



N E W S R E L E A S E

Michael White-Securities America Report: Community Bank Investment Programs Grow, But Slow at Year-End 2011

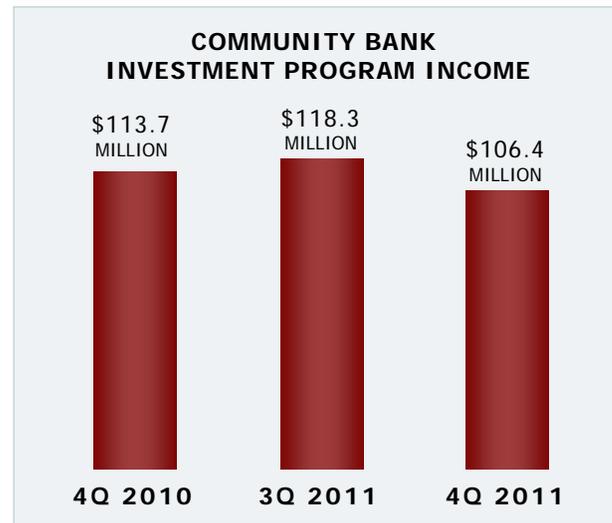
FOR IMMEDIATE RELEASE – Radnor, PA, and La Vista, NE, March 20, 2012 – Revenues of community bank investment programs in 2011 exceeded those in 2010, but revenue growth slowed in the third and fourth quarters, according to the 2012 *Michael White-Securities America Report: Community Bank Investment Programs*™.

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 6,679 commercial and FDIC-regulated savings banks operating on December 31, 2011. The report particularly examines the 6,510 community banks among the 6,679 and further segments them into five asset classes whose performance is also analyzed.

“The 2011 revenues of community bank investment programs remained slightly ahead of those in 2010. While 2011 was the best year for program revenues since 2007 and second quarter was the highest quarter since first quarter 2008,” said Gregg H. Johnson, Senior Vice President at Securities America, “fourth quarter 2011 income was lower than that of fourth quarter 2010. Both the third and fourth quarters reflected a slide from program revenue in the second quarter.”

Program Production

In 2011, 1,458 or 22.4% of community banks participated in investment program activities, producing \$464.3 million in program income, up 1.7% from \$456.5 million in 2010. Fourth quarter 2011 program income of \$106.4 million declined 10.0% from \$118.3 million in third quarter 2011, and it also was down 6.4% from \$113.7 million in fourth quarter 2010.



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

These community banks achieved average investment program fee income of \$318,456 in 2011, up 5.8% from \$300,928 in 2010. This average production was helped upward as less productive banks exited the business or were merged. The number of community banks participating in investment program activities was down by 3.9% from 1,517 banks in 2010 to 1,458 banks in 2011, as the total number of community banks similarly fell 3.7% from 6,760 to 6,510 over the same period.

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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 2011, community banks earned mean investment program income of \$752 per million dollars of retail bank deposits,” said Michael White, president of Michael White Associates and author of the report. “That Penetration Ratio was down 11.6% from \$851 in the previous year, due in part to a heavy influx of retail deposits. In contrast, big banks with assets over \$4 billion attained a higher mean Investment Program Penetration of \$954 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 investment program 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 6.85% in 2011, down from 7.67% in 2010. Large banks, those with assets greater than \$4 billion, had a lower mean Concentration ratio of 5.0%, reflecting the fact that, in their case, they tend to have more sources of noninterest income in larger volumes than just investment program income.

Performance Benchmarks for Community Bank Investment Program Income		
Performance Measures	2011 Mean Ratio	2010 Mean Ratio
Production - Dollar Volume	\$318,456	\$300,928
Concentration - % of Noninterest Income	6.85%	7.67%
Penetration – \$ per Million Dollars of Retail Deposits	\$752	\$851
Productivity - \$ per Bank Employee	\$2,302	\$2,189
Density - \$ per Domestic Office	\$49,652	\$49,501

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

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, who are frequently the important human assets in generating customer referrals and the attendant fee income earned from those customer relationships. In 2011, mean community bank employee Productivity was \$2,302 per bank employee, up 5.2% from \$2,189 in 2010.

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 \$49,652 in 2011 versus \$49,501 in 2010.

However, a number of banks with substantial securities brokerage production, including some commercial banks and bankers' banks that provide specialized investment and correspondent banking programs to small community banks, also have or report only a handful of domestic offices, sometimes only one office. When that happens, this ratio can be susceptible to skewing on a large scale, so this tends to be the ratio in which mean readings are more likely to be adjusted so as to get a more normal or typical reading. An adjusted reading for mean Program Density among community banks in 2011 produces a ratio of \$33,609 per office, up from \$29,573 in 2010.

Revenue Mix – Securities Brokerage

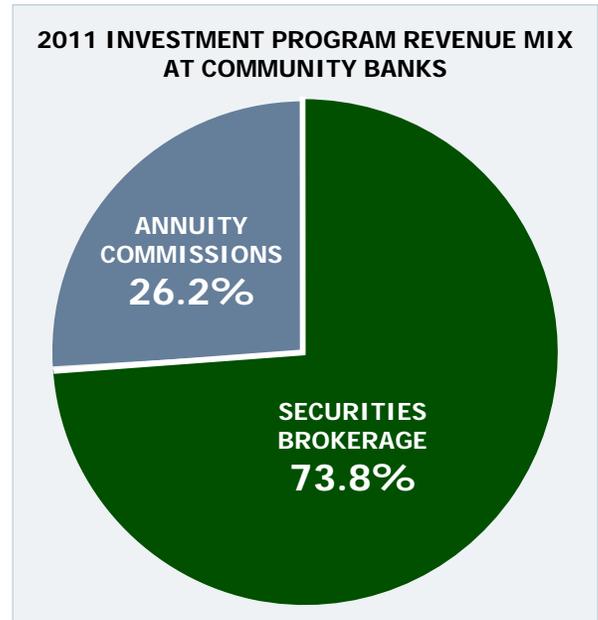
In 2011, community banks earned securities brokerage fee income of \$342.5 million, down 0.4% from \$343.7 million in 2010. Fourth quarter brokerage revenues of \$79.3 million were down 9.7% from \$87.9 million in third quarter 2011.

Security brokerage revenues constituted 73.8% of total investment program income of \$464.3 million in 2011, down from a revenue mix of 75.3% in 2010. Fourth quarter 2011 securities revenue mix rose to 74.5%, its highest point for the year.

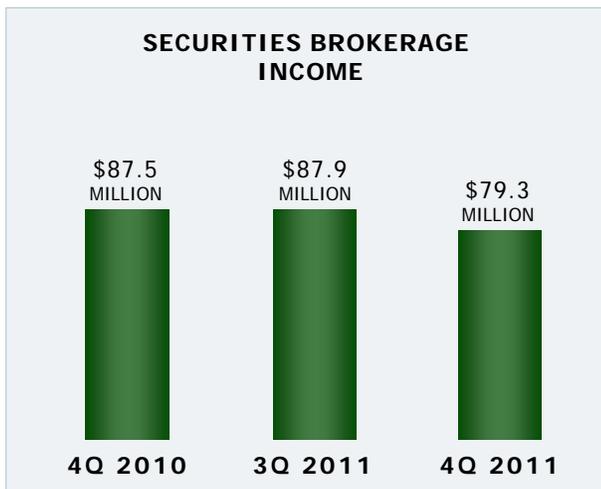
Of the 1,458 banks with assets under \$4 billion that reported earning investment program income, 1,281 banks or 87.9% reported earning commissions and fees from securities brokerage, and 627 banks or 43.0% reported earning securities brokerage fee income only.

Revenue Mix – Annuities

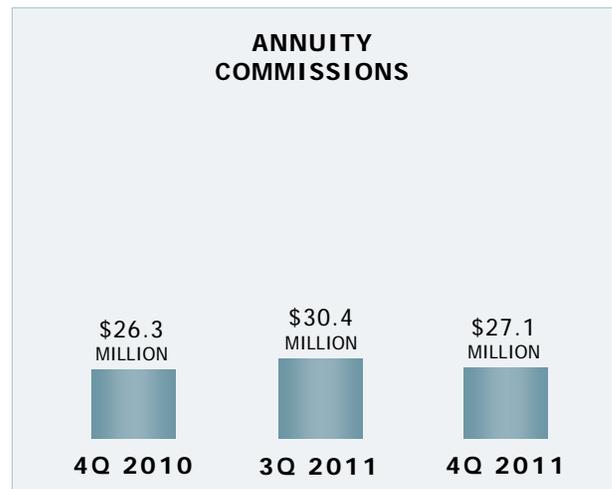
Community banks earned annuity fee income of \$121.8 million, up 8.0% from \$112.8 million in 2010. Fourth quarter 2011 annuity revenues of \$27.1 million were down 10.8% from \$30.4 million in third quarter 2011.



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



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Annuity commissions constituted 26.2% of community bank investment program income of \$464.3 million in 2011. Annuity revenue mix in fourth quarter 2011 was down to 25.5%, down 2.2 points from its highest quarterly (second quarter) mark of the year. With 13.7% of fourth quarter program income and 14.8% of total 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 1,458 community banks that reported earning investment program income, 831 banks or 57.0% reported earning annuity commissions, and 177 banks or 12.1% reported earning annuity income only. This latter finding of 177 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 rose from 175 banks in 2010.

Leaders – Investment Program

In 2011, leaders in investment program fee income among big banks with assets under \$4 billion were CenterState Bank of Florida (FL) with \$26.30 million, down 22.4% from \$33.91 million in 2010; North Shore Community Bank & Trust Company (IL) with \$15.84 million in 2011, up 4.4% from \$15.17 million in 2010; TIB The Independent Bankersbank (TX) with \$13.10 million, up 13.7% from \$11.52 million; BAC Florida Bank (FL) with \$5.54 million, down 24.7% from \$7.35 million in 2010; and The Washington Trust Company of Westerly (RI) with \$4.390 million, up 0.1% from \$4.387 million. (Income in some investment programs is not all 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 2011, leaders in annuity fee income among banks under \$4 billion in assets were Lake City Bank (IN) with \$1.88 million, up 9.2% from \$1.73 million; First Victoria National Bank (TX) with \$1.85 million, down 6.3% from \$1.97 million; Centier Bank (IN) with \$1.69 million, up 11.1% from \$1.52 million; Marquette Bank (IL) with \$1.65 million, up 7.4% from \$1.54 million in 2010; and United Bank (WV) with \$1.55 million in 2011, down 28.5% from \$2.17 million in 2010.

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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-Securities America Report: Community Bank Investment Programs*[™] measures and benchmarks the performance of community banks' 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.

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