



MICHAEL WHITE ASSOCIATES'  
**FEE INCOME RATINGS REPORT™**

PREPARED ON 1/30/2012 EXCLUSIVELY FOR  
MICHAEL WHITE ASSOCIATES (MWA)

REPORT ORDERED BY: Michael D. White  
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REPORT ORDERED FOR:  
TITLE:  
INSTITUTION:  
ADDRESS:  
  
PHONE:  
FAX:  
EMAIL:

CUSTOMIZED REPORT ON: Investment Program Income

This report is based on institutional call reports as originally filed with federal banking regulators on their required reporting dates.

**INCLUDES RANKINGS AND COMPARISONS OF THE FOLLOWING:**

BANK(s):

#28593 -- Sturgis Bank & Trust Company



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**Fee Income Ratings Report**  
on  
**Sturgis Bank & Trust Company**

The MWA Fee Income Ratings Report rates the fee income performance of Sturgis Bank & Trust Company against that of other financial institutions earning various types of fee income in the nation, its asset-peer group, region and state. This Ratings Report ranks fee income performance both numerically and by percentile, and it calculates Sturgis Bank & Trust Company's change in rank and percentile year-over-year. The report also compares the institution's compound annual growth rate of selected sources of fee income for three different time periods, starting with its growth over the last year's report period.

REPORT ON THIS INSTITUTION:	Sturgis Bank & Trust Company
ADDRESS:	119-125 East Chicago Road Sturgis, MI 490910600
THIS INSTITUTION IS A BANK OR BHC:	Bank
BANK CERTIFICATE NO. OR HOLDING CO. ID NO.:	28593
CHARTER CLASS:	SB
INSTITUTION ASSETS:	\$339,751.000
CUSTOMIZED REPORT ON:	Investment Program Income
REPORT PERIOD:	January 01, 2011 to September 30, 2011
SPECIAL NOTATION:	Dollars in thousands (\$000).



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## Sturgis Bank & Trust Company

	NATION	ASSET CLASS	REGION	STATE
9/30/2011 Investment Program Income		\$300M-\$500M	Midwest	MI
No. of Banks reporting Investment Program Income	1554	266	796	37
<b>Production: Investment Program Income</b>				
Mean	\$2,099.982	\$170.053	\$2,172.938	\$319.946
Sturgis Bank & Trust Company	\$906.000	\$906.000	\$906.000	\$906.000
-- Rank	158	3	48	5
-- Change in Rank, Year-Over-Year	+2	No Change	-5	No Change
-- Percentile	89th	98th	93rd	86th
-- Change in Percentile, Year-Over-Year	-1	No Change	-1	No Change
<b>Concentration: Investment Program Income as % of Noninterest Income</b>				
Mean	8.9051%	7.4773%	12.4061%	13.2859%
Sturgis Bank & Trust Company	30.9215%	30.9215%	30.9215%	30.9215%
-- Rank	57	12	28	3
-- Change in Rank, Year-Over-Year	-3	-4	-2	No Change
-- Percentile	96th	95th	96th	91st
-- Change in Percentile, Year-Over-Year	No Change	-1	No Change	No Change
<b>Participation: Investment Program Income as % of Noninterest Fee Income</b>				
Mean	7.6235%	8.1376%	7.6668%	7.2253%
Sturgis Bank & Trust Company	35.1708%	35.1708%	35.1708%	35.1708%
-- Rank	38	8	17	2
-- Change in Rank, Year-Over-Year	+3	-1	+1	No Change
-- Percentile	97th	96th	97th	94th
-- Change in Percentile, Year-Over-Year	No Change	-1	No Change	No Change
<b>Contribution: Investment Program Income as % of Net Operating Revenue</b>				
Mean	1.3304%	1.4095%	1.3009%	1.3068%
Sturgis Bank & Trust Company	8.6253%	8.6253%	8.6253%	8.6253%
-- Rank	17	4	7	1
-- Change in Rank, Year-Over-Year	+7	No Change	+2	No Change
-- Percentile	98th	98th	99th	97th
-- Change in Percentile, Year-Over-Year	No Change	No Change	+1	No Change
<b>Productivity: Investment Program Income per Employee</b>				
Mean	\$1.863	\$1.818	\$1.780	\$1.371
Sturgis Bank & Trust Company	\$7.190	\$7.190	\$7.190	\$7.190
-- Rank	50	11	26	1
-- Change in Rank, Year-Over-Year	-9	-3	-10	+1
-- Percentile	96th	95th	96th	97th
-- Change in Percentile, Year-Over-Year	-1	-1	-2	+3



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## Sturgis Bank & Trust Company

	NATION	ASSET CLASS	REGION	STATE
9/30/2011 Investment Program Income		\$300M-\$500M	Midwest	MI
No. of Banks reporting Investment Program Income	1554	266	796	37
<b>Density: Investment Program Income per Domestic Office</b>				
Mean	\$94.226	\$26.310	\$33.583	\$17.402
Sturgis Bank & Trust Company	\$82.364	\$82.364	\$82.364	\$82.364
-- Rank	109	20	52	2
-- Change in Rank, Year-Over-Year	-8	-4	-8	No Change
-- Percentile	92nd	92nd	93rd	94th
-- Change in Percentile, Year-Over-Year	-1	-1	-1	No Change
<b>Penetration: Investment Program Income as % of Retail Deposits</b>				
Mean	0.0613%	0.0583%	0.0563%	0.0570%
Sturgis Bank & Trust Company	0.3739%	0.3739%	0.3739%	0.3739%
-- Rank	23	3	7	1
-- Change in Rank, Year-Over-Year	+4	+1	+3	No Change
-- Percentile	98th	98th	99th	97th
-- Change in Percentile, Year-Over-Year	No Change	No Change	+1	No Change
<b>ROA: Investment Program Income as % of Assets</b>				
Mean	0.0445%	0.0450%	0.0428%	0.0447%
Sturgis Bank & Trust Company	0.2667%	0.2667%	0.2667%	0.2667%
-- Rank	22	3	8	1
-- Change in Rank, Year-Over-Year	+5	+1	+3	No Change
-- Percentile	98th	98th	98th	97th
-- Change in Percentile, Year-Over-Year	No Change	No Change	No Change	No Change
<b>Compound Annual Growth in Investment Program Income, 1 year</b>				
Industry Total	-6.31%	+12.85%	+13.03%	+23.27%
Sturgis Bank & Trust Company	+5.84%	+5.84%	+5.84%	+5.84%
Percent difference between institution and total	N/A**	-54.55%	-55.18%	-74.90%
<b>Compound Annual Growth in Investment Program Income, 2 years</b>				
Industry Total	-15.24%	+11.16%	+6.94%	-1.99%
Sturgis Bank & Trust Company	+7.50%	+7.50%	+7.50%	+7.50%
Percent difference between institution and total	N/A**	-32.80%	+8.07%	N/A**
<b>Compound Annual Growth in Investment Program Income, 3 years</b>				
Industry Total	-19.90%	-1.53%	-7.21%	-16.26%
Sturgis Bank & Trust Company	-9.69%	-9.69%	-9.69%	-9.69%
Percent difference between institution and total	N/A**	N/A**	N/A**	N/A**



**SMART BANKS KNOW THAT FEE INCOME CAN MAKE THE DIFFERENCE BETWEEN GOOD EARNINGS AND GREAT EARNINGS.**

**ARE YOU BRINGING IN AS MUCH FEE INCOME AS YOU CAN?**

The *MWA Fee Income Ratings Report™* is the quickest way to determine how your bank is performing, and how your performance compares to banks across the country, in your region and state, and to similarly sized banks. Also, third-party marketers and product providers can use the *Ratings Report™* to benchmark the competitive performance of their client banks, monitor their competitors, and identify new prospects.

**IT'S A SCORECARD FOR YOUR BANK . . .**

**. . . THAT CAN HELP YOUR TEAM ACHIEVE A WINNING RECORD SEASON AFTER SEASON**

**MICHAEL WHITE ASSOCIATES' FEE INCOME RATINGS REPORT™**  
 PREPARED ON 11/16/2004 EXCLUSIVELY FOR  
 PEOPLES BANK, A CODORUS VALLEY COMPANY

	NATIONALLY	ASSET CLASS	REGION	STATE
12/31/2003 Total Insurance Income	4140	\$300M-\$500M	Midatlantic	PA
No. of Banks reporting Total Insurance Income			222	109
<b>Total Insurance Income</b>				
Mean	\$869,113	\$189,320	\$3,211,626	\$513,064
PeoplesBank, a Codorus Valley Company	\$385,000	\$385,000	\$385,000	\$385,000
-- Rank	326	37	40	18
-- Change in Rank, Year-Over-Year	+137	+24	+5	+4
-- Percentile	92nd	89th	81st	83rd
-- Change in Percentile, Year-Over-Year	+3	+7	No Change	+1
<b>Total Insurance Income as % of Noninterest Income</b>				
Mean	2.5489%	3.9794%	3.4462%	1.1645%
PeoplesBank, a Codorus Valley Company	9.0902%	9.0902%	9.0902%	9.0902%
-- Rank	695	39	31	15
-- Change in Rank, Year-Over-Year	+437	+19	+26	+16
-- Percentile	83rd	89th	86th	86th
-- Change in Percentile, Year-Over-Year	+9	+6	+10	+12
<b>Total Insurance Income as % of Noninterest Fee Income</b>				
Mean	2.9790%	4.6126%	3.5755%	1.2845%
PeoplesBank, a Codorus Valley Company	11.2804%	11.2804%	11.2804%	11.2804%
-- Rank	699	39	28	14
-- Change in Rank, Year-Over-Year	+286	+5	+17	+9
-- Percentile	85th	89th	87th	87th
-- Change in Percentile, Year-Over-Year	+6	+2	+6	+6
<b>Total Insurance Income as % of Net Operating Revenue</b>				
Mean	1.0642%	0.9875%	2.0715%	0.5436%
PeoplesBank, a Codorus Valley Company	2.2306%	2.2306%	2.2306%	2.2306%
-- Rank	434	33	21	8
-- Change in Rank, Year-Over-Year	+294	+14	+19	+9
-- Percentile	89th	90th	90th	92nd
-- Change in Percentile, Year-Over-Year	+6	+4	+7	+6
<b>Total Insurance Income per Employee</b>				
Mean	\$2,513	\$1,395	\$5,663	\$1,087
PeoplesBank, a Codorus Valley Company	\$2,692	\$2,692	\$2,692	\$2,692
-- Rank	489	37	30	13
-- Change in Rank, Year-Over-Year	+514	+26	+22	+10
-- Percentile	88th	89th	88th	88th
-- Change in Percentile, Year-Over-Year	+12	+8	+8	+7

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Compares your bank's insurance (or investment, or mutual fund and annuity, or fiduciary-related) fee income performance to that of other banks earning the same fee income and rates your bank's performance nationally, regionally, statewide, and in its asset-peer group.

Rates your bank's fee income production in 8 performance categories and its growth over 3 time periods – nearly 200 measures by which to compare and rate your bank against the industry... and all on only two pages.

Ranks your bank numerically among all other banks with the same type of fee income – in the country, asset class, region and state.

Reports your bank's year-over-year change in rank and, thus, its rise or fall in the standings.

Rates the bank's performance against others' by percentile, e.g., the 88th percentile documents performance in the top 12% of all banks.

Tracks the bank's year-over-year change in percentile, demonstrating its improvement or decline in performance relative to the marketplace.

Calculates your bank's growth in the chosen fee income during the most recent YTD reporting period over that of the prior year and rates its growth against that of the industry.

Calculates the bank's compound annual growth rate (CAGR) in the selected fee income over two-year and three-year time periods.

Measures your progress in building a particular fee income business by comparing the bank's rate of growth to that of the industry.

	1 year	2 years	3 years
PeoplesBank, a Codorus Valley Company	+2.96%	+11.96%	-6.58%
Percent difference between institution and total	+78.24%	+78.24%	+78.24%
<b>Compound Annual Growth in Total Insurance Income, 2 years</b>			
Industry Total	+9.91%	+12.34%	-1.27%
PeoplesBank, a Codorus Valley Company	+41.24%	+41.24%	+41.24%
Percent difference between institution and total	+316.15%	+234.20%	N/A**
<b>Compound Annual Growth in Total Insurance Income, 3 years</b>			
Industry Total	N/A	N/A	N/A
PeoplesBank, a Codorus Valley Company	N/A	N/A	N/A
Percent difference between institution and total	N/A**	N/A**	N/A**

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## **BANK FEE INCOME RATINGS REPORT™ GLOSSARY**

### **Annuity Fee Income**

Annuity fee income consists of fees and commissions from sales of annuities (fixed, variable, and other) by the bank and any subsidiary of the bank and fees earned from customer referrals for annuities to insurance companies and insurance agencies external to the consolidated bank. It includes management fees earned from annuities. However, it does not include fee and commissions from sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity.

Annuity fee income also includes the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in annuity sales. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

### **Assets**

Assets are total assets, that is, the sum of all assets owned by the institution including cash, loans, securities, bank premises and other assets. This total does not include off-balance-sheet accounts.

### **Bank Holding Company (BHC)**

A bank holding company (i.e., a regulatory top holder) is any institution that directly or indirectly owns, controls, or has the power to vote 25 percent or more of any class of the voting shares of a bank; controls in any manner the election of a majority of the directors or trustees of a bank; or exercises a controlling influence over the management or policies of a bank.

### **Compound Annual Growth Rate (CAGR)**

Compound annual growth rate (CAGR) is the year over year growth rate of a sum of money over a specified period of time. Calculated by taking the nth root of the total percentage growth rate where n is the number of years in the period being considered. CAGR does not represent reality. It is an imaginary number that describes the average annual compound rate at which a sum of money or investment or, in this case, the amount of fee income grew as though it had grown at a steady rate.

### **Core Deposits**

See "Deposits."

### **Deposits**

In this report, deposits refer to retail or core deposits. These core deposits are total domestic office deposits (demand, savings and time deposits) minus time deposits of \$100,000 or more held in domestic offices. The assumption is made that all demand, savings and time deposits under \$100,000 are core.



## **Domestic Office**

A domestic office or branch is any location, or facility, of a financial institution, including its main office, where deposit accounts are opened, deposits are accepted, checks paid, and loans granted. Some branches include, but are not limited to, brick and mortar locations, detached or attached drive-in facilities, seasonal offices, offices on military bases or government installations, paying/receiving stations or units, nondeposit offices, Internet and PhoneBanking locations where a customer can open accounts, make deposits and borrow money. A branch does not include Automated Teller Machines (ATM), Consumer Credit Offices, Contractual Offices, Customer Bank Communication Terminals (CBCT), Electronic Fund Transfer Units (EFTU), and Loan Production Offices. Summary of Deposits information is required for each insured office located in any State, the District of Columbia, the Commonwealth of Puerto Rico or any U.S. territory or possession such as Guam or the U.S. Virgin Islands, without regard to the location of the main office. Only banks report the number of domestic offices; bank holding companies do not. Thus, “per domestic office” calculations for a BHC are derived by summing the number of branches or domestic offices reported by each bank subsidiary of the BHC.

## **Employee**

Employee refers to bank employee. The number of full-time equivalent employees of the bank and its consolidated subsidiaries at the end of the quarter (rounded to the nearest whole number) is used to calculate particular fee income per employee.

## **Fee Income**

See “Noninterest Fee Income.”

## **Program Concentration**

Program concentration is a calculation for examining the portion of total noninterest income attributable to a specific form of bank noninterest fee income. This benchmarking ratio, first introduced, emphasized and now named by MWA, is measured as a percentage of total noninterest income. Calculation of this ratio enables us to know how concentrated or meaningful banks’ insurance or investment programs are within their nonlending activities.

## **Fees and Commissions from Annuity Sales**

See “Annuity Fee Income.”

## **Fees and Commissions from Securities Brokerage**

See “Securities Brokerage Income.”

## **Fiduciary Income**

Fiduciary income is gross income from services rendered by a bank’s trust department or by any of its consolidated subsidiaries acting in any fiduciary capacity. It includes commissions and fees on sales of annuities that are executed in a fiduciary capacity. It excludes commissions and fees received for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when they are not handled by the bank's trust department.



## Financial Holding Company (FHC)

Passage of the Gramm-Leach-Bliley Act (GLBA) in 1999 removed long-standing legal impediments to the combining of banking, insurance, and securities activities within a single financial institution through the formation of financial holding companies (FHCs). Since then, more than 550 domestic bank holding companies (BHCs) have elected financial holding company status, along with a few U.S. securities firms and one large insurance company. A financial holding company is a U.S. bank holding company that has submitted a declaration to become a financial holding company with the appropriate Federal Reserve Bank and whose declaration has been determined to be effective as of the reporting period (e.g., March 31, June 30, September 30, or December 31). Many of the largest bank holding companies are FHCs; most domestic FHCs, however, are relatively small, i.e., with assets less than \$1 billion. As FHCs are BHCs that have elected the status of FHCs, the consolidated financial data of FHCs and their subsidiaries and affiliates are included in this report.

## Income from Mutual Funds and Annuities

Income from the sale and servicing of mutual funds and annuities (whether private label, third party or proprietary mutual funds and annuities) includes income earned as a result of sales of these products on the premises of the bank or its subsidiaries; or income earned from the sale of these products by the bank or a subsidiary, or by affiliated or unaffiliated entities from whom the bank reports income. This income may be in the form of fees or sales commissions at the time of the sale or fees earned over the duration of the account (e.g., annual fees, Rule 12b-1 fees or “trailer fees,” and redemption fees).

Income that is reported from leasing arrangements with affiliated and unaffiliated entities that lease space in offices of the bank or its subsidiaries for use in selling mutual funds and annuities and fees for providing investment advisory services for mutual funds and annuities is reported as income earned (i.e., on an accrual basis). Mutual fund and annuity income includes fees for providing securities custody, transfer agent, and other operational and ancillary services to mutual funds and annuities that are sold on the premises of the bank, or sold by the bank or its subsidiaries, through a subsidiary, or by affiliated or unaffiliated entities from whom the bank reports income at the time of sale or over the duration of the account. Income includes that earned from sales conducted through the bank’s trust department that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, conservator). Sales conducted by the trust department that are executed in a fiduciary capacity are excluded from mutual fund and annuity income.

## Income from Other Insurance and Reinsurance Activities

See “Insurance Brokerage Fee Income.”

## Insurance and Reinsurance Underwriting Income

Insurance and reinsurance underwriting income is the amount of premiums earned by bank holding company subsidiaries engaged in insurance underwriting or reinsurance activities. It includes earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business. Insurance premiums are reported net of any premiums conveyed in conjunction with reinsurance transfers to or from other insurance underwriters/reinsurers. According to bank regulators, revenues related to long-term life and annuity products are generally recognized when due, while revenues on property, casualty, health, accident and short-term life insurance coverage are recognized *pro rata* over the term of the contract.

Insurance underwriting income also includes the bank holding company’s proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method





investees that are principally engaged in insurance underwriting or reinsurance activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank holding company exercises significant influence.

Income from insurance product sales and referrals is not included in insurance and reinsurance underwriting income. See “Insurance Brokerage Fee Income.”

### **Insurance Brokerage Fee Income**

Insurance brokerage fee income is derived from non-underwriting activities and consists mostly of income from insurance product sales and referrals, including service charges, commissions, and fees earned from insurance sales, including credit, life, health, property, casualty, and title insurance products. Insurance income of this nature also includes fees earned from customer referrals for insurance products to insurance companies and insurance agencies external to the consolidated bank. Also included are management fees from separate accounts and universal life products.

Insurance brokerage fee income also includes the bank’s proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in insurance product sales and referrals. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

Insurance brokerage fee income does not include any income earned from annuity sales and referrals or insurance underwriting and reinsurance underwriting activities.

Note: Bank insurance brokerage fee income is not available for *MWA Bank Fee Income Ratings Reports*™ prior to January 2003. For the purpose of bank reporting in 2001 and 2002, banking regulators defined “Insurance commissions and fees” to include all income from insurance-related activities, including the premiums earned by banks’ insurance underwriters, and management fees from separate accounts, deferred annuities, and other life insurance products. MWA’s 2001 and 2002 *BHC Insurance & Investment Fee Income Reports* (the *BHC-FIR*) subtracted those premiums from reported BHC “insurance commissions and fees” in order to arrive at BHC non-underwriting-related insurance fee income, i.e., BHC insurance brokerage fee income. Following our lead, banking regulators in 2003 required both banks and BHCs to report insurance underwriting and insurance sales revenues separately.

Insurance brokerage fee income may alternately be called “Income from Other Insurance and Reinsurance Activities,” “Insurance Agency Income,” “Insurance Commission Income,” “Insurance Commissions and Fees,” “Insurance Fee Income,” “Insurance Income from Sales and Referrals,” or “Insurance Sales Income.”

### **Insurance Fee Income**

See “Insurance Income.”

### **Insurance Income**

See “Total Insurance Income.”



## **Investment Banking, Advisory, and Underwriting Fees and Commissions**

Investment banking, advisory, and underwriting fees and commissions are earned from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fee. They include fees and commissions from the placement of commercial paper, both for transactions issued in the bank's name and transactions in which the bank acts as an agent for a third party issuer.

Investment banking, advisory and underwriting revenues also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in investment banking, advisory, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

Investment banking, advisory and underwriting fees also constitute a portion of "Investment Fee Income," which has been reported from 2001 through 2006. Since 2007, investment fee income is no longer reported, but MWA still calculates it.

## **Investment Fee Income**

Investment fee income consists of investment banking, advisory, brokerage, and underwriting fees and commissions. These include fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the sale of annuities to bank customers by securities brokerage firms, and from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers. Additionally, investment fee income includes fees and commissions earned from underwriting securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Investment fee income also includes the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence. In 2001, revenues earned from the sale of annuities were all reported as insurance fee income; as of 2002, sales of annuities by securities brokerage firms are now reported as investment fee income.

Representing fee income earned from both the broking and dealing activities of broker-dealers, investment fee income has been reported from 2001 through 2006. Since 2007, investment fee income is no longer reported, but MWA still calculates it by adding "Investment Banking, Advisory, and Underwriting Fees and Commissions," "Securities Brokerage Income," and "Annuity Fee Income."

## **Investment Program Income**

Investment program income is the sum of securities brokerage income and annuity fee income.

## **Mean**

Also referred to as the arithmetic mean or the average, the mean is the sum of scores divided by the number of scores.



## Median

The median is the midpoint of a distribution, above which half of the scores occurred and below which half of the scores occurred.

## Midatlantic Region

The Midatlantic region includes five states and the District of Columbia: Delaware (DE), District of Columbia (DC), Maryland (MD), New Jersey (NJ), Pennsylvania (PA) and West Virginia (WV).

## Midwest Region

The Midwest region includes thirteen states: Illinois (IL), Indiana (IN), Iowa (IA), Kansas (KS), Kentucky (KY), Michigan (MI), Minnesota (MN), Missouri (MO), Nebraska, (NE), North Dakota (ND), Ohio (OH), South Dakota (SD) and Wisconsin (WI).

## Mutual Fund and Annuity Income

See “Income from Mutual Funds and Annuities.”

## N/A

N/A means that Compound Annual growth cannot be calculated for that period because some figures for one of the years in that period are zero or not available.

## N/A\*\*

N/A\*\* means that this value is not meaningful because a negative number or zero occurs in either the “Industry Total” or institution’s value for that year. For example, if the industry records a net average loss of \$1,000 in insurance income, but an institution records a net loss of \$2,000 in insurance income, it cannot meaningfully be said that the institution outperformed the industry by 100 percent.

## #N/A

#N/A means that changes in rank and percentile ratings or compound annual growth cannot be calculated for that period because the institution either changed asset classes, changed certificate numbers, or did not report the previous year.

## National Bank (N.A. or N.B.)

A national bank is a commercial bank that possesses a national or federal charter, thus mandating membership in the Federal Reserve. The Office of the Comptroller of the Currency (OCC) supervises national banks. The initials “N.A.” for “national association” or “N.B.” for “national bank” following its name identify a bank as a national bank.

## Net Operating Revenue

Net operating revenue is the sum of net interest income and noninterest income.



### **Net Securitization Income**

Net securitization income consists of net gains (losses) on assets sold in the bank's own securitization transactions, i.e., net of transaction costs. It includes unrealized losses (and recoveries of unrealized losses) on loans and leases held for sale in the bank's own securitization transactions. It includes fee income from securitizations, securitization conduits, and structured finance vehicles, including fees for providing administrative support, liquidity support, interest rate risk management, credit enhancement support, and any additional support functions as an administrative agent, liquidity agent, hedging agent, or credit enhancement agent. And, it includes all other fees (other than servicing fees and commercial paper placement fees) earned from the bank's securitization and structured finance transactions.

### **Net Servicing Fees**

Net servicing fees are earned from servicing real estate mortgages, credit cards, and other financial assets held by others. They include any premiums received in lieu of regular servicing fees on such loans only as earned over the life of the loan.

### **No Data**

Certain *MWA Bank Fee Income Ratings Reports*™ contain the words "No Data" in the fields "Change in Rank" and "Change in Percentile." "No Data" means that, during the prior year, either a bank reported no income in a particular line of fee income or the bank was not a member of that particular peer group (region, state or asset class) for which "No Data" appears.

### **Noninterest Fee Income**

Noninterest fee income is additional noninterest income consisting of insurance commissions; investment banking fees and brokerage commissions; fiduciary income; domestic deposit account service charges; venture capital revenue; net servicing fees from servicing real estate mortgages, credit cards, and other financial assets held by others; net securitization income; and other noninterest income such as rental of safe deposit boxes, the sale of bank drafts, money orders, cashiers' checks, and travelers' checks, and income and fees from the sale and printing of checks.

### **Noninterest Income**

Noninterest income consists of income derived from non-lending activities. Some noninterest income may be fee income. Noninterest income also includes income that is not fee income, such as trading revenue from gains (losses) and fees from foreign exchange transactions; other gains (losses) and fees from trading assets and liabilities; net gains (losses) on sales of loans and leases, other real estate owned, and other assets (excluding securities) and other noninterest income.

### **Northeast Region**

The Northeast region includes seven states, Puerto Rico and the U.S. Virgin Islands: Connecticut (CT), Maine (ME), Massachusetts (MA), New Hampshire (NH), New York (NY), Puerto Rico (PR), Rhode Island (RI), Vermont (VT) and the U.S. Virgin Islands (VI).



## Percentile

Percentile is the proportion of scores in a distribution that a specific score is greater than or equal to. For instance, if a particular test score is greater than or equal to the scores of 90 percent of the students taking the test, then the percentile rank of that particular test score would be 90. It would be in the 90<sup>th</sup> percentile.

## Program Concentration

Program concentration is a calculation for examining the portion of total noninterest income attributable to a specific form of bank noninterest fee income. This benchmarking ratio, first introduced, emphasized and now named by MWA, is measured as a percentage of total noninterest income. Calculation of this ratio enables us to know how concentrated or meaningful banks' insurance or investment programs are within their nonlending activities.

## Program Contribution

Program contribution measures the contribution that a particular fee income program makes to a BHC's net operating revenues. Net operating revenue is the sum of net interest income and total noninterest income. This benchmark, therefore, measures the proportionate contribution that the fee income program makes to a bank's total revenue.

## Program Density

Program density is a new benchmark MWA is making available for the first time. Program density is the amount of program fee income per domestic banking office. Program density measures the relative generation of income among banking locations, which have long been commonly considered to be important physical assets in the generation of customer referrals and the attendant fee income generated from customer relationships.

## Program Penetration

While introducing some new benchmarking ratios, the report also reinvigorates a popular old benchmark with new, more reliable data. The old benchmark, long used by the industry, is "penetration," more fully known as "penetration rate or ratio," "retail deposit penetration rate," or variations thereof. The relative penetration of an investment or insurance program may be measured as the amount of program revenue generated per million dollars of core or retail deposits or as a percentage of core or retail deposits. These deposits substitute as a measure of retail customers and the breadth of the customer relationship because the data for retail customers or retail households are hard to obtain on a reliable, national, and standardized basis.

## Program Productivity

Program productivity is another new benchmark MWA is making available for the first time. Program productivity is measured as the amount of program fee income per bank employee. This is similar to one of the common benchmarks used in analyzing insurance agencies: agency revenue per agency employee. One expects a program's employee productivity to be markedly higher in more mature investment programs in contrast to new programs. Program productivity measures the relative generation of income among bank employees, who have long been commonly considered to be important human assets in the generation of customer referrals and the attendant fee income generated from customer relationships.



## **Quartiles**

Quartiles are a method of measuring how a data set is distributed by dividing an array of values into four equal-sized groups called quartiles. Technically, however, the term “quartile” refers to the three data points or cut-off values that divide the population into quartiles, not to the four divisions of data. The quartiles include the top or upper quartile, the second or upper-middle quartile, the third or lower-middle quartile, and the bottom or lowest quartile. There are several reasons medians and quartiles are used instead of an average. Medians and quartiles eliminate the influence of an “outlier,” an extremely high or low value when compared to the rest of the values. Quartiles also more accurately reflect the range of ratio values than a straight averaging method.

## **Rank**

Rank is a grade of official standing in a hierarchy, or the order according to some statistical characteristic such as the score on a test.

## **Retail Deposits**

See “Deposits.”

## **Savings Association (SA)**

Savings associations may possess either a state or federal charter. The Office of Thrift Supervision (OTS) supervises them because they are federally insured. The letters “SA” following its name identify a savings association.

## **Savings Bank (SB)**

The FDIC supervises federally insured state-chartered savings banks, because they are federally insured. The letters “SB” following its name identify a savings bank.

## **Securities Brokerage Income**

Securities brokerage income includes fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers, and from the lending of securities owned by the bank or by bank customers. Securities brokerage income does not include income from fiduciary activities, trading revenue, or fees and commissions from the sale of annuities (fixed, variable, and other) to bank customers by the bank or any securities brokerage subsidiary. But, it does also include the bank’s proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in securities brokerage activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

## **Service Charges on Deposit Accounts**

Service charges on deposit accounts include amounts charged depositors in domestic offices for the maintenance of their deposit accounts with the bank, for their failure to maintain specified minimum deposit balances, based on the number of checks drawn on and deposits made in their deposit accounts, for checks drawn on so-called “no minimum balance” deposit accounts, for withdrawals from nontransaction deposit



accounts, for the closing of savings accounts before a specified minimum period of time has elapsed, for deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units, for the processing of checks drawn against insufficient funds (so-called “NSF check charges”), for issuing stop payment orders, for certifying checks, and for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when not handled by the bank’s trust department.

### **Southeast Region**

The Southeast region includes eight states: Alabama (AL), Florida (FL), Georgia (GA), Mississippi (MS), North Carolina (NC), South Carolina (SC), Tennessee (TN) and Virginia (VA).

### **Southwest Region**

The Southwest region includes six states: Arkansas (AR), Arizona (AZ), Louisiana (LA), New Mexico (NM), Oklahoma (OK) and Texas (TX).

### **State-Chartered, Fed-Member Bank (SM)**

A state-chartered, Fed-member bank is a commercial bank with a state charter that has elected to become a member of the Federal Reserve. Because the bank is a Fed member, the Federal Reserve supervises this bank. A Fed-member state-chartered bank’s classification code is “SM.”

### **State-Chartered, Non-Member Bank (NM)**

A state-chartered, non-member bank is a commercial bank with a state charter. “Non-member” refers to the fact that the bank is not a member of the Federal Reserve. Since the bank is not a member of the Federal Reserve (or, nonmember), the FDIC supervises this bank. A non-member state-chartered bank’s classification code is “NM.”

### **Total Insurance Income**

Total insurance income includes all income from insurance brokerage sales activities and insurance underwriting or reinsurance activities. Insurance income also includes the bank’s proportionate share of the income or loss before extraordinary items and other adjustments from its investments in ventures over which the bank exercises significant influence that are principally engaged in insurance underwriting, reinsurance, or insurance sales activities.

Total insurance income does not include commissions and fees that the bank earns from the sale of annuities to bank customers by the bank’s securities brokerage firm, which are now reported as investment fee income. It also excludes commissions and fees from sales of annuities by the bank’s trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity. The year 2003 marked the first time that insurance commissions and fees were reported separately from underwriting and reinsurance income.

### **Total Insurance Sales Income**

Total insurance sales income is the sum of annuity commissions and fees plus insurance brokerage income.



## **Total Insurance Sales and Underwriting Income**

Total insurance sales and underwriting income is the sum of total insurance sales income plus insurance underwriting income. That is the same as the sum of annuity, insurance brokerage and insurance underwriting income, which is also equivalent to the sum of total insurance income (i.e., the sum of insurance brokerage and underwriting income) plus annuity commissions and fees.

## **Trading Revenue**

Trading revenue is the net gain or loss from trading cash instruments and derivative contracts (including commodity contracts) that has been recognized during the calendar year-to-date. Trading revenue includes revaluation adjustments to the carrying value of cash instruments resulting from the periodic marking to market of such instruments. It also includes revaluation adjustments from the periodic marking to market of interest rate, foreign exchange rate, commodity, and equity derivative contracts. And, it includes incidental income and expense related to the purchase and sale of assets and liabilities reportable as “trading assets” and “trading liabilities” and off-balance-sheet derivative contracts and credit derivatives contracts that are held for trading purposes.

## **Venture Capital Revenue**

In general, venture capital activities involve the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. The primary objective of these investments is capital growth. Venture capital revenue includes market value adjustments, interest, dividends, gains, and losses (including impairment losses) on venture capital investments (loans and securities). It includes any fee income from venture capital activities not reported in other noninterest fee income items of the income statement. Also, venture capital revenue includes the bank’s proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in venture capital activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence that are principally engaged in venture capital activities.

## **Wealth Management Income**

MWA defines Wealth Management Income as consisting of both trust or fiduciary-related revenues and mutual fund & annuity fee income. MWA also includes insurance brokerage fee income in Wealth Management Income, if the bank earns it. But, the bank must always earn both fiduciary and mutual fund & annuity fee income in order to be deemed as having a wealth management program. If a bank earns only fiduciary-related revenues, then it doesn’t have a wealth management program. It has a trust program, and its trust program is better compared, ranked and rated as a trust program, not a wealth management program.

## **West Region**

The West region includes eleven states and three territories: Alaska (AK), American Samoa (AS), California (CA), Colorado (CO), States of Micronesia (SM), Guam (GU), Hawaii (HI), Idaho (ID) Montana (MT), Nevada (NV), Oregon (OR), Utah (UT), Washington (WA) and Wyoming (WY).