MICHAEL WHITE ASSOCIATES
BANK INSURANCE CONSULTANTS
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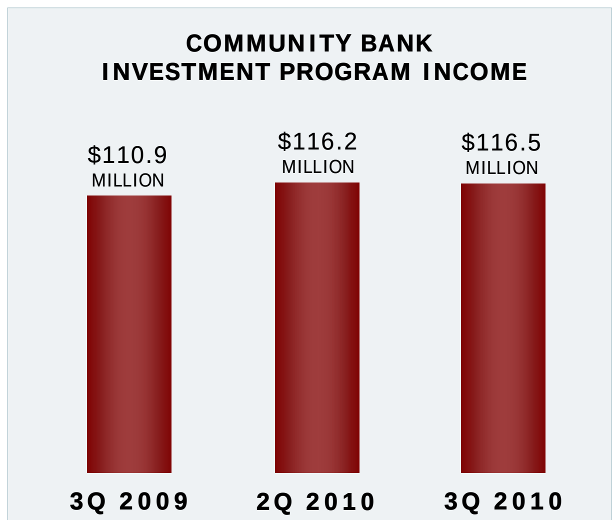
Michael White Report: Community Banks Boast Investment Program Growth Over Three Quarters

FOR IMMEDIATE RELEASE – *Radnor, PA, December 14, 2010* – Community bank investment programs continued to strengthen through the third quarter due to increases in both securities brokerage fee income and 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 6,853 commercial and FDIC-regulated savings banks operating on September 30, 2010.

"While growth in program revenue slowed in the third quarter, year-to-date performance of community bank investment programs remained well ahead of that in 2009," said Michael White, president of Michael White Associates and author of the report. "Our findings show improvements in Program Concentration, Penetration, Productivity and Density, key measures by which to gauge investment program strength."



SOURCE:
Michael White Community Bank Investment Programs Report™

Program Production

In the first nine months of 2010, 1,490 or 21.7% of community banks participated in investment program activities, producing $342.8 million in program income, up 9.8% from $312.1 million YTD in 2009. Third quarter 2010 program income of $116.5 million rose 0.3% from $110.9 million in second quarter 2010 and was up 5.0% from $110.9 million in third quarter 2009.

These community banks achieved average year-to-date investment program fee income of $230,046 in three quarters, up 17.5% from $195,815 in last year's first nine months. The number of banks participating in investment program activities was down by 6.5% or 113 banks from 1,594 banks YTD in 2009.

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 the first three quarters of 2010, community banks earned mean investment program income of $658 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 $1,040 per million dollars of retail deposits. There is by comparison, then, room for continued improvement in program penetration and overall expansion of 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 mean Concentration of investment program income to noninterest income of 6.8% at September 30, 2010. Large banks, those with assets greater than $4 billion, had a mean Concentration ratio of 5.9%, although they have more sources from which to earn noninterest income.

Investment Program Income Performance Benchmarks for Community Banks
Year-to-Date Third Quarter 2010

Performance Measures	Mean Ratios
Production - Dollar Volume	$230,046
Concentration - % of Noninterest Income	6.85%
Penetration – $ per Million Dollars of Retail Deposits	$658
Productivity - $ per Bank Employee	$1,679
Density - $ per Domestic Office	$38,498

SOURCE: Michael White Community Bank Investment Programs Report™

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.

At the end of third quarter 2010, mean community bank employee Productivity was $1,679 per bank employee, or $2,238 per employee when annualized for year-end projection purposes. Annualized mean productivity per employee through third quarter 2010 was up 14.2%% from the annualized mean ratio for YTD third quarter 2009 ($1,960).

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 $38,498 in the first three quarters of 2010. The projected annualized mean density rate was $51,318 per banking office for the first nine months, 9.1% ahead of the annualized mean density at September 30, 2009.

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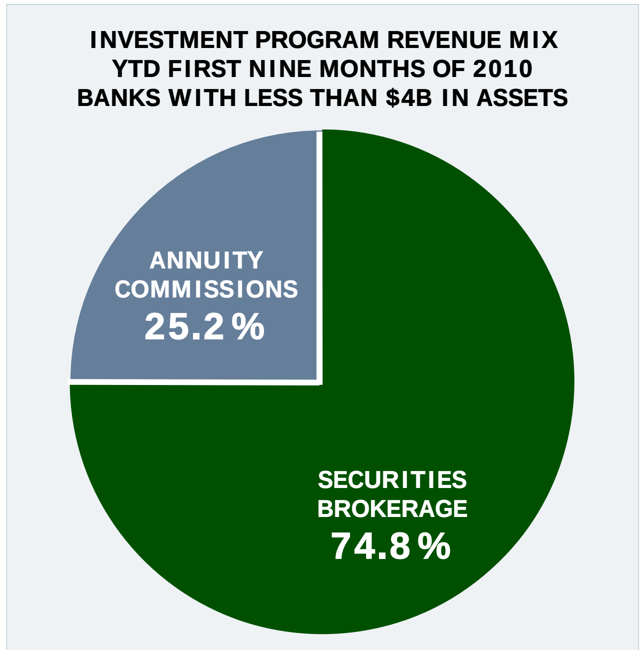
Revenue Mix – Securities Brokerage

In three quarters, community banks earned securities brokerage fee income of $256.2 million, up 17.7% from $217.6 million through September 2009. Third quarter brokerage revenues of $87.2 million were up 0.8% from $86.5 million in second quarter 2010. Security brokerage revenues constituted 74.8% of total investment program income of $342.8 million in the first nine months of 2010, up slightly from a revenue mix of 74.7% at the end of second quarter and up from a cumulative mix of 69.7% in YTD 2009.

Of the 1,490 banks with assets under $4 billion that reported earning investment program income, 1,322 banks or 88.7% reported earning commissions and fees from securities brokerage, and 648 banks or 43.5% reported earning securities brokerage fee income only.



SOURCE:
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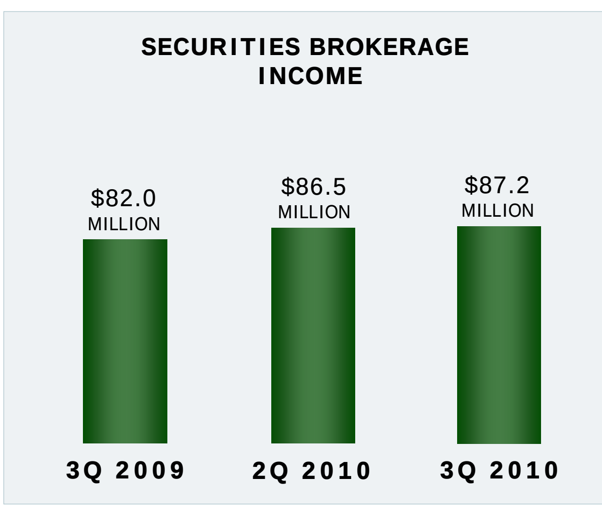
Revenue Mix – Annuities

Community banks earned annuity fee income of $86.5 million, down 8.4% from $94.5 million in three quarters of 2009. Third quarter annuity revenues of $29.3 million were down 1.3% from $29.7 million in second quarter 2010. Annuity commissions constituted 25.2% of community bank investment program income in nine months of 2010, down from a revenue mix of 25.3% in the first half, and down from a cumulative mix of 30.3% in YTD 2009. With 16.5% of third quarter program income and 15.1% of YTD 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 1,490 community banks that reported earning investment program income, 842 banks or 56.5% reported earning annuity commissions, and 168 banks or 11.3% reported earning annuity income only. This latter finding of 168 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. The number of community banks reporting only annuity income dropped 6.1% from 179 banks in year-to-date in 2009.



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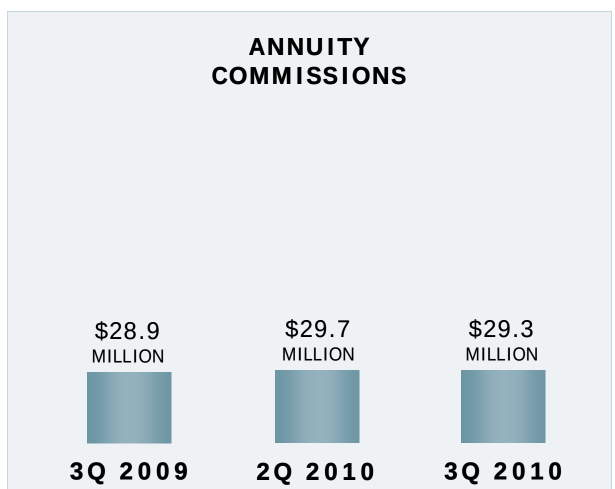

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<u>Leaders – Investment Program</u>

Year-to-date leaders in investment program fee income among big banks with assets under $4 billion were CenterState Bank of Florida, N.A. (FL) with $25.9 million, up 135.5% from $11.0 million in the first three quarters of 2009; North Shore Community Bank & Trust Company (IL) with $11.0 million, up 37.9% from $8.0 million; TIB The Independent Bankersbank (TX) with $8.50 million, down 1.0% from $8.59 million; BAC Florida Bank (FL) with $5.53 million, up 51.6% from $3.56 million; and Espirito Santo Bank (FL) with $5.39 million, up 26.8% from $4.25 million in the same period of 2009. Not all of these larger programs are retail investment programs, but rather some are the result of correspondent banking programs.

<u>Leaders – Annuities</u>

In the first nine months of 2010, leaders in annuity fee income among community banks under $4 billion in assets were Bank of Hampton Roads (VA) with $3.17 million, down 3.0% from $3.27 million in same period of 2009; United Bank (WV) with $1.60 million, up 17.1% from $1.37 million in 2009; GreenBank (TN) with $1.39 million, up 44.1% from $962,000; First Victoria National Bank (TX) with $1.34 million, down 9.2% from $1.48 million; and Lake City Bank (IN) with $1.30 million, up 47.3% from $881,000 in the first three quarters of 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. Produced by Michael White and Michael White Associates, LLC (MWA), the *Michael White Community Bank Investment Programs Report*™ 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*™ and *Michael White-Prudential Bank Insurance Fee Income Report*™ provide, respectively, comprehensive analyses of bank annuity commission income and bank insurance brokerage. Additionally, the *MWA Fee Income Ratings Reports*™ 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.

For additional information contact:

Michael D. White, Ph.D., CLU, ChFC
President
Michael White Associates, LLC
823 King of Prussia Road
Radnor, PA 19087
Phone: (610) 254-0440
Email: MWA@BankInsurance.com