets, SALI assets, the largest portion of BOLI assets, were held by the fewest number of banks. Separate account life insurance assets are the cash surrender values (CSVs) associated with separate account insurance policies, whose CSVs are supported by assets segregated from the general assets of the insurance carrier. Under such arrangements, the policyholders neither own the underlying separate account created by the insurance carrier on its behalf, nor control investment decisions in the underlying account. They do assume all investment and price risk so the investment income and investment gains and losses generally accrue directly to the policyholders and are not accounted for in the general account of the insurer.
- The BOLI assets most widely held by banks in first quarter 2012 were GALI policies. (See Table 4.) Ninety-three percent (92.8%) or 3,482 of the 3,754 banks reporting BOLI assets had $53.05 billion in general account life insurance assets, representing 39.7% of total BOLI assets. (See Tables 3 and 4.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.
- 979 or 26.1% of the 3,754 institutions reporting BOLI assets held $12.49 billion in hybrid account life insurance assets in first quarter 2012, representing 9.3% of total BOLI assets and making HALI the smallest reporting category of BOLI assets. (See Tables 3 and 4.) Hybrid account insurance policies combine features of both general and

TABLE 3. TOTAL BOLI ASSETS (IN BILLIONS) HELD BY BANKS IN FIRST QUARTER 2012				
BANKS BY ASSET SIZE	GENERAL ACCOUNT LIFE INSURANCE ASSETS (GALI)	SEPARATE ACCOUNT LIFE INSURANCE ASSETS (SALI)	HYBRID ACCOUNT LIFE INSURANCE ASSETS (HALI)	TOTAL
Over $10 billion	$33.59	$63.04	$8.77	$105.40
$1 billion - $10 billion	$8.84	$4.05	$1.79	$14.67
$500 million - $1 billion	$3.81	$0.49	$0.81	$5.11
$300 million - $500 million	$2.66	$0.22	$0.45	$3.34
$100 million - $300 million	$3.42	$0.27	$0.59	$4.29
Under $100 million	$0.74	$0.07	$0.07	$0.88
All	**$53.05**	**$68.14**	**$12.49**	**$133.68**

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

separate account insurance products. Similar to general account life insurance policies, the general assets of the insurance company issuing hybrid account policies support the policies' cash surrender values. However, like separate account policies, the assets of hybrid accounts are protected from claims on the insurer. Additionally, the banks holding hybrid account life insurance policies are able to select the investment strategies in which the insurance premiums are invested.

- Separate account life insurance (SALI) assets were most heavily concentrated (92.5%) among the largest banks with assets greater than $10 billion. But, while also concentrated among the big banks, GALI and HALI assets were less so. Smaller banks held 36.7% of general account life insurance assets and 29.8% of hybrid account life insurance assets in first quarter 2012, as opposed to the much lower 7.5% of SALI assets. (See Table 3.)
- The fastest growing type of BOLI assets in first 2012, in terms of the increase in the number of banks employing them, were hybrid assets. From first quarter 2011, the number of banks using hybrid accounts increased 37.3% from 713 in first quarter 2011 to 979 banks in first quarter 2012. Banks employing separate account or SALI assets increased slightly by 3.8% to 604 in first quarter 2012, up from 582 in first quarter 2011. The number of banks reporting the three types of BOLI assets increased rather dramatically because thrifts only began reporting them in first quarter 2012.

<u>By Size of Institutions</u>:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between $1 billion and $10 billion, as 422 of 557 banks and thrifts or 75.8% reported having them in first quarter 2012. The same-sized holding companies reported the highest incidence of BOLI ownership, as 396 of 468 BHCs or 84.6% declared they had BOLI assets.
- The largest banks and thrifts, those over $10 billion in assets, accounted for the

TABLE 4. NUMBER OF BANKS AND THRIFTS REPORTING BOLI ASSETS IN FIRST QUARTER 2012				
BANKS BY ASSET SIZE	GENERAL ACCOUNT LIFE INSURANCE ASSETS (GALI)	SEPARATE ACCOUNT LIFE INSURANCE ASSETS (SALI)	HYBRID ACCOUNT LIFE INSURANCE ASSETS (HALI)	TOTAL
Over $10 billion	65	56	33	71 *(of 107)*
$1 billion - $10 billion	392	165	157	422 *(of 557)*
$500 million - $1 billion	459	88	190	485 *(of 693)*
$300 million - $500 million	514	62	155	542 *(of 825)*
$100 million - $300 million	1,322	160	353	1,438 *(of 2,758)*
Under $100 million	730	73	91	796 *(of 2,367)*
All	**3,482**	**604**	**979**	**3,754** *(of 7,307)*

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

largest dollar increase ($3.35 billion) in BOLI. Institutions with assets between $300 million and $500 million attained the largest percentage increase (9.6%) in BOLI assets. (See Table 1.) Among holding companies, it was the largest that accounted for the biggest dollar increase ($8.08 billion) year-over-year, but holding companies with assets between $1 billion and $10 billion attained the greatest percentage increase (22.6%) in their combined BOLI assets in first quarter, as thrift holding companies began reporting BOLI for the first time.

- Four of six asset classes experienced increases in first quarter 2012 in the number of banks and thrifts reporting BOLI assets. The largest numerical and percentage increases, 33 banks and thrifts or 6.5%, respectively, occurred among depository institutions between $300 million and $500 million in assets. (See Table 2.) .
- According to federal banking regulators, it is generally not prudent for a banking company to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of the sum of the institution's total capital. (Depending on an institution's charter, total capital is defined either as Tier 1 capital or the sum of Tier 1 capital and the allowance for loan and lease losses). Nationally, median bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased (0.6%) from 14.91% in first quarter 2011 to 15.00% in first quarter 2012. Nationally, median BHC BOLI assets as a percent of total capital increased (9.6%) from 13.47% in first quarter 2011 to 14.76% in 2012.

For more on the Michael White / Meyer-Chatfield BOLI Holdings Report, click here.

WELLS FARGO SECURITIES FINED FOR IMPROPER CDO & MORTGAGE-BACKED SECURITIES SALES

San Francisco-based, $1.34 trillion-asset Wells Fargo & Co. unit Minneapolis, MN-based Wells Fargo Securities has agreed to pay a $6.5 million penalty, $65,000 in disgorgement and $16,571.96 in prejudgment interest to settle U.S. Securities & Exchange Commission (SEC) charges that the brokerage improperly sold high-risk mortgage-backed securities and collateralized debt obligations (CDOs) without understanding their complexity or disclosing their risks to investors.

The improper sales began in January 2007 and continued until August 2007, according to the SEC. SEC Municipal Securities & Public Pensions Enforcement Chief Elaine Greenberg said, "Broker-dealers must do their homework before recommending complex investments to their customers. Municipalities and other non-profit institutions were harmed because Wells Fargo abdicated its fundamental responsibility as a broker to have a reasonable basis for its investment recommendations to customers."

B OF A TO SELL MERRILL LYNCH INTERNATIONAL WEALTH MANAGEMENT BUSINESS TO JULIUS BAER

Charlotte, NC-based, $2.16 trillion-asset Bank of America Corp. (B of A) has agreed to sell Merrill Lynch's International Wealth Management business (except that in the U.S. and Japan) to Zurich, Switzerland-based Julius Baer Group. Julius Baer has agreed to pay up to $250 million in stock and the remainder in cash under management for an amount equal to 1.2% per client assets purchased in the deal. Those assets currently total $84 billion (CHF81 billion). The deal also includes a client referral agreement between Baer and Bank of America Merrill Lynch and an agreement whereby B of A Merrill Lynch will provide global equity research, structured and advisory products and other products and services to Julius Baer.

Julius Baer Group Chairman Daniel Sauter described the purchase as an international wealth management "pure-play" that adds "substantial scale to our business in Europe and in key growth markets in Asia, Latin America and the Middle East." Sauter said, "Merrill Lynch's International Wealth Management business is an excellent strategic, cultural and geographic fit."

When the deal closes by early 2013, pending regulatory approvals, Julius Baer's Wealth Management Unit will manage CHF260 billion ($266.9 billion) in client assets and increase its footprint to include Bahrain, the Netherlands, India, Ireland, Lebanon, Luxembourg, Panama and Spain.

SCOTIABANK TO ACQUIRE 51% STAKE IN COLUMBIAN PENSION FIRM

Toronto, Canada-based, C$575.3 (US$581.3) billion-asset Scotiabank has agreed to acquire a 51% stake in Bogotá, Columbia-based Colfondos AFP, Columbia's fourth largest pension fund company with $9.25 billion in assets under management. Scotiabank will partner with Mercantile Colpatria, which holds a 49% stake in Colfondos.

Scotiabank Global Wealth Management Group CEO Chris Hodgson described the acquisition as fitting with Scotiabank's "strategic priority" of "expanding Global Wealth Management's footprint in Latin America," where the unit currently operates Peru-based pension fund company Profuturo and Dominican Republic-based Scotia Crecer AFP.

Scotiabank entered Columbia in 2010 when it acquired the wholesale banking operations of RBS. Earlier this year the bank acquired a 51% stake in Banco Colpatria from Mercantil Colpatria. The Colfondos acquisition expands the latter relationship in Columbia, where Scotiabank International Banking Group CEO Brian Porter sees "great potential for growth." Porter said, "A presence in the retail space through Banco Colpatria and now the wealth market through Colfondos provides great opportunity for Scotiabank and Mercantil Colpatria to realize organic growth." Colfondos currently operates 27 offices in 20 cities across Columbia.

REGULATORS EXTEND COMMENT PERIOD ON CAPITAL REQUIREMENTS FOR INSURERS THAT OWN THRIFTS

The U.S. Board of Governors of the Federal Reserve System (Fed), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) have extended the comment period on their proposed rule to apply the same capital standards that are applied to bank holding companies to insurers that own thrifts. Traditional statutory accounting principles, however, will continue to apply to those insurers' separate accounts, deferred acquisition costs and insurance underwriting. The comment period has been extended from September 7, 2012 to October 22, 2012, *lifehealthpro.com* reports.

ACQUISITION DRIVES 29% CLIMB IN WEALTH MANAGEMENT INCOME AT CITY HOLDING

Charleston, WV-based, $2.89 billion-asset City Holding Company reported insurance brokerage fee income in second quarter 2012 declined 10.0% to $1.35 million, down from $1.50 million in second quarter 2011, while income from bank-owned life insurance (BOLI) rose 2.8% to $766,000, up from $745,000. Additionally, the acquisition of Front Royal, VA-based, $132.9 million-asset Virginia Savings Bancorp drove a 29.0% climb in trust and investment management (TIM) fee income to $942,000, up from $730,000. Insurance brokerage, BOLI income and TIM earnings comprised, respectively, 9.8%, 5.6% and 6.8% of noninterest income, which dropped 16.6% to $13.79 million, down from $16.54 million in second quarter 2011, when net investment securities gains were $2.70 million higher.

Net interest income on a 3.91% net interest margin rose 5.9% to $23.84 million, up from $22.52 million in second quarter 2011, reflecting a $2.18 million cut in interest expense, which more than made up for an $857,000 fall in interest income. Net interest income after a $389,000 increase in loan loss provisions to $1.68 million increased 4.4% to $22.17 million, up from $21.23 million. Net income, after $4.04 million in merger-related expenses, fell 24.6% to $7.41 million, down from $9.83 million in second quarter 2011. City Holding CEO Charles Hageboeck warned, "New regulatory capital rules will cause some higher yielding trust preferred securities to be called early by issuers as those securities will no longer be treated as regulatory capital for certain issuers. Our margin will be adversely impacted by such calls." He added, "Our asset quality remains strong and steady."

In 2011, City Holding Company reported $5.9 million in insurance brokerage fee income, which comprised 11.5% of the company's noninterest income and 4.1% of its net operating revenue. The company ranked 14th in insurance brokerage earnings among banks with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

GROWING INSURANCE EARNINGS COUNTER DROP IN DEPOSIT FEES AT TOMPKINS FINANCIAL

Ithaca, NY-based, $3.54 billion-asset Tompkins Financial reported insurance commissions and fees generated by Tompkins Insurance Agencies in the second quarter grew 8.7% to $3.76 million, up from $3.46 million in second quarter 2011, while securities brokerage fee income generated by Tompkins Financial Advisors fell 8.9% to $3.49 million, down from $3.83 million, impacted by a "planned decrease in the number of external broker dealer relationships," Tompkins said. Insurance brokerage and securities brokerage income comprised, respectively, 29.4% and 27.3% of noninterest earnings, which rose 6.3% to $12.77 million, up from $12.01 million in second quarter 2011, helped by a $933,000 net gain on securities transactions, which along with increased insurance earnings, more than made up for a $514,000 drop in service charges on deposit accounts.

Net interest income on a 3.52% net interest margin ticked up 0.6% to $28.11 million from $27.95 million in second quarter 2011, driven by a $1.17 million cut in interest expense, which more than covered a $1.01 million drop in interest revenue. Net income, after about $1.7 million in increased noninterest expense largely tied to the then pending VIST financial acquisition, slid 6.1% to $8.83 million, down from $9.40 million in second quarter 2011.

Looking ahead, Tompkins Financial President and CEO Stephen Romaine said, "We have been working hard to prepare for the integration of VIST Financial into the Tompkins organization. We are well positioned to make this a successful transaction both in the short term and for years to come." That transaction closed on August 1.

In 2011, Tompkins Financial earned $13.5 million in insurance brokerage income, which comprised 28.4% of its noninterest income. It ranked 9th in insurance brokerage earnings among BHCs with assets between $1 and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

NONINTEREST INCOME DRIVES EARNINGS AT BANK MUTUAL

Milwaukee, WI-based, $2.61 billion-asset Bank Mutual Corp. reported combined insurance and securities brokerage fee income in second quarter 2012 grew 15.9% to $964,000, up from $832,000 in second quarter 2011, driven by "improved sales efforts" on "a low interest rate environment, which encourages customers to purchase tax-deferred annuities." In contrast, income from bank-owned life insurance (BOLI) slid 2.8% to $524,000, down from $539,000. Combined Insurance and securities brokerage fees and BOLI income comprised, respectively, 13.9% and 7.6% of noninterest earnings, which climbed 45.6% to $6.93 million, up from $4.76 million in second quarter 2011, driven by an over $3 million jump in gains on mortgage loan sales.

Net interest income on a 2.47% net interest margin declined 7.8% to $14.85 million, down from $16.11 million in second quarter 2011, reflecting a $1.36 million drop in interest revenue, which was not covered by a $575,000 cut in interest expense. Noninterest earnings drove net income of $1.33 million, which contrasted with a $51,377 net loss in second quarter 2011. Bank Mutual President David Baumgarten said, "We are pleased that we continued to make progress reducing the bank's level of nonperforming loans."

RISING INSURANCE EARNINGS DOMINATE 44% OF COBIZ FINANCIAL'S NONINTEREST INCOME

Denver, CO-based, $2.5 billion-asset CoBiz Financial reported insurance brokerage fee income in second quarter 2012 continued to dominate noninterest earnings, rising 3.3% to $3.40 million, up from $3.29 million in second quarter

2011. In contrast, trust and investment advisory (TIA) income fell 18.8% to $1.25 million, down from $1.54 million, and investment banking income tumbled 82.7% to $148,000. Insurance brokerage and TIA earnings comprised, respectively, 43.9% and 16.1% of noninterest income, which declined to $7.75 million, down 11.8% from second quarter 2011.

Net interest income on a 4.19% net interest margin slid 2.9% to $23.62 million, down from $24.33 million in second quarter 2011, reflecting a $1.34 million fall in interest income, which was not made up for by a $628,000 cut in interest expense. Net interest income, after a recovery of $1.82 million in loan loss provisions, grew to $25.44 million, up from $23.35 million in second quarter 2011. Net income, after a $1.40 million cut in noninterest expense, almost doubled to $5.43 million compared to $2.89 million in second quarter 2011. CoBiz Chairman and CEO Steve Bangert said, "Our continuing success in attracting new customers to the franchise while retaining and expanding existing relationships should offer us continued opportunities for growth."

In 2011, CoBiz Financial reported $13.1 million in insurance brokerage income, which comprised 40.7% of its noninterest income and 10.1% of its net operating revenue. The company ranked 12th in insurance brokerage earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

INSURANCE, WEALTH MANAGEMENT & BOLI COMPRISE 67.3% OF UNIVEST'S NONINTEREST INCOME

Souderton, PA-based, $2.2 billion-asset Univest Corporation of Pennsylvania (Univest) reported insurance brokerage fee income in second quarter 2012 dipped to $2.06 million, down 0.5% from second quarter 2011, and trust fee income remained steady at $1.63 million. In contrast, investment advisory fee income rose 13.4% to $1.35 million, and income from bank-owned life insurance (BOLI) grew 25.4% to $336,000. Insurance brokerage, trust, investment advisory and BOLI income comprised, respectively, 25.8%, 20.4%, 16.9% and 4.2% of noninterest earnings, which, despite a jump in investment banking income, declined to $8.00 million, down 8.0% from second quarter 2011, when service charges on deposit accounts were higher.

Net interest income on a 3.97% net interest margin slid 4.4% from second quarter 2011 to $18.15 million, driven by a $1.45 million decrease in interest income, which was not covered by a $612,000 cut in interest expense. Net interest income after a $4.21 million drop in loan loss provisions to $1.34 million, however, grew 25.1% to $16.80 million. Net income, bolstered by decreased provisions, rose 5% to $4.8 million.

In 2011, Univest reported $9.1 million in insurance brokerage fee income, which comprised 27.4% of the company's noninterest income and 8.4% of its net operating revenue. The company ranked 18th in insurance brokerage earnings among banks with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

Univest's $10.5 million in wealth management fee income comprised 31.9% of its noninterest income and 9.8% of its net operating revenue. The company ranked 48th in wealth management earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.

GROWING INSURANCE EARNINGS CONTRAST WITH SLUMPING INTEREST INCOME AT FIRST DEFIANCE

Defiance, OH-based, $2.07 billion-asset First Defiance Financial reported combined insurance and securities brokerage fee income in the second quarter of 2012 jumped 51.0% to $2.19 million, up from $1.45 million in second quarter 2011, driven by growing insurance commissions. In contrast, trust income slid 2.9% to $169,000, down from $174,000, and income from bank-owned life insurance (BOLI) declined 7.6% to $219,000, down from $237,000. Insurance/securities brokerage fee income, trust and BOLI income comprised, respectively, 27.4%, 2.1% and 2.7% of noninterest earnings, which grew 16.8% to $7.99 million, up from $6.84 million in second quarter 2011, driven by increased insurance brokerage and mortgage banking income.

Net interest income on a 3.75% net interest margin slipped 1.5% to $17.25 million, down from $17.52 million in second quarter 2011, reflecting a $1.45 million decline in interest income, which was not made up for by a $1.18 million cut in interest expense. Net interest income, after a $1.69 million climb in loan loss provisions to $4.10 million, fell 13.0% to $13.15 million, down from $15.11 million. Net income, impacted by decreased interest revenue and increased loan loss provisions, dropped 25.0% to $3.18 million, down from $4.24 million in second quarter 2011. First Defiance Chairman, President and CEO William Small said, "We were able to redeem our TARP investment along with making steady improvement in the levels of non-performing assets in the quarter." He warned, however, "The ability to offset declining yields on the asset side with additional reductions on the deposit side are diminishing, and this will be a challenge for margin management."

AUGUST 27 - SEPTEMBER 2, 2012

USI TO PURCHASE TD BANK'S U.S. INSURANCE UNIT

Briarcliff Manor, NJ-based USI Insurance Services has agreed to acquire TD Insurance, Inc. (TDI) from Wilmington, DE-based, $193 billion-asset TD Bank, N.A., a unit of Toronto, Canada-based, C$773.2 (US$778.5) billion-asset Toronto Dominion Bank. The acquisition does not include Toronto Dominion's Canadian insurance operations.

USI Chairman, President and CEO Mike Sicard said, "The U.S. TD Insurance team … will complement our mutual strengths, and together we will create a market leader with unique breadth and depth of resources."

In 2012, TDI's parent, TD Bank, reported $53.3 million insurance brokerage fee income. TDI is expected to contribute $58.2 million in annual revenue to USI after the deal closes in September, pending regulatory approval. USI currently offers property and casualty insurance and employee benefits products to businesses from 100 offices in 26 states.

BOK FINANCIAL ACQUIRES DENVER WEALTH MANAGEMENT FIRM

Tulsa, OK-based, $26 billion-asset BOK Financial has acquired Denver, CO-based wealth management firm The Milestone Group. The Milestone manages $1.3 billion in equity and fixed income investments for about 250 high net worth clients in Colorado and Nevada and complements BOK Financial's Colorado State Bank & Trust operations in Denver.

BOK Financial Senior Vice President Steve Bradshaw said, "BOK Financial is actively pursuing acquisitions that allow us to continue our growth trajectory." The Milestone Group (TMG) Co-Managing Director Robert Adams added, "The partnership preserves our team and boutique service model, yet adds the strength and resources of a stable 100-year-old firm."

BOK Financial is the parent of BOSC, Cavanal Hill Investment Management, and BOKF N.A. BOKF N.A. operates TransFund and seven banking divisions, including Bank of Albuquerque, Bank of Arizona, Bank of Arkansas, Bank of Kansas City, Bank of Oklahoma, Bank of Texas and Colorado State Bank & Trust. With the addition of TMG, BOK Financial holds about $50 billion in assets under management and administration.

PROPOSED MMMF REGULATIONS SEEN AS FED BAILOUT

Proposed U.S. Securities and Exchange Commission (SEC) regulations regarding money market mutual funds (MMMFs) failed to receive the required votes among SEC Commissions last week to go forward. Undeterred, SEC Chairman Mary Schapiro urged other policymakers "to address the systemic risks posed by money market funds."

The proposed regulatory changes establish MMMF reserve requirements and mandate that fund share values (net asset values or NAV) be marked to market rather than at the traditional fixed one-dollar level. If implemented, according to Laffer Associates Chairman Dr. Arthur Laffer, MMMFs would be forced to invest in more government debt; their rates of return will be reduced and their role as highly liquid and stable alternatives to bank deposits and U.S. government debt as stores of value would be undermined.

As a result, investors, facing lower MMMF returns and a floating NAV, would likely move their money to Fed-controlled banks or into short-term federal government securities, according to Laffer. Hence, "the Fed, which is in drastic need of additional buyers of federal debt" would receive "the ultimate bailout" at the expense of individual investors and the American financial system, Laffer charges. In fact, according to Laffer, the Fed is "pushing" for the MMF regulatory changes in order to drive dollars its way.

To read Money Market Mutual Fund Industry: First Do No Harm, *click here*.

To read Laffer's Investor's Business Daily *editorial "Fed Proposal for Money Market Would Hurt Savers," click here*.

CFP BOARD PROPOSES RATING SYSTEM TO CONSUMER FINANCIAL PROTECTION BUREAU

The Certified Financial Planner Board of Standards (CFP Board) has urged the Consumer Financial Protection Bureau (CFPB) to create a ratings system for financial certifications and designations using "the standards on which the CFP® [Certified Financial Planner] certification is based."

In a comment letter delivered to the CFPB last week, the CFP Board charged that the 140 financial services designations currently in use "vary significantly and investors have no meaningful way of comparing their legitimacy, value or authenticity." Using CFPB standards to "rank designations from the highest tier to those that are so deficient that their use in marketing is presumptively misleading or deceptive" would "address the use of misleading titles," the CFPB said.

The CFP Board told the CPB that "it and its nearly 67,000 certified financial planner™ professionals hope to serve as valuable partners" as "the Bureau takes much-needed steps toward addressing deceptive and fraudulent financial practices."

CLIMBING WEALTH MANAGEMENT EARNINGS DOMINATE 63.5% OF BRYN MAWR BANK'S NONINTEREST INCOME

Bryn Mawr, PA-based, $1.85 billion-asset Bryn Mawr Bank Corp reported the May 2011 acquisition of Hershey Trust Company's Private Wealth Management Group and the May 2012 acquisition of Davidson Trust Company drove second quarter wealth management fee income up 41.9% to $7.21 million from $5.08 million in second quarter 2011. In contrast, income from bank-owned life insurance (BOLI) declined 11.0% to $105,000, down from $118,000. Wealth management and BOLI income comprised, respectively, 63.5% and 0.9% of noninterest earnings, which climbed 38.9% to $11.35 million, up from $8.17 million in second quarter 2011, driven by wealth management fee income and bolstered by climbing mortgage loan sales.

Net interest income on a 3.85% net interest margin was $15.92 million, up 0.8% from second quarter 2011, reflecting cuts in interest expense, which made up for a decline in interest revenue. Net interest income, after a $916,00 drop in loan loss provisions to $1 million, grew 7.5% to $14.92 million. Net income, after increased noninterest expense largely tied to mergers and acquisitions, rose 9.4% to $5.26 million. Bryn Mawr Bank Chairman and CEO Ted Peters said, "Like all banks, the current low interest rate environment continues to exert pressure on our net interest margin." Looking ahead, he said, "We are confident that our recent acquisition of the Davidson Trust Company will have a positive effect on our bottom line."

In 2011, Bryn Mawr Bancorp's $18.2 million in wealth management income comprised 57.2% of its noninterest income and 19.1% of its net operating revenue. The company ranked 21st in wealth management earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.

GROWING INSURANCE REVENUE BESTS DECLINING DEPOSIT FEES AT OHIO'S PEOPLES BANCORP

Marietta, OH-based, $1.83 billion-asset Peoples Bancorp reported insurance brokerage fee income in the second quarter grew 12.4% to $2.44 million, up from $2.17 million in second quarter 2011, besting declining deposit account fees as the number one source of noninterest earnings. Trust and investment management (TIM) income, bolstered by the acquisition of a Wood County, WV book of business, rose 2.8% to $1.45 million, up from $1.41 million, while income from bank-owned life insurance (BOLI) dropped to a loss of $4,000 compared to $92,000 in BOLI income in second quarter 2011. Insurance brokerage and TIM earnings comprised, respectively, 28.7% and 17.1% of noninterest earnings, which increased 7.7% to $8.50 million.

Net interest income on a 3.42% net interest margin rose 1.3% from second quarter 2011 to $13.61 million, driven by a $1.78 million cut in interest expense, which made up for a $1.40 million drop in interest revenue. Net interest income after a $1.12 million recovery of loan loss provisions, compared to $2.30 million set aside in second quarter 2011, grew to $14.77 million, up 32.6% from second quarter 2011. Net income almost doubled to $5.03 million. Peoples Bancorp President and CEO Chuck Sulerzyski said, "Revenue growth is occurring with modest loan growth, reflecting the value of our revenue diversity."

In 2011, Peoples Bancorp earned $9.3 million and $526,000, respectively, in insurance brokerage and securities brokerage earnings, which comprised, respectively, 28.9% and 1.6% of its noninterest income. The company ranked 17th in insurance brokerage earnings and 118th in securities brokerage income among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report* and the *Michael White - Securities America Report: Community Bank Investment Programs*.

WEALTH MANAGEMENT INCOME RISES, INSURANCE DECLINES AT MISSISSIPPI'S FIRST M&F CORP

Kosciusko, MS-based, $1.56 billion-asset First M&F Corp reported insurance brokerage fee income in the second quarter declined 9.4% to $848,000, down from $936,000 in second quarter 2011, while wealth management (fiduciary and brokerage) fee income rose 7.2% to $163,000, up from $152,000. Insurance brokerage and wealth management earnings comprised, respectively, 14.0% and 2.7% of noninterest income, which grew 28.2% to $6.04 million, up from $4.71 million in second quarter 2011, drive by a $1,48 million surge in mortgage banking income to $1.81 million.

Net interest income on a 3.72% net interest margin slid 2.6% to $12.92 million, down from $13.27 million in second quarter 2011, despite a $1.34 million cut in interest expense, which was not enough to compensate for a $1.70 million fall in interest revenue. Net interest income, after stable loan loss provisions of $2.28 million, slipped 3.2% to $10.64 million, down from $10.99 million. Net income, after dividends, jumped 86.1% to $1.23 million, up from $661,000 in second quarter 2011. First M&F Corp Chairman and CEO Hugh Potts said, "Our noninterest income base is solid [and] non-accrual loans are down 80% from a year ago."

In 2011, M&F Corp earned $3.6 million in insurance brokerage fee income, which comprised 26.2% of its noninterest income and 5.5% of its net operating revenue. The company ranked 48th in insurance brokerage earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

RISING TRUST EARNINGS CONTRAST WITH NET INTEREST INCOME DROP AT ORRSTOWN

Shippensburg, PA-based, $1.33 billion-asset Orrstown Financial Services reported trust earnings in the second quarter rose 8.7% to $1.12 million, up from $1.03 million in second quarter 2011, while brokerage income declined 13.0% to $421,000. Trust and brokerage earnings comprised, respectively, 15.9% and 6.0% of noninterest income, which grew to $7.03 million, up 34.9 % from second quarter 2011, driven by a $2.13 million increase in investment securities gains.

Net interest income on a 2.96% net interest margin dropped 25.4% to $9.55 million, down from $12.81 million in second quarter 2011, reflecting a $3.91 million fall in interest revenue and only slight $644,000 cut in interest expense. After a $1.77 million increase in loan loss provisions to $23 million, the company reported a net interest loss of $13.45 million compared to a net interest loss of $8.42 million in second quarter 2011. A net loss of $9.91 million compared to a net loss of $10.62 million in second quarter 2011, with both quarters' performance reflecting decreased interest revenue and higher loan loss provisions. Orrstown Financial President and CEO Thomas Quinn said, however, "We are strengthening our balance sheet and better positioning the bank for the future." He added, "We continue to satisfy the quantitative tests to be deemed well capitalized by regulatory standards."

In 2011, Orrstown Financial reported $1.54 million in securities brokerage income, which comprised 9.3% of its noninterest fee income and 2.2% of its net operating revenue. The company ranked 55th in securities brokerage earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Securities America Report: Community Bank Investment Programs*.

INSURANCE DOMINATES 52.6% OF NONINTEREST INCOME AT SHORE BANCSHARES

Easton, MD-based, $1.18 billion-asset Shore Bancshares reported insurance brokerage fee income generated by the Company's subsidiaries The Avon-Dixon Agency, Elliott Wilson Insurance and Jack Martin & Associates, continued to dominate noninterest earnings despite 2.8% slip to $2.41 million, down from $2.48 million in second quarter 2011. Trust and investment management (TIM) fee income, in contrast, increased 6.7% to $446,000, up from $418,000. Insurance brokerage and TIM earnings comprised, respectively, 52.6% and 9.7% of noninterest earnings, which rose 4.5% to $4.58 million, up from $4.38 million in second quarter 2011, helped by a gain from a branch sale, which more than covered a 16.4% drop in service charges on deposit accounts.

Net interest income on a 3.36% net interest margin in the second quarter fell 9.1% to $9.03 million, down from $9.94 million in second quarter 2011, reflecting an 8.2% decline in interest revenue, which was not covered by a 4.8% cut in interest expense. Net interest income, after a 35% drop in loan loss provisions to $3.53 million, however, climbed 21% to $5.51 million. Net income of $293,000 contrasted with a net loss of $233,000 in second quarter 2011. Shore Bancshares CEO W. Moorehead Vermilye said, "We continued to work diligently to resolve and dispose of problem loans." He added, "Our institution is both patient and resilient as we continue to ride out this unprecedented credit cycle."

In 2011, Shore Bancshares reported $9.4 million in insurance brokerage fee income, which comprised 59.7% of the company's noninterest income and 16.9% of its net operating revenue. The company ranked 16th in insurance brokerage earnings among BHCs with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

Are You Receiving Your Complimentary Subscription?

BankInsurance.com News. distills the most important news stories that directly impact businesses in the bank insurance and investment world.

If you are not already receiving

BANKINSURANCE.com NEWS

register now to receive your complimentary subscription today.

www.bankinsurance.com/editorial/news/bi-com-news