



N E W S R E L E A S E

## ***Michael White-Securities America Report: Community Bank Investment Programs Stronger Than Ever***

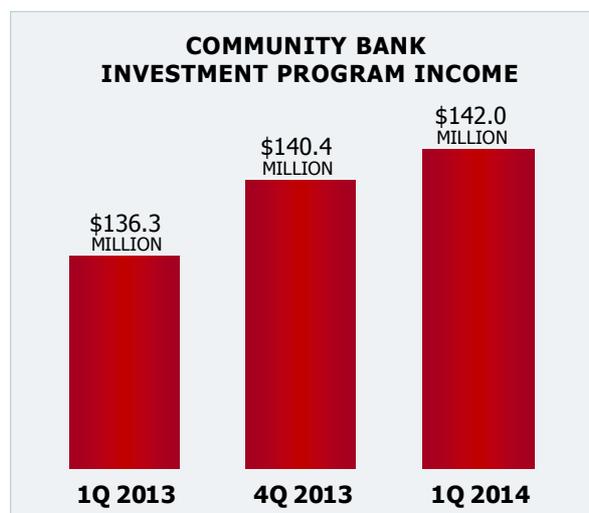
**FOR IMMEDIATE RELEASE** – Radnor, PA, and La Vista, NE, August 5, 2014 - Community bank investment programs grew 4.2% in first quarter 2014, according to the *Michael White - Securities America Report: Community Bank Investment Programs™*.

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 all 6,730 commercial banks, FDIC-regulated savings banks and savings associations operating on March 31, 2014. This quarterly report specially examines the 6,519 community banks among the 6,730; the annual report further segments them into five asset classes whose performance is also analyzed.

“Record first quarter revenues, more community banks on track to earn at least \$250,000 in investment program income this year, a higher percentage of those showing revenue growth at higher rates of growth, with three in five of them experiencing double-digit growth, higher average program income per community bank – what’s not to like about community bank investment programs. That’s all good news,” said Michael Anderson, First Vice President of Financial Institutions/Mergers & Acquisitions at Securities America.

### **Program Production**

In first quarter 2014, 1,342 or 20.6% of community banks participated in investment program activities, producing \$142.0 million in program income, up 4.2% from \$136.3 million in first quarter 2013. First quarter 2014 program income of \$142.0 million increased 1.1% from \$140.4 million in fourth quarter 2013.



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

These community banks achieved average investment program fee income of \$105,794 in first quarter 2014, up 6.7% from \$99,175 in first quarter 2013. The number of banks participating in investment program activities was down by 2.3% from 1,374 banks in first quarter 2013 to 1,342 banks in first quarter 2014.

### **Program Growth**

“The number of community banks on track to earn a minimum \$250,000 in 2014 investment program revenues increased 8.3% to 534 in first quarter 2014. Nearly three-fourths (73.4%) experienced growth over last year,” said Michael White, president of Michael White Associates and author of the report. “This rate of growth among bank investment programs was 5.6 points higher than the 67.8% rate of growth in first quarter 2013.”

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“Of the 534 banks on track to generate at least \$250,000 in annual program revenue, 322 banks (60.3%) registered double-digit growth in first quarter 2014 program revenues,” continued White. “Programs expand through recruitment of additional financial advisors, acquisition of investment brokerage services, and organic growth through increased marketing and sales initiatives. Better than two in five of these programs (249 or 46.6%) exhibited growth rates of 20% or more.” White added, “None of these findings include the six new programs reporting first quarter income for the first time and on track to earn at least \$250,000.”

### **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 2014, community banks earned mean investment program income of \$229 per million dollars of retail bank deposits, up 7.5% from a Penetration ratio of \$213 in first quarter 2013. In contrast, big banks with assets over \$4 billion attained a higher mean Investment Program Penetration of \$256 per million dollars of retail deposits, down from \$263. Hence, the gap in the Penetration ratio between community banks and the largest banks has been cut nearly in half from \$50 to \$27.

### **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 2014. As a group, community banks attained a Concentration ratio of 9.19%, up 8.7% from a ratio of 8.46 in 2013. Large banks, those with assets greater than \$4 billion, had a lower mean Concentration ratio of 6.10% 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.

<b>PERFORMANCE BENCHMARKS FOR COMMUNITY BANK INVESTMENT PROGRAM INCOME</b>		
<b>PERFORMANCE MEASURES</b>	<b>1Q 2014 MEAN RATIOS</b>	<b>1Q 2013 MEAN RATIOS</b>
Production - Dollar Volume	\$105,794	\$99,175
Concentration - % of Noninterest Income	9.19%	8.46%
Penetration – \$ per Million Dollars of Retail Deposits	\$229	\$213
Productivity - \$ per Bank Employee	\$747	\$685
Density - \$ per Domestic Office	\$14,349	\$13,664

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 2014, mean community bank employee Productivity was \$747 of investment program revenue per bank employee, up 9.1% from \$685 in first quarter 2013.

**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 \$14,349 in first quarter 2014, up 5.0% from \$13,644 in first quarter 2013.

**Revenue Mix – Securities Brokerage**

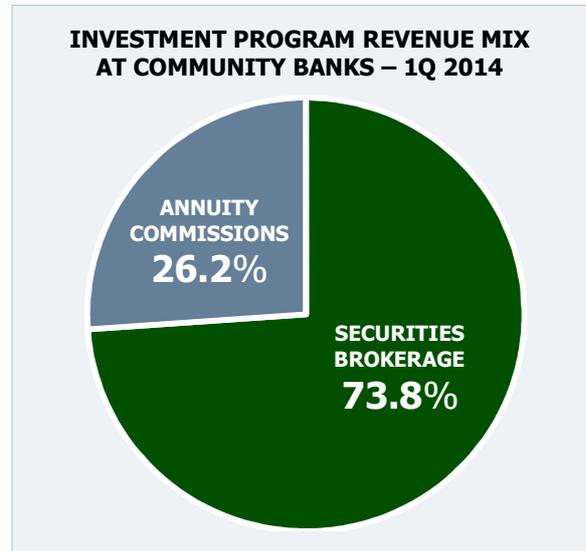
In first quarter 2014, community banks earned securities brokerage fee income of \$104.9 million, up 2.6% from \$102.2 million in first quarter 2013. First quarter 2014 brokerage revenues of \$104.9 million were essentially flat compared to the \$104.8 million earned in fourth quarter 2013. Security brokerage revenues constituted 73.8% of total investment program income of \$136.3 million in first quarter 2014, and down from 75.0% in fourth quarter 2013.

Of the 1,342 banks with assets under \$4 billion that reported earning investment program income in first quarter 2014, 1,168 banks or 87.0% reported earning commissions and fees from securities brokerage, and 578 banks or 43.1% reported earning securities brokerage fee income only.

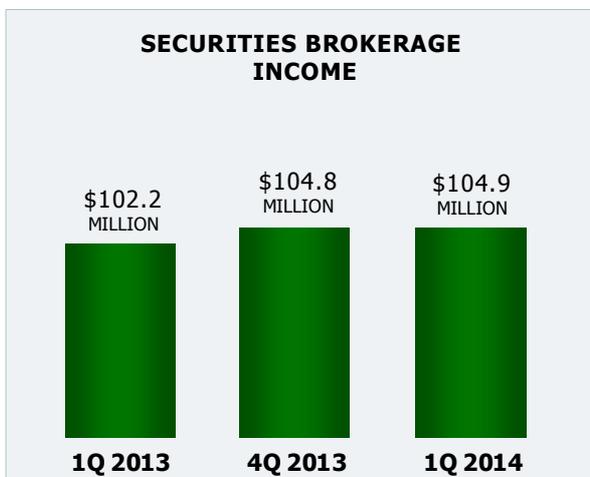
**Revenue Mix – Annuities**

Community banks earned annuity fee income of \$37.1 million in first quarter 2014, up 8.8% from \$34.1 million in first quarter 2013. First quarter 2014 annuity revenues of \$37.1 million were up 4.3% from \$35.6 million in fourth quarter 2013. Annuity commissions constituted 26.2% of community bank investment program income of \$142.0 million in first quarter 2014, down from fourth quarter 2013’s annuity revenue mix of 27.2%. With 14.4% of first quarter 2014 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.

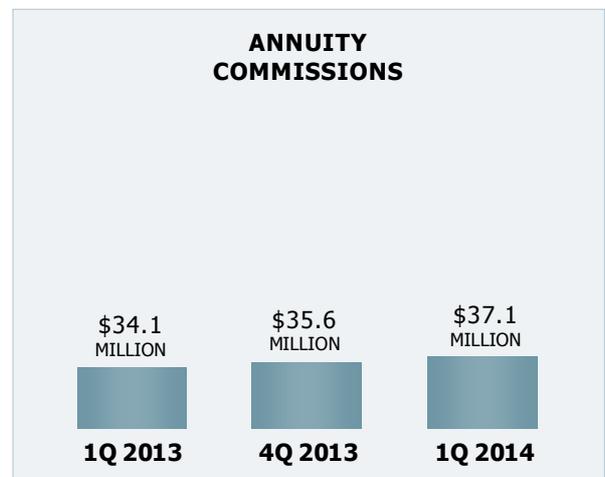
Of the 1,342 community banks that reported earning investment program income in first quarter 2014, 764 banks or 56.9% reported earning annuity commissions, and 174 banks or 13.0% reported earning annuity income only. This latter finding of 174 banks reporting only annuity income may be indicative of banks that have only platform annuity or licensed bank employee (LBE) programs and not full-product or hybrid investment programs.



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



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In first quarter 2014, leaders in investment program fee income among big banks with assets under \$4 billion were North Shore Community Bank & Trust Company (IL) with \$5.34 million in 2014, down 4.7% from \$5.60 million; CenterState Bank of Florida (FL) with \$4.56 million, down 38.5% from \$7.42 million in first quarter 2013; Johnson Bank (WI) with \$1.79 million, up 0.4% from \$1.78 million; Espirito Santo Bank (FL) with \$1.58 million, up 31.6% from \$1.20 million; and Gulf Coast Bank and Trust (LA) with \$1.43 million, up 191.6% from \$490,000 in first quarter 2013. (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 – Annuity Income**

In first quarter 2014, leaders in annuity fee income among banks under \$4 billion in assets were CenterState Bank of Florida (FL) with \$656,000, up 6.5% from \$616,000 in same quarter of 2013; Lake City Bank (IN) with \$541,000, up 7.1% from \$505,000 in first quarter 2013; Bank Mutual (WI) with \$488,000, up 10.7% from \$441,000; Centier Bank (IN) with \$480,000, up 16.2% from \$413,000; and AnchorBank, fsb (WI) with \$422,000, down 22.3% from \$543,000 in first quarter 2013.

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### ***About Securities America***

Headquartered in La Vista, Neb., Securities America Inc. is a national top 10 independent broker-dealer (as ranked by Financial Planning magazine). For more than 25 years, Securities America's mission has been to foster the success of financial professionals so they can provide quality, objective counsel and services to their clients. Advisors benefit from the firm's industry-leading programs in practice management, advisory services and retirement income distribution, supported by state-of-the-art technology. Founded in 1993, Securities America Advisors Inc. is an SEC-Registered Investment Advisory firm that offers investment management, financial advice and financial planning through a national network of independent financial advisors. Securities America Financial Corp. is a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. (NYSE MKT: LTS). Securities America received the inaugural Thought Leadership Award from the Retirement Income Industry Association in March 2011 and the inaugural Bank Insurance & Securities Association (BISA) Technology Innovation Award in March 2013. Additional information is available at [www.securitiesamerica.com](http://www.securitiesamerica.com).

### ***About Michael White Associates***

Michael White Associates, LLC (MWA) is a consulting, publishing and research firm headquartered in Radnor, PA, and online at [www.BankInsurance.com](http://www.BankInsurance.com). Produced by Michael White and MWA, the *Michael White-Securities America Report: Community Bank Investment Programs™* measures and benchmarks the performance of community banks' investment programs. The annual *Equias Alliance/Michael White BOLI Holdings Report™* provides comprehensive analyses of bank-owned life insurance assets. 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](http://www.BankInsurance.com).

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